



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Quarter Ended June 30, 2015

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.
Condensed consolidated interim statements of financial position
(Unaudited - expressed in Canadian dollars)

	Note	June 30, 2015	September 30, 2014
		\$	\$
Assets			
Current assets			
Cash		37,058	4,445
Accounts receivable		21,318	2,150
Prepayments		34,944	-
Inventory	4	1,300,000	1,500,000
Total assets		1,393,320	1,506,595
Liabilities and shareholders' deficiency			
Non-current liabilities			
Convertible debentures	10	153,603	-
		153,603	-
Current liabilities			
Accounts payable and accrued liabilities	4,5	1,495,765	1,514,060
Note payable	9	19,641	-
Due to related parties	6	110,946	77,813
		1,626,352	1,591,873
Shareholders' deficiency			
Share capital	6	2,967,168	2,967,168
Reserve		1,581,426	1,465,931
Deficit		(4,935,229)	(4,518,377)
		(386,635)	(85,278)
Total liabilities and shareholders' deficiency		1,393,320	1,506,595

Nature of operation and basic of presentation **I**

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

Approved and authorized for issuance by the Board of Directors on August 31, 2015

"Curt Huber"
Director

"Charles Larsen"
Director

GLOBAL HEMP GROUP INC.**Condensed consolidated interim statements of comprehensive loss**

(Unaudited - expressed in Canadian dollars)

		Three months ended June 30,		Nine months ended June 30,	
	Note	2015	2014	2015	2014
		\$	\$	\$	\$
Gross Revenue		11,833	-	11,833	-
Cost of Goods Sold		11,466	-	11,466	-
Gross Profit		367	-	367	-
Expenses					
Advertising and promotion		1,005	16,941	1,214	41,535
Consulting	6	149,089	293,486	177,089	395,217
Office and administration		11,185	28,906	29,600	107,267
Occupancy cost		-	15,000	-	15,000
Professional fees		3,600	5,330	12,900	1,375
Share based compensation		672	-	25,372	-
Shareholder communication		14,061	12,003	14,061	12,003
Travel		7,570	37,302	8,401	85,023
Trust and filing fees		17,114	34,115	26,649	71,490
Loss before the following		(203,929)	(443,083)	(294,919)	(728,910)
Exchange gain		2,384	-	2,384	-
Accretion, Interest and finance charges	4,10	(55,179)	-	(124,317)	-
Net loss		(256,724)	(443,083)	(416,852)	(728,910)
Other comprehensive loss		27,235	-	(11,381)	-
Comprehensive loss		(229,489)	(443,083)	(428,233)	(728,910)
Loss per share, basic and diluted		(0.00)	(0.00)	(0.00)	(0.00)
Weighted average number of outstanding shares		137,917,545	119,617,409	137,917,545	124,740,866

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

GLOBAL HEMP GROUP INC.

Condensed consolidated interim statements of changes in deficiency

(Unaudited - expressed in Canadian dollars except for number of shares)

	Share Capital			Reserve				Shareholders' deficiency
	Note	Number	Amount	Share-based compensation	Foreign currency translation	Conversion Right - Convertible Debenture	Deficit	
			\$	\$	\$	\$	\$	\$
Balance, September 30, 2013		117,916,860	1,874,000	–	–	–	(1,904,779)	(30,779)
Share issuance - warrants exercised		10,000,000	200,000	–	–	–	–	200,000
Unit A issued for cash		3,000,000	300,010	–	–	–	–	300,010
Unit B issued for cash		-	90,250	–	–	–	–	90,250
Share Issued for Debt Settlement		2,332,580	233,258	–	–	–	–	233,258
Loss for the period		–	–	–	–	–	(728,910)	(728,910)
Balance, June 30, 2014		133,249,440	2,697,518	–	–	–	(2,633,689)	63,829
Balance, September 30, 2014		137,917,545	2,967,168	1,472,882	(6,951)	–	(4,518,377)	(85,278)
Translation	7	–	–	–	(11,381)	–	–	(11,381)
Share based compensation	7	–	–	25,372	–	–	–	25,372
Equity value allocation for Warrants and Conversion Rights issued with								
Convertible Debenture	10	–	–	49,418	–	52,086	–	101,504
Loss for the period		–	–	–	–	–	(416,852)	(416,852)
Balance, June 30, 2015		137,917,545	2,967,168	1,547,672	(18,332)	52,086	(4,935,229)	(386,635)

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

GLOBAL HEMP GROUP INC.**Condensed consolidated interim statements of cash flows**

(Unaudited - expressed in Canadian dollars)

	Nine months ended June 30,	
	2015	2014
Cash (used in) provided by:	\$	\$
Operating activities		
Loss for the period	(416,852)	(728,910)
Non-cash items		
Share based compensation	25,372	–
Foreign currency translation	(11,380)	–
Accretion	4,807	–
Interest accrual	115,184	–
Changes in non-cash operating working capital		
Accounts receivables and prepaid	(54,112)	(164,023)
Accounts payable and accrued liabilities	253,061	228,067
Due to related parties	52,133	–
Cash used in operating activities	(31,787)	(664,866)
Financing activities		
Proceeds from convertible debenture issuance	64,400	–
Share issued for cash	–	390,260
Proceeds from warrants exercise in common shares	–	200,000
Cash provided by financing activities	64,400	590,260
Investing activities		
Investment in Hemp Natura	–	45,000
Cash provided by investing activities	–	45,000
Increase (decrease) in cash	32,613	(29,606)
Cash, beginning of period	4,445	44,285
Cash, end of period	37,058	14,679
Supplementary information:		
Cash paid for interest expense	4,326	–
Cash paid for income taxes	–	–

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

Global Hemp Group Inc.
Notes to the condensed consolidated interim financial statements

Three and nine months Ended June 30, 2015

(Unaudited - expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Global Hemp Group (the “Company”) was incorporated on October 30, 2009 in British Columbia, Canada as Arris Holdings Inc. and changed its name to Global Hemp Group on March 24, 2014. The Company’s principal activity is seeking business opportunities in the hemp and cannabis industries. The Company was previously in the sector of exploration and development of mineral properties.

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 (“CSE”) under the symbol “GHG”, on Boerse-Frankfurt Exchange and XETRA Exchange in Europe under the symbol “GHG”, and in the United States on the OTCQB under the symbol “GBHPF”.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. 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.

The Company did not make the required payments under production agreements entered into during the recent year ended September 30, 2014 (the “Purchase Agreements”) for the purchase of 1,500,000 pounds of hemp seed (the “Inventory”) (Note 4) and the Purchase Agreements are in default as at September 30 and December 31, 2014 and the date of the approval of these financial statements. As at June 30, 2015, the balance payable relating to the Purchase Agreements was \$1,287,994 (September 30, 2014 - \$1,350,000). As a result, there is reservation on title on the Inventory, the Company’s primary asset. Within the going concern assertion it is presumed that the Company will be able to remedy the default and retain its title over the Inventory

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for three and six months ended June 30, 2015, 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, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Certain reclassifications have been made to prior periods to conform with current reporting.

Significant estimates and assumptions

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

Estimates where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and the fair value of inventory.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Accounting standards issued but not yet applied

The Company has not adopted new accounting standards since its recent year ended September 30, 2014.

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after December 31, 2014 or later periods.

The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements, is not expected to have a material effect on the Company's future results and financial position: IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9); and Amendments to IAS 32 Financial Instruments: Presentation.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Global Hemp Group Inc.
Notes to the condensed consolidated interim financial statements
Three and nine months Ended June 30, 2015
(Unaudited - expressed in Canadian dollars)

4. INVENTORY

On April 28, 2014, and as amended July 4, 2014, the Company entered into Purchase Agreements with various farmers (collectively the “Sellers”) for the purchase of 1,500,000 pounds of hemp seeds (“Inventory”) for \$1,500,000.

Under the Purchase Agreements, the Company agreed to pay the purchase price in four instalments as follows:

- \$150,000 on July 4, 2014 (paid);
- \$225,000 on July 31, 2014;
- \$375,000 on September 15, 2014; and
- \$750,000 at the time the Company picks up the Inventory.

The Company is in default on remaining payments due after July 4, 2014 and the liability of \$1,350,000 has been included in accrued liabilities as at September 30, 2014 and \$1,186,104 on December 31, 2014.

The outstanding balance owing to the Seller is subject to an interest of 1% per month and the Inventory bears storage cost until the Inventory was picked up. During nine months ended June 30, 2015, the Company incurred \$108,000 interest expenses and storage costs \$24,494 (recorded to the statement of comprehensive loss).

Under the arrangement of the Company, an arm’s length third party purchased a total of 200,000 pounds of the hemp seed directly from the Seller in November and December 2014. As a result, the Company’s inventory and accounts payable have been both reduced by \$200,000 during the quarter ended December 31, 2014. There was no valuation provision as at June 30, 2015.

As part of the Purchase Agreements, the Company also agreed to issue 1,500,000 warrants exercisable at a price of \$0.08 per share for a period of 3 years. The estimated fair value of the warrants of \$74,740 has been recorded as financing fees in the consolidated statements of comprehensive loss during the year ended September 30, 2014.

In January 2015, the Company entered into agreements with the Sellers (Note 5) that releases any rights and claim to the Inventory produced by the Sellers and authorizes the Sellers to sell the Company’s Inventory to New Organics Inc. (a company that GHG introduced to the farmers). [In the event that New Organics Inc. has not purchased all of the Hemp Seed by July 1, 2015, then the Sellers have been further authorized to sell to such other purchasers as the Sellers, acting reasonably, may determine to be advisable.]

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2015	September 30, 2014
Trade payables	\$ 134,626	\$ 78,209
Accrued liabilities (Note 4)	1,361,139	1,435,851
	\$ 1,495,765	\$ 1,514,060

Global Hemp Group Inc.
Notes to the condensed consolidated interim financial statements
 Three and nine months Ended June 30, 2015
 (Unaudited - expressed in Canadian dollars)

6. RELATED PARTY TRANSACTIONS

Key Management Compensation:

	Nature of transactions	Nine months ended June 30,	
		2015	2014
A director ¹	Consulting fees	\$ 10,000	\$ -

¹ These fees were incurred as a consultant to the company, prior to becoming a Director on December 29, 2014.

As at June 30, 2015, \$62,360 (3/31/2015-\$62,447) was owing to directors, \$1,687 (3/31/2015-\$5,201) was owing to the CEO, \$11,615 (3/31/2015-\$27,177) was owing to the CFO, and \$59,952 (3/31/2015-\$39,265) was owing to the ex-CFO.

7. CAPITAL STOCK

Authorized

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

Issued and outstanding

All share and per share information has been retroactively restated in these consolidated financial statements to reflect the one to five share split completed on February 16, 2014.

There was no change since the recent year ended September 30, 2014.

Warrants

The Company had 14,965,655 warrants outstanding as at June 30, 2015 (9,266,905 – December 31, 2014) with a weighted exercise price of \$0.15/share and a weighted average expiry life of 1.51 years.

Stock options

The Company had 9,808,333 options outstanding as at June 30, 2015 (12,474,999 – December 31, 2014) with a weighted exercise price of \$0.11/share and a weighted average expiry life of 3.68 years.

During the quarter ended March 31, 2015, the Company issued 1,300,000 stock options to directors on January 15, 2015. These options were fully vested on the grant date, have an exercise price of \$0.10/share and will expire 4 years from issuance.

The Company estimated the value of the options granted and vested by using Black Scholes option pricing model with the use of the following assumptions:

- Exercise price of \$0.10/share
- Share price at the grant date of \$0.02/share
- Expiry date ranged from 3 to 5 years
- Risk free dividend rate of 0.92% per annum
- Volatility of 200% per year

Global Hemp Group Inc.**Notes to the condensed consolidated interim financial statements**

Three and nine months Ended June 30, 2015

(Unaudited - expressed in Canadian dollars)

In connection with the options and the warrants vested, the Company recorded stock based compensation of \$26,100 during the nine months ended June 30, 2015.

Share based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Foreign currency translation reserve

The foreign currency translation reserve records unrealized exchange differences arising on translation of foreign operations that have a functional currency other than the Company's reporting currency.

Basic and diluted loss per share

Diluted loss per share does not include the effect of [9,266,905] warrants and [9,808,333] options as the effect would be anti-dilutive.

8. FINANCIAL INSTRUMENTS**Classification of financial instruments**

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

	June 30, 2015	September 30, 2014
Loans and receivables:	\$	\$
Cash	37,058	4,445

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

	June 30, 2015	September 30, 2014
Non-derivative financial liabilities:	\$	\$
Trade payables	134,626	78,209
Note payable	19,641	-
Due to related parties	135,614	77,813
Convertible debentures	153,603	-
	442,944	156,022

Fair value

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

Global Hemp Group Inc.**Notes to the condensed consolidated interim financial statements**

Three and nine months Ended June 30, 2015

(Unaudited - expressed in Canadian dollars)

9. NOTE PAYABLE

On December 1, 2014, the Company converted \$18,355 of its accounts payable owing to a company (“Lender”) into a promissory note. This promissory note is payable on demand and bears interest of 12% per annum. The Company grant in favor of the Lender, a general and continuing collateral security to secure the note payable.

10. CONVERTIBLE DEBENTURES

The Company completed a non-brokered private placement of unsecured convertible debenture (the “Debentures”) in two tranches between April 20, 2015 and May 18, 2015, for aggregate gross proceeds of \$250,000. The principal amount of the Debentures matured on November 17, 2017 (the “Maturity Date”) and accrue interest at 15% per annum payable on the Maturity Date.

The principal amount of the Debentures are convertible into common shares of the Company and any accrued but unpaid interest thereon are convertible into shares at a price of \$0.035 per share at any time before the Maturity Date. Each \$1,000 of the Debentures come with 28,571 warrants exercisable at a price of \$0.05 for a period of three years since subscription.

The Debentures are compound instruments and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 20%. The initial fair value of the debt was calculated to be \$150,064 (net of finder's fee of \$7,168) with the residual portion of \$99,936 allocated to equity. A finder’s fee of \$5,600 cash and \$1,568 share based expense recognized from issuance of 112,000 finders warrants exercisable at \$0.05 per share for a period of one year from the date of the issuance.

	2015		2014	
Principal amount	\$	250,000	\$	-
Less equity component of convertible debenture		(99,936)		-
Less finder fee cash and warrant		(7,168)		-
Accrued interest		5,899		-
Accretion		4,807		-
	\$	153,602	\$	-