



Global Hemp Group Inc.

Condensed Consolidated Interim Financial Statements

Three Months Ended December 31, 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.
Consolidated Statements of Financial Position
(Unaudited - expressed in Canadian dollars)

	Note	December 31, 2015	September 30, 2015
		\$	\$
Assets			
Current assets			
Cash		4,707	3,559
Accounts receivable		7,202	7,821
Prepayments		26,188	26,188
Total assets		38,097	37,568
Liabilities and shareholders' deficiency			
Current liabilities			
Accounts payable and accrued liabilities	4,7	206,664	219,454
Note payable	8	20,742	20,191
Due to related parties	5	100,505	99,715
		327,911	339,360
Non-current liabilities			
Convertible debentures	9	195,492	259,330
		195,492	259,330
Shareholders' deficiency			
Share capital	6	3,064,565	2,967,168
Reserve		1,474,802	1,472,950
Deficit		(5,024,673)	(5,001,240)
		(485,306)	(561,122)
Total liabilities and shareholders' deficiency		38,097	37,568

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

Approved and authorized for issuance by the Board of Directors on February 26, 2016

"Curt Huber"
Director

"Charles Larsen"
Director

GLOBAL HEMP GROUP INC.**Consolidated Statements of Comprehensive Income (Loss)**

(Unaudited - expressed in Canadian dollars)

		Three Months ended December	
	Note	2015	2014
		\$	\$
Gross Revenue		554	—
Cost of Goods Sold		450	—
Gross Profit		104	—
Expenses			
Interest	8,9	7,487	—
Consulting		5,861	19,000
Office and administration		532	825
Professional fees		1,474	2,500
Travel		2,165	470
Trust and filing fees		2,939	2,750
Loss before the following		(20,354)	(25,545)
Exchange loss		(3,079)	—
Finance fees		—	(30,000)
Net loss		(23,433)	(55,545)
Other comprehensive income			
Translation adjustment		1,852	3,796
Comprehensive loss		(21,581)	(51,749)
Loss per share, basic and diluted		—	—
Weighted average number of outstanding shares		139,278,687	137,917,545

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

GLOBAL HEMP GROUP INC.

Statements of changes in deficiency

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

	Note	Share Capital		Reserve			Shareholders' deficiency
		Number	Amount	Share-based payment reserve	Foreign currency translation	Deficit	
	1,3				Discontinued Operations	Continued Operations	Discontinued Operations
			\$	\$	\$	\$	\$
Balance, September 30, 2014		137,917,545	2,967,168	1,472,882	(6,951)	(4,151,937)	(366,440)
Translation		—	—	—	(3,796)	—	—
Loss for the period		—	—	—	—	(54,340)	(1,205)
Balance, December 31, 2014		137,917,545	2,967,168	1,472,882	(10,747)	(4,206,277)	(367,645)
Balance, September 30, 2015		137,917,545	2,967,168	1,497,850	(24,900)	(4,632,308)	(368,932)
Translation adjustment		—	—	—	1,852	—	—
Conversion of convertible debentures into common shares		2,782,779	97,397	—	—	—	—
Loss for the period		—	—	—	—	(23,433)	—
Balance, December 31, 2015		140,700,324	3,064,565	1,497,850	(23,048)	(4,655,741)	(368,932)

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

GLOBAL HEMP GROUP INC.
Consolidated Statements of Cash Flows
(Unaudited - expressed in Canadian dollars)

	Three Months ended December 31,	
	2015	2014
Cash (used in) provided by:	\$	\$
Operating activities		
Profit (Loss) for the period	(23,433)	(55,545)
Non-cash items		
Interest accrual	7,337	
Unrealized exchange loss	3,066	
Changes in non-cash operating working capital		
Accounts receivables and prepaid	619	(3,675)
Accounts payable and accrued liabilities	917	49,938
Due to related parties	790	6,324
Cash used in operating activities	(10,704)	(2,958)
Financing activities		
Proceeds from convertible debenture issuance	10,000	—
Cash provided by financing activities	10,000	—
Effect of foreign exchange	1,852	—
Change in cash	1,148	(2,958)
Cash, beginning of the year	3,559	4,445
Cash, end of the period	4,707	1,487

The accompanying notes are an integrated part to the consolidated 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 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 head office is located at #106 – 1169 Mt. Seymour Road, North Vancouver, BC V7H 2Y4. The Company’s shares are traded on Canadian Securities Exchange (CSE), on the Frankfurt Stock Exchange under the symbol “GHG”, and on the OTCBB under the symbol “GBHPF”.

Industrial Hemp License

Global Hemp has been granted an Industrial Hemp License from Health Canada. The license authorizes GHG to possess industrial hemp in the form of seed and grain, to export the seed and grain out of the country, as well as sell and/or provide viable grain domestically. As a result of this license, the Company will no longer be required to use licensed intermediaries, as has been done to facilitate previous orders.

Agro-Industrial Hemp Project

On July 29, 2015 the Company signed a Letter of Intent (LOI) to form a Joint Venture with Western Sierra Mining Corp. (WSM) of Edmond, Oklahoma for the acquisition of agricultural lands for the purpose of hemp cultivation and the development of a Value-Added Hemp Processing Zone, strategically located adjacent to hemp farming areas. The parties are in the process of arranging the necessary funding to proceed with the project. The completion of the transaction is subject to a number of conditions, including signing of a definitive agreement. The LOI with WSM was last extended on January 26, 2016, and both parties anticipate entering into a definitive agreement within sixty days after receipt of project funding.

Genetics Division

On February 26, 2016 the Company announced that Mr. Frank Giese joined the Company’s Advisory Board to assist in the development of the newly formed Genetics Division. Mr. Giese’s current cannabis breeding efforts are focused on commercially viable, rapidly maturing varieties and his continued efforts in the development of new industrial hemp cultivars. His vision for the future is to introduce modern growing techniques to industrial hemp, as has been done with cannabis. He will also advise management on matters relating to hemp and cannabis genetics and other industry opportunities within the states of Washington and Oregon.

On December 15, 2014, the Company entered into a Letter of Intent (“LOI”) with House of Hemp (Pty) Ltd. (“HOH”), whereby the Company intends to acquire up to 50% of the issued and outstanding shares of HOH. The completion of the transaction is subject to a number of conditions, including signing of a definitive agreement and regulatory approval. The LOI with HOH was last extended to October 22, 2015 and management is currently reviewing how best to proceed with this transaction.

On March 5, 2015, the Company entered into a Letter of Intent (“LOI”) with Skunk Magazine (“Skunk”), whereby the Company intends to acquire up to 100% of the issued and outstanding shares of Skunk. The LOI with Skunk was last extended to October 22, 2015 and management is currently reviewing how best to proceed with this transaction. The completion of the transaction is subject to a number of conditions, including signing of a definitive agreement and regulatory approval.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Year Ended September 30, 2015
(Expressed in Canadian Dollars)

On December 2, 2015, the Company dissolved its wholly owned subsidiary, Global Hemp Group, Inc. ("GHG Nevada") (incorporated in Nevada, U.S.A. on December 17, 2013). Global Hemp Group, Inc. had no net assets as at December 31, 2015.

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.

2. STATEMENT OF COMPLIANCE

These condensed consolidated interim financial statements for three months ended December 31, 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, 2015.

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. The opening deficit balance as at the year ended September 30, 2015 of the Company's wholly owned subsidiary, GHG Nevada dissolved on December 2, 2015 has been separately disclosed as discontinued operation in the Statement of Changes in Deficiency (Note 1).

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.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Year Ended September 30, 2015
(Expressed in Canadian Dollars)

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.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December, 2015	September 30, 2015
	\$	\$
Trade payables	118,319	135,021
Accrued liabilities	88,345	84,433
	206,664	219,454

5. RELATED PARTY TRANSACTIONS

Key Management Compensation:

		Three months ended December 31,	
	Nature of transactions	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.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Year Ended September 30, 2015
(Expressed in Canadian Dollars)

5. RELATED PARTY TRANSACTIONS (Continued)

During three months ended December 31, 2015, the Company incurred rent expense of \$Nil (three months ended December 31, 2014 - \$Nil) to companies controlled by a relative of a former director.

\$24,675 (September 30, 2015 - \$24,675) was owing to companies controlled by a relative of a former director, \$64,066 (September 30, 2015 - \$63,655) was owing to directors of the Company and \$11,764 (September 30, 2015 - \$11,385) was owing to the former CFO of the Company.

6. 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.

On November 16, 2015, 90 units of the Debentures (Note 9) including accrued interest, were converted into 2,782,779 shares.

Warrants

A continuity of the Company's warrants is as follows:

	Warrants	Weighted average exercise price	Weighted average number years to expiry
		\$	
Balance, September 30, 2015	15,021,655	0.10	1.76
Granted	540,000	0.05	2.96
Balance, December 31, 2015	15,561,655	0.10	1.80

Stock options

	Options	Weighted average exercise price	Weighted average # years to expiry
Balance, September 30, 2014	12,474,999	0.10	2.53
Granted	1,300,000	0.10	3.04
Cancelled	(3,966,666)	-	-
Balance, December 31 & September 30, 2015	9,808,333	0.11	2.93

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.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Year Ended September 30, 2015
(Expressed in Canadian Dollars)

Basic and diluted loss per share

Diluted loss per share does not include the effect of 15,561,655 warrants and 9,808,333 options as the effect would be anti-dilutive.

7. FINANCIAL INSTRUMENTS

Classification of financial instruments

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

	December 31, 2015	September 30, 2015
	\$	\$
Loans and receivables:		
Cash	4,707	3,559

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

	December 31, 2015	September 30, 2015
	\$	\$
Non-derivative financial liabilities:		
Trade payables and accrual	206,664	219,454
Due to related parties	100,505	99,715
Convertible debentures	195,492	259,330
Note payable	20,742	20,191
	523,403	598,690

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.

Financial instrument classified as Level 1 includes cash only.

8. 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. To December 31, 2015, the Company has accrued \$2,387 (September 30, 2015 - \$1,836) in interest on the note payable.

GLOBAL HEMP GROUP INC.
Notes to the Consolidated Financial Statements
Year Ended September 30, 2015
(Expressed in Canadian Dollars)

9. DEBENTURES

During the year ended September 30, 2015, the Company completed a non-brokered private placement of 250 units of Debentures for gross proceeds of \$250,000. The principal amount of the Debentures matures on November 17, 2017 (the "Maturity Date") and accrue interest at 15% per annum payable on the Maturity Date. The Debentures are unsecured. The Company also recorded a one-time interest charge of \$4,089 for the conversion of trade payables to Debentures during the year ended September 30, 2015.

The principal amount of the Debentures is convertible into common shares of the Company and any accrued but unpaid interest thereon is convertible into shares at a price of \$0.035 per share at any time before the Maturity Date. Each \$1,000 of the Debentures is accompanied with 28,571 warrants exercisable at a price of \$0.05 for a period of three years. A finder's fee of \$5,600 was paid and 112,000 finder's warrants were issued, with a fair value of \$1,568. The finder's warrants are exercisable at \$0.05 for a period of one year.

On November 16, 2015, 90 units of the Debentures including accrued interest, were converted into 2,782,779 shares.

On December 17, 2015, the Company completed the first tranche of an additional non-brokered private placement of Convertible Debentures for gross proceeds of \$27,000. The principal amount of the Debentures matures within three years and accrue interest at 15% per annum, payable on the maturity date. The principal amount of the Debentures is convertible into common shares of the Company and any accrued but unpaid interest thereon is convertible into shares at a price of \$0.015 per share at any time before the maturity date. Each \$1,000 of the Debentures is accompanied with 20,000 warrants exercisable at a price of \$0.05 for a period of three years.

As at December 31, 2015, the Company has accrued \$23,058 (September 30, 2015 - \$16,498) in interest on the Debentures.

	December 31, 2015	September 30, 2015
Principal amount	\$ 179,603	\$ 250,000
Less finder's fee and cash	(7,168)	(7,168)
Accrued interest	23,058	16,498
	\$ 195,492	\$ 259,330