

# Global Hemp Group Inc.

(formerly Arris Holdings Inc.)

**Management Discussion and Analysis**

**Nine Months Ended June 30, 2014**

## 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., formerly Arris Holdings Inc. (the "Company" or "GHG") for the nine months ended June 30, 2014 and should be read in conjunction with the Company's audited annual financial statements for the most recent year-ended September 30, 2013 and the Company's condensed consolidated interim financial statements for the same interim period. The Company's financial statements have been presented in accordance with International Financial Reporting Standards and are presented in Canadian dollars. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR ([www.sedar.com](http://www.sedar.com)) and at the Company's website (<http://globalhempgroup.com>)

This MD&A has been prepared effective as of August 29, 2014

### Forward Looking Statements

*The information presented in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in the Private Securities Litigation Reform Act of 1995 and similar Canadian laws.*

*Such forward-looking statements, including but not limited to those with respect to the price of metals, the timing and amount of estimated future mineralization and economic viability of properties, capital expenditures, costs and timing of exploration projects, permitting timelines, title to properties, the timing and possible outcome of pending exploration projects and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors such as general economic and business conditions, change in foreign currency exchange rates, and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Since forward looking statements address future events and conditions, by their nature, they involve inherent risks and uncertainties. Readers should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.*

*These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not intend nor do we undertake any obligation to update or revise any forward-looking statements whether written or oral that may be made by or on the Company's behalf should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by securities law.*

*The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.*

<b><i>Forwarding looking statements</i></b>	<b><i>Assumptions</i></b>	<b><i>Risk factors</i></b>
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.	<i>Based on management's current plan in raising capital in the future.</i>	<i>Change in interest rate, support by related parties, change in condition of capital market</i>

## **Overall Performance**

### Background

Global Hemp Group Inc. (formerly Arris Holdings Inc.) was incorporated on October 30, 2009 in British Columbia, Canada and had its name change effective March 24, 2014. The Company's principal activity had been exploration and development of mineral properties in prior periods and changed to agriculture and manufacturing in the industrial hemp sector on March 24, 2014, when the Company changed its name to Global Hemp Group Inc.

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 Canadian Securities Exchange ("CSE") 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".

### Corporate Update

Mr. Charles Larsen, was appointed the Company's director and Chief Executive Officer on December 12, 2013 and also the President on April 15, 2014. Dr. Reid Jilek, was appointed the Chief Business Development Officer of the Company and was elected the Company's director on February 7, 2014.

Mr. Mikhail Gurfinkel and Mr. Christoph Weber joined the Company as director on February 7, 2014 and April 3, 2014, respectively. The new directors are expected to provide the Company their vision and experiences in the process of developing the companying into new business areas. The Company is expected to be benefited from the newly appointed officers' experience and exposure in the hemp industry.

On April 24, 2014, the Company commenced trading on the OTC Market in the U.S.A under the trading Symbol "GBHPF". On June 10, 2014, the Company upgraded to reporting on the OTCQB marketplace.

On December 17, 2013, the Company incorporated a wholly owned subsidiary, Global Hemp Group, Inc., in the state of Nevada, U.S.A. The Company has started to conduct business in the U.S.A through this subsidiary commencing April 1, 2014.

### Share Capital Update

On February 7, 2014, the Company's shareholders approved a 1-5 (one to five) 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 the number of outstanding shares, warrants, loss per shares in this MD&A has been adjusted retrospectively to reflect this Stock Split unless otherwise stated.

During the quarter ended June 30, 2014, 2,000,000 warrants were exercised into common shares in April 2014 at \$0.02/share for \$40,000. This was in addition to the 8,000,000 warrants that were exercised into common shares of the Company on March 31, 2014 at \$0.02/share for \$160,000.

The Company completed a private placement for the issuance 3,000,000 units (“Units A”) at \$0.1/unit in April 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 share 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. The total amount of \$300,000 was raised for this offering during Q3 2014, which was the full amount of this private placement offering.

No finder’s fees were paid out during Q3 2014 pertaining to this issuance.

On May 15, 2014, Company announced 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. 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 process 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.

#### Stock Options

On March 31, 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 warrants will expire on April 7, 2019 and the remaining 876,000 options will expire on April 7, 2016. All of these options were vested on the date of issuance.

No stock options were issued during the Third Quarter of 2014.

#### Share for Debt Settlement

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

On July 29, 2014, the Company issued \$73,000 in Common Shares (at \$0.1/share) to settle a consulting fee in full. These shares were issued as part of the private placement of \$1,500,000 Unit B shares discussed in the next section.

#### Proposed Financing

No new proposed financing was entered in as of the date of this MD&A.

## Business Outlook

Subsequent to the quarter ended June 30, 2014, the Company experienced the following business developments:

1) On April 15, 2014, the Company received an exclusive 5 year off take agreement from HempNatura, Inc. (Hemp Natura Agreement"). In this agreement, Global Hemp Group guaranteed delivery of processed hemp, seed, oil and cake to be used in the preparation of HempNatura's food, beverage, body care, cosmeceutical and nutraceutical products and expanding product line. On July 15, 2014, HempNatura purchased 42 metric tons of processed hemp related products from the Company for \$175,150.10. This is the first purchase order of hemp seeds that is in connection with the 5 year exclusive supply agreement with the HempNatura Agreement.

To strengthen the relationship with HempNatura, the Company also entered into an agreement to purchase 20 percent of the common shares of HempNatura Inc. for USD\$250,000 (the "Transaction"). Contemporaneously with this acquisition, the Company received 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.

In May and July of 2014, the Company issued HempNatura a payment of \$25,000 and \$20,000 (total \$45,000), respectively, towards the total purchase of 20 percent of the common shares of HempNatura. In addition, the Company entered into an agreement whereby it was mutually agreed upon that the Company would apply the full balance of the invoice for raw goods of \$175,150.10 that HempNatura purchased towards the remaining balance owed for the purchase of the 20 percent equity position. As of June 30, 2014, the Company was current with its obligations to HempNatura and the corresponding vendors. However, as of August 29, 2014, the Company is in default of the remaining balance owed to HempNatura equal to \$29,849.90 for the purchase of 20% equity in the Company. HempNatura has agreed to forgo the final payment until the Company is able to make the payment during the Third Quarter.

2) In April 2014, the Company formed a new cooperation with African Frontier Partners ("AFP"), whereby the Company will engage in economic development and promote environmental stewardship in sub-Saharan Africa. AFP is an advisory/investment management firm engaged in providing and structuring debt/equity finance for clients in the middle market category, government owned enterprises and not-for profit organizations operating in Africa. Working in cooperation with AFP to forge key relationships in order to gain the necessary regional support and regulatory approval, GHG plans to develop large-scale Industrial Hemp cultivation and processing facilities in Kenya, Ethiopia, Nigeria, and Ghana. Additionally significant research and development is planned in conjunction with local universities specializing in pharmacological and agricultural studies.

3) 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.

### Selected Quarterly Information

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

	Quarter Ended							
	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012
	\$	\$	\$	\$	\$	\$	\$	\$
Gross Margin	58,232	-	-	-	-	-	-	-
Operating expenses	443,083	407,345	30,816	22,176	18,750	11,310	13,967	26,291
Loss from continued operations and net loss	384,851	407,345	30,816	22,176	18,750	11,310	13,967	62,198
Loss per share, basic and diluted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The Company is in its early stage and began earning revenue for the first time since its inception during 2014 Q3. Its past results of operations were not subject to seasonality. During the third quarter ended June 30, 2014 ("2014 Q3"), the Company, under its new management team, continued to switch the Company's focus towards agriculture and manufacturing in the industrial hemp sector. As a result, the operating expenses incurred in 2014 Q3 increased and management expects operating costs to go up further directly in correlation with an increase in its business activities in the future.

### Results of Operations

#### Nine Months Ended June 30, 2014 ("2014 Nine Months")

The Company earned revenue for the first time during the third quarter and does not expect to have substantial revenue in the foreseeable future. Loss for 2014 Nine Months was \$670,678 (2013 Nine Months – loss of \$44,027). The \$670,678 loss was mainly a result of having operating expenses of \$728,910 in 2014 Nine Months (2013 Nine Months –\$44,027).

Operating expenses increased by \$626,052 during the nine months ended June 30, 2013 as the Company had a new management team and board of directors in this period, as well as costs associated with getting the Company listed on the OTC in the US. Business activities increased substantially in this period. During the Nine Months ended June 30, 2014, management focused on building the Company's business strategy, restructuring debt obligations, negotiating with potential suppliers of hemp seeds and potential customers, arranging private placement that was initiated during Q3, and activities to promote the Company to the public and investors. Management expects that there will be more business activities and higher operating expenditures during the rest of fiscal 2014.

The \$728,911 operating expenses consisted mainly of \$395,217 in consulting fees paid mainly to directors and corporate officers (2013 Nine Months - \$5,000), \$85,023 of travel expenditure (2013 Nine Months - \$0), for officer and directors' travel in connection with negotiation and promotion activities, and \$71,490 in trust and filing fees (2013 Nine Months - \$7,434). The trusting and filing fees increased by \$64,056 as the Company incurred expenditures for

listing its shares on Boerse-Frankfurt Exchange, on US OTC market, and for the application fees paid to CSE for name change and change of business.

As of June 30, 2014, the Company had \$14,679 cash (June 30, 2013 - \$4,564), accounts payable and accrued liabilities of \$259,657 (June 30, 2013 - \$13,734), and \$2,697,518 of share capital (June 30, 2013 - \$1,724,000)

The increase of cash was mainly a result of an increase in sales, increase of accounts payable and accrued liabilities and an increase of share capital by \$823,518 arising from warrants exercised and units being sold.

### 2014 Q3

The Loss for 2014 Q3 was \$384,851 (2013 Q3 –\$18,720). The \$384,851 loss was mainly a result of having operating expenses of \$443,083 in 2014 Q3 (2013 Q3 –\$18,720).

As discussed in the above, the Company had a new management team to help the Company transition into a new line of business during 2014 Nine Months. As a result, operating expenses in 2014 Nine Months increased significantly. Given these changes are effectively commenced in 2014 Q3, substantially all of the increase in the 2014 Nine Months were included in the result of 2014 Q3.

The \$443,083 operating expenses consisted mainly of \$293,486 in consulting fees paid mainly to directors and corporate officers (2013 Q2 - \$5,000), \$37,302 of travel expenditure (2013 Q2 - \$5,937) for officer and directors' business travel, and \$34,115 in trust and filing fees (2013 Q2 - \$7,434). The trusting and filing fees increased by \$31,039 as the Company incurred expenditures for listing its shares on US OTC market, and for the application fees paid to CSE for name change and change of business approval during 2014 Q3.

### **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 of June 30, 2014, the Company had a working capital of \$125,981.

Management realizes that the current liquidity and capital on hands are not sufficient to develop the Company into a viable business. In order to eliminate the working capital deficiency, the Company completed a private placement (Unit A) for gross proceeds of \$300,000 and raised \$90,250 from a partial funding of the Unit B private placement (see "Share Capital Update" subsection) and completed a share for debt exchange to settle \$233,258 in payables owed to directors and officers in April 2014 (see "share for debt" subsection).

In order to provide capital to finance the Company's operations over a longer term, the Company is currently in the process of offering a private placement for gross proceeds of \$1,500,000 (see "Share Capital Update" subsection).

The Company may further raise capital in the future to finance the Company's operations through equity or debt financing, including related party loans, 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.

The Company does not have capital commitments and its capital resources are not subject to external restrictions.

During 2014 Nine Months, the Company received \$200,000 from its financing activities by issuing 10,000,000 common shares through an exercise of warrants.



During 2014 Nine Months, the Company had \$45,000 in outflow from its investing activities in acquiring a 20% ownership interest in HempNatura.

### Proposed Transactions

There are no proposed transactions that may have a material impact on the Company other than what was disclosed in this filing.

### Outstanding Share Data

As of 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:

Common Shares	137,917,545
Warrants	1,098,800
Stock Options	12,475,999

### Off-Balance Sheet Arrangements

The company does not have off-balance sheet arrangements.

### Transactions with Related Parties

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:

		Nine Months Ended June 30,	
		2014	2013
		\$	\$
Companies controlled by the spouse of a director (Sandy Janda)	Rent	15,000	Nil
Company controlled by the Ex-President (Lucky Janda)	Rent	Nil	22,500
CEO, director	Consulting fees	60,646	Nil
President, director (Donald Steinberg )	Consulting fees	58,314	Nil
CFO	Consulting fees	Nil	Nil
Director (Reid Jilek)	Consulting fees	58,314	Nil
Director (Mikhail Gurfinkel)	Consulting fees	55,984	Nil



b) 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, 2014 \$	September 30, 2013 \$	Note
Companies controlled by the spouse of a director(Sandy Janda)	Rent	2,625	Nil	
Director (Reid Jilek)	Consulting fees	Nil	Nil	1
Director (Mikhail Gurfinkel)	Consulting fees	Nil	Nil	1
CEO, director	Consulting fees	Nil	Nil	1
CEO, director	Expense reimbursement	64,299	Nil	
CFO	Consulting fees	Nil	Nil	
President, director	Consulting fees	Nil	Nil	1
Total		\$66,924	Nil	

Note 1 – A portion of these amounts owing to officers and directors as of June 30, 2014 (totalling \$233,258) were settled by issuing shares at \$0.1/share in April 2014 (see “Share for Debt” subsection)

### **Financial Instruments and Other Instruments**

Refer to Notes 3 and 11 to the Company's audited financial statements for the year ended September 30, 2013 and note 7 to the Company's unaudited condensed consolidated interim financial statements for the same interim period of this MD&A

### **Changes in Accounting Policies including Initial Adoption**

Refer to Notes 3 to the Company's unaudited condensed consolidated interim financial statements for the same interim period of this MD&A

### **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:

#### New Business

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.

#### Dilution to the Existing Shareholders

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 industry 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 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**

Sandy Janda	Ex - CEO (resigned on December 12, 2013), director
Jack Bal	Ex- Director (resigned on December 12, 2013)
Mikhail Gurfinkel	Director (appointed on November 4, 2013)
Jamie Lewin	Ex -Chief Financial Officer (resigned in December 2013)
Larry Tsang	Chief Financial Officer – appointed on January 13, 2014
Charles Larsen	Director, President, and Chief Executive Officer (appointed on December 12, 2013 as director and CEO and appointed on April 15, 2013 as President)
Mr. Donald Steinberg	Director (resigned on April 14, 2014)
Dr. Reid Jilek,	Director and Chief Business Development Officer (appointed on February 7, 2014)
Christoph Weber	Director (appointed on April 3, 2014)