



# **Global Hemp Group Inc.**

## **Management Discussion and Analysis**

**Six Months ended March 31, 2015**

## 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. (the "Company" or "GHG") for six months ended March 31, 2015 and should be read in conjunction with the Company's audited annual financial statements for the recent year ended September 30, 2014 and condensed consolidated interim financial statements for six months ended March 31, 2015. The Company's financial statements have been presented in accordance with International Financial Reporting Standards and are presented in Canadian dollars unless otherwise specified. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history of the Company are available on SEDAR ([www.sedar.com](http://www.sedar.com)) and at the Company's website ([www.globalhempgroup.com](http://www.globalhempgroup.com)).

This MD&A has been prepared effective as of May 29, 2015.

### 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"). Such forward-looking statements, including but not limited to, the factors discussed in the section entitled "Risk Factors" and other factors and events described in this MD&A involve known and unknown risks, uncertainties 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>Forwarding looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
<i>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>	<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 & Nature of Business**

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”.

### **Business Outlook**

The Company is focused on acquiring and/or joint venturing with companies across all sectors of the hemp and cannabis industries in an effort to build a "soil-to-shelf" portfolio of complementary companies that will enable GHG to capture cash flow, revenues and value from its acquisitions and establish a far greater collective valuation than GHG or the individual companies would have on their own.

There is a perfect storm on the horizon for the hemp and cannabis industries, as there is significant economic need for job creation and tax generation in most countries around the world, along with a strong demand for sustainable technologies, low carbon footprint housing, highly nutritional food and effective medicines. Hemp and cannabis can provide many of these necessary solutions and GHG is well positioned to take advantage of these oncoming changes.

GHG is starting its Fiscal 2015 with an operational restructuring, an expansion of its business model to include cannabis and a refocusing on revenue producing initiatives, while putting capital intensive research and development oriented initiatives on hold.

The Company's initial revenues are expected to be generated from its Advisory & Training Division, which will focus on providing a host of consulting services from; agronomics and technology, to product development and distribution, as well as brokerage services to hemp and cannabis producers, processors, manufacturers and distributors.

In fiscal year 2015, with its expansion into the cannabis sector, the Company plans to launch an Environmental Impact Division ("EID") to address the environmental impact of the cannabis sector, a sector that is already consuming 1% of all energy used in the United States. The Company will be offering solutions to cannabis grow facility operators to significantly reduce energy consumption and provide cost effective solutions for managing water, humidity and the agricultural waste produced from these facilities.

### **Skunk Magazine Acquisition**

As part of the development of its media division, on March 9, 2015 the Company announced the signing of a Letter of Intent to acquire a 100% interest in Skunk Magazine, a well known publication in the cannabis space.

Founded in 2005, Skunk Magazine is a Canadian print-based, cannabis-focused magazine offering feature articles about cannabis cultivation, legislation, medical and adult use of cannabis, the sustainable and social solutions that

hemp offers, and exposing the secrets of the worldwide "war on drugs". Historically, advertisers in Skunk Magazine have mainly been cannabis breeders and suppliers of growing equipment. The coming expansion of the content to include hemp, environmental and social subject matter will significantly expand Skunk's advertiser base to new markets. Skunk Magazine, which has a wide readership base in North America through hard-copy subscription and newsstand sales, is now expanding on-line and will include an on-line store, Skunk TV, blogs, as well as original feature articles on a much broader range of subjects.

Skunk's Editor-in-Chief John Vergados' vision for the new on-line incarnation of Skunk magazine is to become the voice of the people: the hard-working activist, the innovative manufacturer and the sustainable business practitioner in the cannabis and hemp industries. Skunk 2.0 will educate the revolutionaries of the modern age and give hard-working visionaries of the movement a megaphone that will carry their voices around the globe. The target audience expands exponentially with this digital, on-line version that can be accessed around the world, connecting the international cannabis community on a global scale. This will also provide GHG with an international communication platform and an established readership to promote its business and a broadened set of issues regarding cannabis and hemp and their contribution to a healthier planet.

The consideration for this transaction is expected to be a combination of cash and GHG common shares that is suitable to both parties. The completion of the transaction is subject to a number of conditions including signing of a Definitive Purchase Agreement and Regulatory Approval. A finder's fee may be payable in connection with this transaction.

#### House of Hemp Acquisition

The Company has signed a Letter of Intent to acquire a 50% interest in House of Hemp (Pty) LTD ("HoH"). On completion of this acquisition the Company will have an opportunity to tap into the premier hemp company in that country, just as the hemp industry is about to open up to commercial production and distribution.

Founded in 1999, House of Hemp is South Africa's largest supplier of hemp raw material and finished products and the only company in South Africa to been awarded a permit from the Department of Agriculture and the Department of Health to legally cultivate and process hemp in South Africa. Founder Dr. Thandeka Kunene has been researching hemp for more than the 15 years that HoH has been in existence. She brings a tremendous amount of unique experience and knowledge to this venture and the development of the hemp industry in South Africa. Dr. Kunene has developed strong, long-term relationships with agencies within the South African government required to complete research trials and usher in a commercial hemp industry in South Africa. This will provide jobs, rural development, and social solutions while improving the quality of life and economic standing for the proud citizens of South Africa.

Initial revenues will be generated from the processing of hemp seed into hemp oil and protein powder, for sale to the food industry. Once established, there is a significant opportunity to utilize the hemp flowers and leaves for Cannabidiol (CBD) extraction and the waste/straw to create building materials for the construction of affordable and sustainable housing in conjunction with the Reconstruction and Development Programme (RDP) in South Africa. Once established in South Africa, it is anticipated that there will be expansion opportunities to a number of other countries in Africa. The Company will position itself, with local partners, to capture a portion of the affordable and sustainable housing market throughout many countries in the developing world.

Pursuant to the LOI, the parties will complete due diligence and settle on a mutually agreed final valuation for House of Hemp, which is not expected to exceed US\$420,000. The consideration for this transaction is anticipated to be a combination of 50% cash and 50% common shares of GHG or other such combination as is suitable to the parties, with any cash component only being used for direct investment in the development of new hemp-based businesses and/or

enhancement of ongoing business endeavours, as outlined in the current HoH business plan. GHG has also been granted a Right of First Refusal to acquire the balance of HoH in the future.

The completion of the transaction is subject to a number of conditions including signing of a Definitive Purchase Agreement and Regulatory Approval. No finder's fee will be payable in connection with this transaction.

## **Business Update**

### **Acquisitions**

Due diligence on both the Skunk Magazine and House of Hemp acquisitions are currently ongoing. The parties are working towards a final valuation and Definitive Purchase Agreements that will be presented for final regulatory approval.

### **Convertible Debenture Financing**

On May 4, 2015, the Company announced the closing of the first tranche of \$125,000 of its non-brokered private placement convertible debenture for up to \$250,000. The debenture will have an annual interest rate of 15%. No interest will be payable during the three year term but will accrue until maturity or until conversion. Each \$1,000 of the debenture will come with 28,571 warrants exercisable at a price of \$0.05 for a period of three years. The debenture is convertible into shares of the Company at \$0.035/share at any time during the three year term. The funds raised from this financing will be used for the working capital of the Company. The first tranche consists of \$35,000 cash and \$90,000 in exchange for forgiveness of indebtedness for monies previously paid on behalf of the Company. A finder's fee of \$2,800 and 56,000 warrants exercisable at \$0.05 per share for a period of one year from the date of the subscription will be paid on this first tranche. All securities issued in connection with the Offering will be subject to a statutory four month hold period.

### **Hemp Seed Purchase with Alberta Farmers**

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 seed ("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 currently 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.

Under the arrangement of the Company, an arm's length third party purchased a total of 200,000 pounds of the hemp seeds 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 2015 Q1.

In January 2015, the Company entered into agreements with the Sellers that release 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.

#### Green Dot Consulting Agreement

On February 3, 2015, GHG announced that it had entered into a mutual consulting agreement with Green Dot Consulting Inc. (GDC), of Burbank, California, an experienced leader in cannabis industry education, data analytics, legislation, product and business development, extractions, genetics, and more. The GDC team has a long and successful record building brands like Cannabis Career Institute (CCI), CannaTrends, CannaJobs and many others.

The Company has begun working with CCI developing hemp curriculum and presentation opportunities across the United States, with the vision to expand their current one day seminars in various cities across the US, into a more full featured two day weekend event. Green Dot is also gearing up for several cultivation facility construction projects. GHG will be hired as part of the consultation team for these projects.

#### HempNatura

The Company has begun working with the principal of HempNatura who is assisting in the sale of the Company's existing supply of hemp seed. Apart from the whole raw seed, the parties are investigating opportunities to process the seed and sell as a value added product. The parties continue to renegotiate previous agreements.

#### Officer and Director Changes During the Quarter

On January 19, 2015, Jeff Kilpatrick, a consultant specializing in Criminal Justice Administration and a member of LEAP - Law Enforcement Against Prohibition was also appointed to the Board and Curt Huber, an existing Board member was appointed as CFO.

#### **Selected Quarterly Information**

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

	Quarter Ended							
	March 31, 2015	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Operating expenses	(65,445)	(25,545)	(1,616,750)	(409,494)	(407,345)	(30,816)	(22,176)	(18,750)
Loss from continued operations and net loss	(104,583)	(55,545)	(1,942,920)	(232,517)	(407,345)	(30,816)	(22,176)	(18,750)
Loss per share, basic and diluted	(0.00)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	0.00	0.00

The Company is in its early stage and has not earned significant revenue since inception. Its past results of operation were not subject to seasonality. During the second quarter ended March 31, 2014 (“2014 Q2”), the Company had new management team and switched its focus in the agriculture and manufacturing in industrial hemp sector. As a result, the operating expenses started to increase since 2014 Q2. Management expects operating costs may go up further when business activities are further increased in the future.

## **Results of Operations**

### Six months ended March 31, 2015 (“2015 Six Months”)

Loss for 2015 Six Months was \$160,128 (2014 Six Months – loss of \$438,161). The \$160,128 loss was mainly a combined result of having operating expenses of \$90,990 (2014 Six Months –\$438,161), and interest expenses of \$69,138 (2014 Six Months – \$Nil). The interest incurred in 2015 Six Months was related to the Company’s outstanding payments to the Sellers of the Company’s Inventory as discussed in the above. During 2014 Six Months, management focused on building the Company’s business strategy, negotiation with potential suppliers of hemp seeds and potential customers, arranging private placement that was initiated in the 2014 Six Months, and activities to promote the Company to the public and investors. Due to the liquidity constraint, the activity level for the 2015 Six Months was significantly lower compared to 2014 Six Months.

### Quarter ended March 31, 2015 (“2015 Q2”)

Loss for 2015 Q2 was \$104,583 (2014 Q2 – loss of \$432,045). The \$104,583 loss was mainly a combined result of having operating expenses of \$65,445 (2014 Q2 –\$432,045), and interest expenses of \$45,138 (2014 Q2 - \$Nil). The interest incurred in 2015 Q2 was related to the Company’s outstanding payments to the Sellers of the Company’s Inventory as discussed in the above. The Company recognized share based compensation of \$24,700 for the 1.3 million options granted in January 2015.

As discussed in the above, the Company had a new management team to help the Company switching into new a line of business during 2014 Six Months. As a result, operating expenses in 2014 Six Months increased significantly. Given these changes are effectively commenced in 2014 Q2, substantially all of the increase in the 2014 Six Months were included in the result of 2014 Q2.

As at March 31, 2015, the Company had \$560 cash (September 30, 2014 - \$4,445), inventory of \$1,300,000 (September 30, 2014 - \$1,500,000), accounts payable and accrued liabilities of \$1,415,092 (September 30, 2014 - \$1,514,060), and \$2,967,168 share capital (September 30, 2014 - \$2,967,168)

The decrease of inventory and accounts payable and accrued liabilities have been discussed in the section of “Hemp Seed Purchase with Alberta Farmers”

## **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 at March 31, 2015, the Company had a working capital deficiency of \$265,175.

Management realizes that the current liquidity and capital on hand is not sufficient to develop the Company into a viable business. In order to eliminate the working capital deficiency, the Company closed the first tranche of its a non-

brokered private placement convertible debenture for up to \$250,000, after the three months ended March 31, 2015 (see “Proposed Financing” subsection).

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.

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 2015 Six Months, the Company did not have financing activities and investing activities.

### **Proposed Transactions**

There are no other proposed transactions that may have material impact to the Company except the Proposed Financing disclosed in the above.

### **Outstanding Share Data**

As at 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	12,838,280
Stock Options	9,808,333
Convertible Debentures	3,571,428

### **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:

#### **Key Management Compensation:**

	Nature of transactions	Six months ended March 31,	
		2015	2014
A director <sup>1</sup>	Consulting fees	\$ 10,000	\$ -

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



As at March 31, 2015, \$62,447 (12/31/2014-\$57,957) was owing to directors, \$5,201 (12/31/2014-\$8,864) was owing to the CEO, \$27,177 (12/31/2014-\$Nil) was owing to the CFO, and \$39,265 (12/31/2014-\$13,069) was owing to the ex-CFO.

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

Refer to Notes 3 and 11 to the Company's audited financial statements for the year ended September 30, 2014 and Note 8 to the Company's condensed consolidated interim financial statements for 2015 Six Months.

### **Significant Accounting Policies including Initial Adoption**

Refer to Notes 3 to the Company's audited financial statements for the year ended September 30, 2014 and Note 3 to the Company's condensed consolidated interim financial statements for 2015 Six Months.

### **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.

#### Change in Political Climate

Both hemp and cannabis are controversial in political arenas a change in political control between parties could potentially result in politicians who are not support of hemp and cannabis legalization using political influence in an attempt to reverse the legalization progress which has been building momentum in recent years.

#### Permits and Licenses

The hemp and cannabis industries 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**

Charles Larsen	Director, President & CEO
Curt Huber	Director & CFO
Paul Perrault	Director
Jeff Kilpatrick	Director