



Management's Discussion and Analysis of Financial Condition and Results of Operations as at August 29th, 2019.

The following is management's discussion and analysis ("MD&A") of AMP German Cannabis Group Inc. (the "Company" or "AMP") financial condition and results of operations for the six months ended June 30th, 2019, and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the same reporting period. The MD&A will also outline the economic operating conditions and how these influence AMP German Cannabis Group's business activities.

All references herein refer to the unaudited condensed consolidated financial statements and related notes for the six months ended June 30th, 2019, and except where otherwise indicated, all financial information is expressed in Canadian dollars ("\$"). Unless otherwise indicated, reference to the "Company" or "AMP" means AMP German Cannabis Group and its subsidiaries. The financial year is the calendar year. Reference to a "fiscal year" means the Company's year commencing on January 1st of that year and ending on December 31st of that year. For example, fiscal 2019, means the period beginning January 1st, 2019, and ending December 31st, 2019. Reference to "reported quarter" means the six calendar months commencing on January 1st of that year and ending on June 30th of that year. In addition, reference will be made to "Notes", which refers to the Notes to the Unaudited Condensed Consolidated Financial Statements. References to Statements of "Financial Position", "Income or Loss" and "Cash Flows, refers to Condensed Consolidated Interim Statements of Financial Position, Comprehensive Income (Loss) and Cash Flows, respectively.

Forward-Looking Statements

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time.

Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends constitute forward-looking statements. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future revenue and expenditures, market conditions, specifically the Canadian and German stock markets or other business plans. Forward-looking statements include statements regarding the intent, belief or current expectations of the Company, primarily with respect to the results of operations, financial position or cash flows of the Company.

The statements are based on current plans, estimates, and projections and are subject to change. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, and the Company undertakes no obligation to update publicly any changes in light of new information or future events.

Shareholders and potential investors are cautioned that any such forward-looking statements are not guarantees and involve risks and uncertainties, and that actual results may differ from those in the forward-looking statements as a result of various factors such as general economic and business conditions particularly in North America and Europe, including changes in interest rates, actions by government authorities in Canada, Germany or the European Union, including changes in government regulation, political conditions in Europe and future decisions by the Company's directors or officers in response to changing conditions, the ability to execute prospective business plans and misjudgments in the course of preparing forward-looking statements.

Material factors and assumptions underlying the Company's expectations regarding forward-looking statements include, among others: the ability of the Company to obtain financing on acceptable terms, that the Company will be able to maintain appropriate levels of liquidity in order to make investments when attractive opportunities arise, stability in the global economic environment particularly in Canada and Germany and broadly in regard to North America and the European Union, and Canadian and German interest rates and that interest rates and foreign exchange rates, particularly in regard to the Canadian dollar and Euro ("€"), will not vary materially from current levels.

The status of the equity markets in Canada and Germany, in particular, the TSXV and the Frankfurt Stock Exchange, may affect the financial performance of the Company. In addition, as the Company's cash and assets are held in €s and to a lesser extent in \$s high

annual inflation in Germany, the European Union and Canada may affect the financial performance and condition of the Company. A majority of the Company's assets have an economic interest in Germany. Therefore the fluctuation between the \$ and the € may affect financial performance. The economic health of the economies of Germany and the European Union may also affect the financial performance of the Company.

Shareholders and potential investors are advised that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf contained in this MD&A. This forward-looking statement dated August 29th, 2019 references CSA Staff Notice 51-330 Guidance regarding the Application of Forward-Looking Information Requirements under National Instrument 51-102 Continuous Disclosure Obligations dated November 20th, 2009. The Company will review its forward-looking statement when it files its third-quarter financial results for the nine months ending September 30th, 2019.

Investor Highlights

- Approved to be listed on the Canadian Securities Exchange with the first day of trading on September 4th, 2019;
- Name change to AMP German Cannabis Group Inc. from Chinook Tye Industry Limited;
- Closed Series A private placement, raising \$1.5-million;
- Signed supply agreement for EU-GMP medical cannabis with Canadian supplier; and
- Entered into partnership with German pharmaceutical consulting firm to provide EU-GMP audit services.

Corporate Overview

AMP German Cannabis Group Inc.

AMP German Cannabis Group is an investment company focused on investing in businesses that supply or advance the development of the European medical cannabis industry, with a focus on the German market. The Company's medical cannabis investment portfolio consists of 100% interest in AMP Alternative Medical Products GmbH ("AMP Germany"), based in Erfurt, Germany, and AMP Alternative Medical Products Switzerland GmbH ("AMP Switzerland"), based in Zug, Switzerland.

The Company's common shares will begin to trade on the Canadian Securities Exchange ("CSE") on September 4th, 2019, and delist from the TSX Venture Exchange ("TSXV") on September 3rd, 2019. The Company's CSE trading symbol is "XCX" and its Frankfurt Stock Exchange trading symbol is "C4T" with new ISIN number CA00176G1028. The Company is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario and Québec.

AMP Alternative Medical Products GmbH ("AMP Germany")

AMP Germany is based in Erfurt, Germany and is the Company's main wholly-owned investment subsidiary. AMP Germany imports EU-GMP certified cannabis from Canada and sells it to pharmaceutical wholesalers in Germany who supply pharmacies in Germany permitted to dispense medical cannabis prescribed by German physicians.

European Union - Good Manufacturing Practices ("EU-GMP") certification is an internationally recognized system, which ensures that pharmaceutical goods, including medical cannabis, meet the highest consumer health and safety standards. All medical cannabis imported into or produced in Germany are regulated by EU-GMP and must be certified by a German state.

Despite Canada being the second largest exporter of EU-GMP cannabis to Germany, Canadian licensed producers of cannabis production and operating standards do not meet EU-GMP standards and must be upgraded to receive EU-GMP certification from a German state before cannabis can be exported to Germany. To date, fewer than ten Canadian licensed producers have received EU-GMP certification for exportation to Germany.

Suppliers of EU-GMP medical cannabis that AMP Germany enters into supply agreements with will go through the, "AMP EU-GMP Certification Protocol Program", which ensures the supplier will meet the EU-GMP pharmaceutical quality and consistency standards required to export to Germany. Under the AMP EU-GMP Certification Protocol Program, AMP provides EU-GMP gap analysis, audit, logistical, transportation and other related services for exportation of medical cannabis to Germany. Once a supplier passes an audit, AMP arranges for EU-GMP inspection and certification by the applicable state authorities in Germany that issue the necessary import permits and certify foreign producers that intend to export into Germany. After a supplier has obtained EU-GMP certification from the applicable authorities, AMP and the supplier will arrange for the necessary permits to export medical cannabis to Germany.

AMP Germany has entered into a memorandum of understanding and is in discussions for further agreements for the purchase of EU-GMP certified cannabis for import into Germany from Canada with several early and late-stage applicants to become Canadian Licensed Producers. AMP Germany anticipates entering into supply contracts with Canadian Licensed Producers during the second half of 2019, and with early and late-stage applicants to become Canadian Licensed Producers in 2020.

AMP Alternative Medical Products Switzerland GmbH (“AMP Switzerland”)

AMP Switzerland is a wholly-owned investment subsidiary of the Company based in Zug, Switzerland and its business is to develop supply agreements for CBD cannabis cultivated in Switzerland and import into Germany once applicable laws permit such transactions. In Switzerland it is legal to cultivate cannabis with CBD and THC <1.0%.

Non-Core Assets

The Company is liquidating its investment portfolio under its former investment policy and investing the proceeds in the European medical cannabis industry under its new investment policy. The Company held \$1.6-million in non-core investments as of June 30, 2019 (unaudited).

Corporate Filings

The Company files reports and other information on the System for Electronic Document Analysis and Retrieval (“SEDAR”) in Canada at www.sedar.com. The Company’s website is www.amp-eu.com

Result of Operations

Summary of Quarterly Results

The following selected financial data as reported by the Company for the past eight business quarters have been summarized from the Company’s unaudited quarterly financial statements and are qualified in their entirety by reference to and should be read in conjunction with such financial statements.

	2019		2018				2017	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(In thousands, except per share amounts)							
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss	\$ (796)	\$ (393)	\$ (593)	\$ (71)	\$ (61)	\$ (70)	\$ (141)	\$ (42)
Loss per share, basic and diluted	\$ (0.06)	\$ (0.05)	\$ (0.06)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)

Summary of Reported Period Results

For the six months ended June 30th, 2019.

The following analysis of AMP operating results for the six months ended June 30th, 2019, includes a comparison to the corresponding comparative period ended June 30th, 2018.

During the reported period, operating revenue income was immaterial. Going forward, through its investment subsidiaries and partnerships, AMP plans to generate revenue from the importation of EU-GMP medical cannabis to Germany from Canada and other countries.

During the reported period, expenses increased to \$1.2-million from \$131,810 due largely to higher general and administration expenses. The Company has hired a President and CEO in addition to European managers resulting in higher consulting and management fees. In addition, the Company opened offices in Canada and Europe resulting in higher rent and office and supplies costs. Corporate governance and public company expenses also increased modestly during the reported period due to a larger board of directors and activity. The Company recognized share-based compensation expenses of \$58,850 related to the issuance of stock options during the reported period. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. AMP incurred a foreign currency translation accounting adjustment of \$103,759 on foreign operations. Gains or losses from foreign currency translation differences on foreign operations are non-cash accounting adjustments included in comprehensive income (loss).

The Company reported a loss for the period of \$1.2-million, or a loss of \$0.11 per share, compared to a loss of \$131,654, or \$0.01 per share, for the corresponding comparative period.

Summary of Reported Period Results

For the three months ended June 30th, 2019

The following analysis of the Company's operating results for the three months ended June 30th, 2019, includes a comparison to the corresponding, comparative three months ended June 30th, 2018.

Income was immaterial. General and administration costs totaled \$698,445, compared to \$51,442 in the prior year period. The loss for the reported quarter was \$796,299, compared to a loss of \$61,421 in the corresponding period. Basic and diluted loss per common share was \$0.06 compared to a loss of \$0.01, respectively, for the reported quarters.

Transactions Between Related Parties

AMP has a related party relationship with its subsidiaries, with shareholders who own more than 10% of the shares of the Company, executive officers and the Company's directors.

During the reported period, the Company paid directors and management fees of \$241,969 (2018 - \$10,250) to directors of the Company and paid or accrued professional fees of \$19,725 (2018 - \$6,300) to its Chief Financial Officer's consulting company for accounting services.

Historically, the Company has not had management agreements with its executive officers or directors, nor had the Company had any formal objectives, criteria or analysis for determining or assessing compensation.

The Company now has several executive officers, each devoting a significant amount of time to the affairs of the Company and, as such, the compensation paid by the Company to its executives will increase going forward. The Company expects to enter into management agreements with its key executives. The Company further expects to grant bonuses and additional stock options to its executives and directors as compensation will largely be based on an incentive philosophy linked to achieving business results and creating shareholder value. The Company is implementing this change in order to position itself to attract and retain executive management in Germany and if needed, other areas of Europe.

The Company expects it will establish a compensation committee with formal objectives and policies, including performance goals and objectives.

The Company's Statement of Executive Compensation on Form 51-102F6V for the year ended December 31st, 2018, is filed on SEDAR. Prior to the Company granting 1,020,000 Options in May 2019, the Company had not granted any stock options since 2013.

Included in accounts payable at June 30th, 2019, is \$33,000 owing to two officers of the Company for directors, management and accounting fees.

Liquidity and Capital Resources

Working Capital

The following analysis of the Company's liquidity and capital resources for the six months ended June 30th, 2019, includes a comparison to the corresponding comparative six months ended June 30th, 2018.

The Company's principal sources of capital are its available cash and public financing. At June 30th, 2019, AMP had assets of \$2.8-million consisting of cash holdings of \$1-million, long-term investments of \$210,165 and a \$1.4-million investment loan receivable.

Total liabilities increased to \$770,286 at June 30th, 2019 compared \$412,147 at year-end due to borrowings against its venture capital loan facility and higher trade and other payables from increased business activity in Germany and Canada, totaling \$358,635.

Shareholder equity increased to \$2-million compared to \$1.9-million at year-end due largely the Series A private placement financing.

Cash flow

The statement of cash flows shows the structure of and changes in cash for the reported year and is broken down into operating activities, investing activities and financing activities.

AMP generated \$1-million in cash to hold \$1.1-million in cash at the end of the reported period. Operating activities used cash of \$963,415 largely from operating expenses for the development of AMP Germany, while investing activities generated \$528,500 in cash from investment loan receivable repayments. AMP's financing activities generated \$1.5-million in cash from the Series A \$1.5-million private placement through the issuance of 10-million shares at \$0.15 per share and \$147,036 from drawdowns against the venture capital loan facility.

Share Outstanding Data

As of June 30th, 2019, the Company had 20,217,796 common shares outstanding.

Dilutive securities include 1,020,000 incentive stock options and 240,228 warrants to purchase common shares at an exercise price of \$0.15 per share, expiring on May 8th, 2020, and December 12th, 2019, respectively.

-End of Document-



(Formerly Chinook Tye Industry Limited)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.



AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tye Industry Limited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and December 31, 2018

(Expressed in Canadian Dollars)

	Notes	June 30, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	\$ 1,101,670	\$ 53,358
Accounts receivable and prepaid expenses	5	83,337	25,912
Marketable securities	6	6,750	9,750
		<u>1,191,757</u>	<u>89,020</u>
Equipment		4,650	-
Long-term investment	6	210,165	220,038
Investment loan receivable	7	1,406,547	2,018,626
		<u>1,616,712</u>	<u>2,238,664</u>
Total assets		<u>\$ 2,813,119</u>	<u>\$ 2,327,684</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	\$ 358,635	\$ 152,189
Loan payable	9	411,651	259,958
		<u>770,286</u>	<u>412,147</u>
Equity			
Share capital	10	1,484,435	174,613
Share based payment reserve	10	2,854,578	2,744,438
Foreign currency translation reserve		75,555	179,314
Deficit		(2,371,735)	(1,182,828)
		<u>2,042,833</u>	<u>1,915,537</u>
Total equity		<u>2,042,833</u>	<u>1,915,537</u>
Total liabilities and equity		<u>\$ 2,813,119</u>	<u>\$ 2,327,684</u>

The accompanying notes are an integral part of these consolidated financial statements.



AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tye Industry Limited)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
SIX MONTHS ENDED JUNE 30, 2019
(Expressed in Canadian Dollars)

	Notes	Six Months June 30, 2019	Six Months June 30, 2018	Three Months June 30, 2019	Three Months June 30, 2018
Interest revenue		\$ 376	\$ 156	\$ 243	\$ 80
Expenses					
Corporate governance expenses	12	35,893	16,550	(3,053)	8,800
General and administration expenses	11	1,026,742	95,309	698,445	51,442
Interest		14,836	-	8,037	-
Share based compensation		58,850	-	58,850	-
Transfer agent, filing fees & shareholder communication		49,375	19,951	34,051	1,259
		<u>1,185,696</u>	<u>131,810</u>	<u>796,330</u>	<u>61,501</u>
Foreign exchange		(10,367)	-	(3,166)	-
Unrealized loss on marketable securities		3,000	-	3,378	-
Income taxes		10,954	-	-	-
Loss for the period		(1,188,907)	(131,654)	(796,299)	(61,421)
Other comprehensive income (loss)					
Foreign currency translation differences on foreign operations		(103,759)	49,981	(12,761)	(83,376)
Net change in fair value of available for sale financial asset		-	(26,325)	-	(26,325)
Comprehensive loss for the period		<u>\$ (1,292,666)</u>	<u>\$ (107,998)</u>	<u>\$ (809,060)</u>	<u>\$ (171,122)</u>
Weighted average number of common shares outstanding		11,244,883	10,217,796	12,260,683	10,217,796
Loss per common share, basic and diluted		<u>\$ (0.11)</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>	<u>\$ (0.01)</u>

The accompanying notes are an integral part of these consolidated financial statements.



AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tye Industry Limited)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

SIX MONTHS ENDED JUNE 30,

(Expressed in Canadian Dollars)

	Number of common shares issued	Share capital	Share-based payment reserve	Foreign Currency Translation Reserve	Deficit	Total equity
Balance, December 31, 2017	10,217,796	\$ 174,613	\$ 2,744,438	\$ 108,146	\$ (387,942)	\$ 2,639,255
Loss for the period	-	-	-	-	(131,654)	(131,654)
Foreign currency translation	-	-	-	49,981	-	49,981
Change in fair value of available for sale financial assets	-	-	-	(26,325)	-	(26,325)
Balance, June 30, 2018	10,217,796	174,613	2,744,438	131,802	(519,596)	2,531,257
Loss for the period	-	-	-	-	(663,232)	(663,232)
Foreign currency translation	-	-	-	47,512	-	47,512
Balance, December 31, 2018	10,217,796	174,613	2,744,438	179,314	(1,182,828)	1,915,537
Loss for the period	-	-	-	-	(1,188,907)	(1,188,907)
Shares issued in private placement	10,000,000	1,500,000	-	-	-	1,500,000
Share issuance costs	-	(138,888)	-	-	-	(138,888)
Fair value warrants	-	(51,290)	51,290	-	-	-
Share based compensation	-	-	58,850	-	-	58,850
Foreign currency translation	-	-	-	(103,759)	-	(103,759)
Balance, June 30, 2019	20,217,796	\$ 1,484,435	\$ 2,854,578	\$ 75,555	\$ (2,371,735)	\$ 2,042,833

The accompanying notes are an integral part of these consolidated financial statements.



AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tye Industry Limited)
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30,
(Expressed in Canadian Dollars)

	Six Months ended June 30, 2019	Six Months ended June 30, 2018	Three Months ended June 30, 2019	Three Months ended June 30, 2018
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	\$ (1,188,907)	\$ (131,654)	\$ (796,299)	\$ (61,421)
Items not affecting cash:				
Non-cash loan interest	14,621		7,928	
Unrealized loss on marketable securities	3,000		3,378	
Share based compensation	58,850		58,850	
	<u>(1,112,436)</u>	<u>(131,654)</u>	<u>(726,143)</u>	<u>(61,421)</u>
Changes in non-cash working capital items				
Receivables and prepaids	(57,425)	36,814	(60,820)	(1,373)
Accounts payable and accrued liabilities	206,446	(14,463)	143,073	2,123
	<u>(963,415)</u>	<u>(109,303)</u>	<u>(643,890)</u>	<u>(60,671)</u>
INVESTING ACTIVITIES				
Acquisition of equipment	(4,725)	-	-	-
Investment loan receivable	528,500	-	302,000	-
	<u>523,775</u>	<u>-</u>	<u>302,000</u>	<u>-</u>
FINANCING ACTIVITIES				
Shares issued for cash	1,500,000	-	1,500,000	-
Share issue costs	(138,888)		(138,888)	
Loan payable	147,036	-	-	-
	<u>1,508,148</u>	<u>-</u>	<u>1,361,112</u>	<u>-</u>
Effect of foreign exchange on cash	<u>(20,196)</u>	<u>1,531</u>	<u>(6,976)</u>	<u>(2,626)</u>
Change in cash during the period	1,048,312	(107,772)	1,012,246	(63,297)
Cash, beginning of the period	53,358	172,589	89,424	128,114
Cash, end of the period	<u>\$ 1,101,670</u>	<u>\$ 64,817</u>	<u>\$ 1,101,670</u>	<u>\$ 64,817</u>

The accompanying notes are an integral part of these consolidated financial statements.

AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tye Industry Limited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

AMP German Cannabis Group Inc. (“the Company” or “AMP”) is a financial service company incorporated in the Province of British Columbia in Canada with its registered office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2. The Company’s representative office in Germany is Charlottenstrasse 59, Berlin, Germany, 10117.

The Company’s common shares will begin to trade on the Canadian Securities Exchange (“CSE”) on September 4, 2019 and delist from the TSX Venture Exchange (“TSXV”) on September 3, 2019. The Company’s CSE trading symbol is “XCX” and its Frankfurt Stock Exchange trading symbol is “C4T”. The Company is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario and Quebec.

On August 22, 2019, the Company changed its name to AMP German Cannabis Group Inc. from Chinook Tye Industry Limited.

The reporting currency of AMP’s consolidated financial statements is the Canadian dollar (“\$”).

2. BASIS OF PRESENTATION

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”. These consolidated interim financial statements do not include all of the information required for annual financial statements.

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2018. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s annual consolidated financial statements for the year ended December 31, 2018.

The consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and jointly controlled entities that are accounted for using the equity method and certain financial instruments and investments which are measured at fair value.

The Company consolidates subsidiaries over which it has control, where control is the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities.

AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tyee Industry Limited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

These consolidated financial statements include the accounts of its wholly-owned investment subsidiaries AMP Alternative Medical Products Canada Limited ("AMP Canada") of Canada, AMP Alternative Medical Products GmbH ("AMP Germany") of Germany, Alternative Medical Products Switzerland GmbH ("AMP Swiss") of Switzerland and its 99% owned subsidiary Mercury Partners & Company plc ("AMP Malta") of Malta. Chinook Swiss changed its name to Alternative Medical Products Switzerland GmbH in June 2019. Mercury Partners & Company plc has applied to change its name to Alternative Medical Products Malta plc.

AMP Malta owns 50% of the share capital of a Malta incorporated joint-venture investment company ("MPC-JV"), which is accounted for using the equity method.

Basis of preparation

The functional currency of AMP and its wholly-owned investment subsidiary AMP Canada is the Canadian dollar ("C\$"). The functional currency of AMP Germany, AMP Malta and MPC-JV is the Euro ("€"). AMP Swiss' functional currency is the Swiss Franc ("CHF").

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash	\$ 601,670	\$ 53,358
Guaranteed Investment Certificate	500,000	-
	<u>\$ 1,101,670</u>	<u>\$ 53,358</u>

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2019	2018
Accounts receivable	\$ 28,197	\$ 12,555
Prepaid expenses	55,140	13,357
	<u>\$ 83,337</u>	<u>\$ 25,912</u>

6. INVESTMENTS

	2019	2018
(1) Peekaboo Beans Inc. ("PBI")	\$ 6,750	\$ 9,750
(2) Taiga Atlas plc ("Taiga")	210,165	220,038
	<u>\$ 216,915</u>	<u>\$ 229,788</u>

(1) AMP Malta owns 75,000 shares of PBI. At June 30, 2019, the shares had a fair value of \$6,750 (2018 - \$9,750) and the Company has recognized an unrealized loss of \$3,000 (2018 - \$35,250).

(2) AMP Malta owns 184,342 shares of Taiga. The shares were acquired in partial settlement of the investment loan received (note 7) and are carried at their estimated fair value.

AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tyee Industry Limited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Canadian Dollars)

7. INVESTMENT LOAN RECEIVABLE

	CDN\$		€	
	2019	2018	2019	2018
Loan receivable MPC-JV	\$ 2,018,626	\$ 2,230,735	1,293,991	1,443,955
Interest capitalized to loan	-	55	-	36
Repayments	(528,500)	(50,363)	(350,000)	-
Impairment	-	(229,500)	-	(150,000)
FX conversion	(83,579)	67,699	-	-
	<u>\$ 1,406,547</u>	<u>\$ 2,018,626</u>	<u>943,991</u>	<u>1,293,991</u>

The Company, through AMP Malta, holds a loan receivable from MPC-JV which is unsecured and bears interest at 0.0025%, which is capitalized to the loan annually.

MPC-JV is accounted for using the equity method. Initially, the carrying value was attributed to the loans receivable and no value was attributed to the equity accounted investment and its carrying value is \$nil (2018 - \$nil). The Company has reviewed the underlying assets of MCP-JV and its investments. During 2018, based on factors such as timing and uncertainty of collection, management concluded that the recoverable amount is expected to be adequate to cover the loans held by the Company, net of an impairment of \$229,500 (€150,000). However, additional returns beyond this are uncertain.

All inter-company transactions and balances have been eliminated upon consolidation.

8. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	\$ 325,635	\$ 109,664
Accrued liabilities	33,000	42,525
	<u>\$ 358,635</u>	<u>\$ 152,189</u>

9. LOAN PAYABLE

During the year ended December 31, 2018, the Company entered into non-secured credit facility for €500,000, bearing interest at 8% per annum and maturing on December 31, 2020. As of June 30, 2019, \$411,651 / €265,000 (2018 - \$259,958 / €165,000) was drawn-down.

10. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of June 30, 2019, the Company had 20,217,796 (2018 - 10,217,796) Class A Voting Common Shares issued and outstanding.

On June 12, 2019, the Company completed a Series A non-brokered placement of 10,000,000 common shares at a price of \$0.15 per common share for proceeds of \$1,500,000. The Company paid finder's fees of \$36,034 and issued 240,228 common share purchase warrants as finder's fees. The warrants may be exercised for the purchase of one common share at a price of \$0.15 per common share and expire on December 12, 2019.

10. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd...)

During the six months ended June 30, 2019, the Company granted incentive stock options to purchase up to 1,020,000 common shares of the Company to its directors, officers, employees, and consultants in Germany, Switzerland and Canada pursuant to its stock option plan, including 655,000 options issued to directors and officers. Each option vests immediately, has an exercise price of \$0.15 per share and expires on May 8, 2020.

During the year ended December 31, 2018, the Company completed a share split of its common shares on a 1 old for 3 new basis. The Company has retroactively restated all share and per share information disclosed in these financial statements.

Stock Options

As of June 30, 2019, the Company had 1,020,000 stock options outstanding. Each option vests immediately, has an exercise price of \$0.15 per share and expires on May 8, 2020.

The stock options were valued at \$58,850 using the Black-Scholes Option Pricing Model and the following assumptions:

Risk-free interest rate - 1.47%
Expected life - 0.5
Annualized volatility - 106%
Dividend rate - \$Nil

All securities issued are subject to a four month hold period which will expire on September 9, 2019.

Warrants

As of June 30, 2019, the Company had 240,228 warrants outstanding. The warrants may be exercised for the purchase of one common share of the Company at a price of \$0.15 per common share with an expiry date of December 12, 2019.

The warrants were valued at \$51,290 using the Black-Scholes Option Pricing Model and the following assumptions:

Risk-free interest rate - 1.47%
Expected life - 0.5
Annualized volatility - 125%
Dividend rate - \$Nil

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.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the six months ended June 30, 2019, was based on the loss attributable to common shareholders of \$1,188,907 (2018 - \$131,654) and the weighted average number of common shares outstanding of 11,244,883 (2018 - 10,217,796).

Diluted loss per share for the six months ended June 30, 2019 does not include the effect of 1,020,000 stock options (2018 \$Nil) and 240,228 share purchase warrants (2018 - \$Nil) as the effect would be anti-dilutive.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2019

(Expressed in Canadian Dollars)

11. GENERAL AND ADMINISTRATION EXPENSES

	Six Months ended June 30, 2019	Six Months ended June 30, 2018	Three Months ended June 30, 2019	Three Months ended June 30, 2018
Consulting and management fees	\$ 536,141	\$ -	\$ 406,098	\$ -
Marketing	158,517	-	100,322	-
Office and supplies	145,953	28,758	80,134	18,580
Professional fees	83,935	13,959	61,915	6,566
Rent and insurance	36,461	26,746	21,679	13,373
Salaries and benefits	65,735	25,846	28,297	12,923
	<u>\$ 1,026,742</u>	<u>\$ 95,309</u>	<u>\$ 698,445</u>	<u>\$ 51,442</u>

12. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2019:

The Company paid directors and management fees of \$241,969 (2018 - \$10,250) to directors of the Company and paid or accrued professional fees of \$19,725 (2018 - \$6,300) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at June 30, 2019 is \$33,000 owing to two officers of the Company for directors, management and accounting fees.

13. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity less reserves and liabilities. Cash and cash equivalents, short-term investments, loans receivable and equity-accounted investments are managed for liquidity and operational requirements in conjunction with budgeted or expected capital needs. The Company's objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash or short-term investments held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

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14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, marketable securities, long-term investment, loans receivable, accounts payable and loan payable.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash and investment in PBI are classified as Level 1 and the investment in Taiga is classified as Level 3. Taiga is a private company with no quoted prices and there are inherent uncertainties in the measuring the value of this investment. The fair value of the Taiga shares on acquisition was estimated based on the amount of the loan that was settled. This estimate is highly subjective and subject to change based on the extent to which Taiga is able to realize on its assets and ultimately, on how much the Company will be able to realize on disposal of these shares.

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed is described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary credit risk is on its investment loan receivable (note 7). The loan is subject to MPC-JV realizing on its investments, including its shares of Taiga. Taiga is a private company and one of its primary assets is an under-performing loan which remains subject to court proceedings. While management believes that it will recover this loan, credit risk is assessed as high.

The Company's other exposure to credit risk is on its cash and GIC's held in bank accounts. The majority of cash is deposited in bank accounts or held in a GIC with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Currency risk

The Company holds cash in Canadian, Euro and US currencies and makes investments in foreign companies, equities and financial instruments. Accordingly, there is risk of losses from volatility in foreign currency fluctuations.

The Company's investments are subject to foreign currency risk, which may adversely affect the Company's financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company's financial instruments in Canadian dollars at June 30, 2019:

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14. FINANCIAL INSTRUMENTS (cont'd...)**Currency risk (cont'd...)**

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	10%	0%	90%	100%
Loans receivable	100%	0%	0%	100%
Marketable securities	0%	0%	100%	100%
Long-term investment	100%	0%	0%	100%
Trade and other payables	5%	0%	95%	100%
Loan payable	100%	0%	0%	100%

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loans receivable have fixed interest rates and are not affected by changes in interest rates and the Company's loan payable bears no interest and is not affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in note 13.