

Management's Discussion and Analysis of Financial Condition and Results of Operations as at August 28th, 2020.

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 2020 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the same reporting period and the Company's audited financial statements for the year ended December 31st, 2019. 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, 2020, and except where otherwise indicated, all financial information is expressed in Canadian dollars ("C\$"). 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 2020, means the period beginning January 1st, 2020, and ending December 31st, 2020. 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, refer 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 Canadian Securities Exchange 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 28th, 2020, 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 second quarter financial results for the six months ending June 30th, 2020.

COVID-19

During the six-months ending June 30th, 2020, the World Health Organization declared coronavirus (specifically identified as “COVID-19”) a global pandemic. This contagious disease outbreak resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in significant economic uncertainty.

The measures adopted by governments worldwide, but specifically, the German government could impact the Company’s business whether through supply chain disruption or delays in receiving licenses and permits due to government office slowdowns. Economic disruption may affect the value and liquidity of the Company’s non-core investments.

However, at this time, it is not possible for the Company to reliably estimate the duration or magnitude of the adverse results of the outbreak and its impact on the Company’s financial results in future periods.

Highlights (Q2)

- Adapted business operation for COVID-19 restrictions.
- Became fully licenced to import medical cannabis into Germany from Europe and elsewhere as of June 2020.

Corporate Overview

AMP German Cannabis Group Inc.

AMP German Cannabis Group Inc. (“AMP”) is a Canadian holding company whose main investment is its wholly-owned Germany subsidiary, AMP Alternative Medical Products GmbH (“AMP Germany”).

AMP’s business is to import European Union - Good Manufacturing Practices (“EU-GMP”) certified cannabis from Canada and other countries and sell it to pharmaceutical wholesalers who supply pharmacies permitted to dispense medical cannabis prescribed by German physicians. All of AMP Germany’s suppliers are audited by German auditors to ensure they meet the stringent EU- GMP standards.

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 is regulated by EU-GMP, and the cultivation facility must be inspected and certified by a German state. Globally, only a handful of companies have received EU-GMP certification for exportation to Germany.

The Thuringia State Office for Consumer Protection (Thüringer Landesamt fuer Verbraucherschutz) (“TLV”) has granted an import license to AMP Germany for cannabis products for medical purposes according to Section 72 of the German Medicine Law (Arzneimittelgesetz - AMG). TLV deals with economic consumer protection and policy for the Free State of Thuringia in Germany.

AMP engaged a leading Germany pharmaceutical consulting company to qualify its suppliers to ensure they meet the EU-GMP pharmaceutical quality and consistency standards required to export to Germany by conducting gap analysis and audits. The Company completed the audit of its supply chain to ensure the quality and integrity of the pharmaceutical goods are maintained during transportation, warehousing, handling, testing and distribution from the supplier in Canada to the distributor in Germany.

AMP entered into a four-year non-exclusive agreement to purchase medical cannabis flower commencing in 2020 with one of the largest pharmaceutical wholesalers of medical cannabis in Germany.

AMP is listed on the Frankfurt Stock Exchange under the trading symbol, “C4T” and on the Canadian Securities Exchange under the trading symbol “XCX” and is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario, and Québec.

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.

	2020		2019				2018	
	(In thousands, except per share amounts)							
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss	\$ 783	\$ 427	\$ 1,737	\$ 1,054	\$ 796	\$ 393	\$ 593	\$ 71
Loss per share, basic and diluted	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.01

For the six months ended June 30th, 2020

The following analysis of AMP’s operating results for the six months ended June 30th, 2020, includes a comparison to the corresponding comparative period ended June 30th, 2019.

Overall operating expenses increased slightly to \$1.2-million and consisted largely of general and administrative expenses of \$1.1-million which include consulting and professional expenses incurred in the development of the Company’s business. Other expenses did not change materially during the year.

Non-cash accounting adjustments included a foreign exchange loss of \$37,728 and a currency translation accounting adjustment gain of \$21,607. The Company plans to start reporting in Euros instead of Canadian dollars commencing in Q4, 2020.

The Company reported a comprehensive loss, after accounting for non-cash foreign currency differences on foreign operations, for the six months ended June 30th, 2020 of \$1.2-million (\$0.05 per share) compared to a comprehensive loss of \$1.3-million (\$0.11 per share) for the six months ended June 30th, 2019.

Beginning in Q3, 2020 revenues will be generated from the importation and sale of EU-GMP medical cannabis.

For the three months ended June 30th, 2020

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, 2019.

Income was immaterial. Expenses declined to \$650,274, compared to \$796,087 in the prior year period. The comprehensive loss, after accounting for non-cash foreign currency differences on foreign operations, for the reported quarter was \$586,493 (\$0.03 per share), compared to a comprehensive loss of \$809,060 (\$0.06 per share) in the corresponding period.

Liquidity and Capital Resources

The following analysis of the Company’s liquidity and capital resources for the quarter ended June 30th, 2020, includes a comparison to December 31st, 2019.

Working Capital

As of June 30th, 2020, the Company had total assets of \$835,459, which included \$132,068 in cash, \$289,538 in accounts receivable and prepaid expenses and \$97,043 in loans receivable to cannabis suppliers. Accounts receivable and prepaid expenses increased due to pre-cautionary cash management in preparation for potential disruptions related to the Covid-19 pandemic. The Company is selling its investments and investment loan receivable totaling \$36,677 and \$208,096, respectively, however the Covid-19 pandemic has affected the price and liquidity of these non-core assets.

Total liabilities increased to \$1.3-million from \$935,186 due largely to draw-downs on the Company's unsecured revolving loan facility. Trade and other payables declined to \$294,398 at June 30th, 2020, from \$398,857 at the end of last year.

Shareholder equity declined to a deficit of \$472,389 at June 30th, 2020, from a deficit of \$133,349 at the end of last year.

Cashflow

The Statements of Cash Flows show the structure of and changes in cash for the reported period and are broken down into operating activities, investing activities and financing activities.

The Company used \$184,564 in cash during the period to hold \$132,068 in cash at quarter end. Operating activities used cash of \$1.6-million largely for operating expenses related to business development. Investing activities generated \$207,109 in cash, largely loan repayments, while financing activities generated \$1.3-million in cash from the Series B private placement and drawdowns on the Company's revolving loan facility.

Transactions Between Related Parties

The Company paid or accrued directors, officers and management fees \$256,770 (2019 - \$261,694 to directors and executive officers of the Company).

Included in accounts payable at June 30th, 2020 is \$11,025 (December 31st, 2019 - \$111,852) owing to directors and officers of the Company for consulting and accounting fees, rent and expenses incurred on behalf of the Company.

Share Outstanding Data

As at June 30th, 2020 the Company has 24,948,024 (December 31st, 2019; 21,478,024) shares and 2,494,779 (December 31st, 2019 – 2,123,779) stock options outstanding.

-End of Document-



**AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tyee Industry Limited)**

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

**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 Tyee Industry Limited)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND DECEMBER 31, 2019
(Expressed in Canadian Dollars)

	Notes	June 30, December 31,	
		2020	2019
ASSETS			
Current assets			
Cash		\$ 132,068	\$ 316,632
Accounts receivable and prepaid expenses	4	289,538	14,119
Investments	5	36,677	38,737
Loans receivable	6	97,043	34,071
		<u>555,326</u>	<u>403,559</u>
Equipment		72,037	4,212
Investment loan receivable	7	208,096	394,066
Total assets		<u>\$ 835,459</u>	<u>\$ 801,837</u>
LIABILITIES AND EQUITY (DEFICIT)			
Current liabilities			
Trade and other payables	8, 12	\$ 294,398	\$ 398,857
Loan payable	9	1,013,450	536,329
		<u>1,307,848</u>	<u>935,186</u>
Equity (deficit)			
Share capital	10	2,612,276	1,763,761
Share based payment reserve	10	3,248,935	3,202,859
Foreign currency translation reserves		84,207	62,601
Deficit		<u>(6,417,807)</u>	<u>(5,162,570)</u>
Total equity (deficit)		<u>(472,389)</u>	<u>(133,349)</u>
Total liabilities and equity (deficit)		<u>\$ 835,459</u>	<u>\$ 801,837</u>

On behalf of the Board:

/s/ Kenneth MacLeod Director /s/ Alex Blodgett Director

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

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

	Notes	Six Months June 30, 2020	Six Months June 30, 2019	Three Months June 30, 2020	Three Months June 30, 2019
Expenses					
Corporate governance expenses	12	5,775	35,893	2,625	(3,053)
General and administration expenses	11	1,087,032	1,026,742	565,693	698,445
Interest, net		28,795	14,460	16,932	7,794
Share based compensation		42,591	58,850	42,591	58,850
Transfer agent, filing fees & shareholder communication		52,082	49,375	22,433	34,051
		<u>1,216,275</u>	<u>1,185,320</u>	<u>650,274</u>	<u>796,087</u>
Foreign exchange (gain) loss		37,728	(10,367)	132,982	(3,166)
Unrealized(gain) loss on marketable securities		1,234	3,000	37	3,378
Income taxes		-	10,954	-	-
Loss for the period		(1,255,237)	(1,188,907)	(783,293)	(796,299)
Other comprehensive income (loss)					
Foreign currency translation differences on foreign operations		21,607	(103,759)	196,800	(12,761)
Comprehensive loss for the period		\$ (1,233,630)	\$ (1,292,666)	\$ (586,493)	\$ (809,060)
Weighted average number of common shares outstanding					
		23,701,891	11,244,883	24,948,024	12,260,683
Loss per common share, basic and diluted		<u>\$ (0.05)</u>	<u>\$ (0.11)</u>	<u>\$ (0.03)</u>	<u>\$ (0.06)</u>

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

AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tye Industry Limited)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
(Expressed in Canadian Dollars)

	(Note 10) Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity
Balance December 31, 2018	10,217,796	\$ 174,613	\$ 2,744,438	\$ 179,314	\$(1,182,828)	\$ 1,915,537
Loss for the period	-	-	-	-	(392,608)	(392,608)
Foreign currency translation	-	-	-	(90,998)	-	(90,998)
Balance, June 30, 2019	10,217,796	174,613	2,744,438	88,316	(1,575,436)	1,431,931
Loss for the period	-	-	-	-	(3,587,134)	(3,587,134)
Foreign currency translation	-	-	-	(25,715)	-	(25,715)
Shares issued in private placement	10,000,000	1,500,000	-	-	-	1,500,000
Shares issued on exercise of stock options	1,020,000	153,000	-	-	-	153,000
Shares issued on exercise of warrants	240,228	36,034	-	-	-	36,034
Share issuance costs	-	(210,025)	51,290	-	-	(158,735)
Fair value of stock options and warrants transferred on exercise	-	110,139	(110,139)	-	-	-
Share based compensation	-	-	517,270	-	-	517,270
Balance, December 31, 2019	21,478,024	1,763,761	3,202,859	62,601	(5,162,570)	(133,349)
Loss for the period	-	-	-	-	(1,255,237)	(1,255,237)
Foreign currency translation	-	-	-	21,606	-	21,606
Shares issued in private placement	3,470,000	867,500	-	-	-	867,500
Share issuance costs	-	(15,500)	-	-	-	(15,500)
Fair value of warrants	-	(3,485)	3,485	-	-	-
Share based compensation	-	-	42,591	-	-	42,591
Balance, June 30, 2020	24,948,024	2,612,276	3,248,935	84,207	(6,417,807)	(472,389)

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

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

	Six Months ended June 30, 2020	Six Months ended June 30, 2019	Three Months ended June 30, 2020	Three Months ended June 30, 2019
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	\$(1,255,237)	\$(1,188,907)	\$ (783,293)	\$ (796,299)
Items not affecting cash:				
Non-cash loan interest	34,019	14,621	4,369	7,928
Unrealized loss on marketable securities	1,197	3,000	-	3,378
Share based compensation	42,591	58,850	42,591	58,850
	<u>(1,177,430)</u>	<u>(1,112,436)</u>	<u>(736,333)</u>	<u>(726,143)</u>
Changes in non-cash working capital items				
Receivables and prepaids	(275,420)	(57,425)	95,313	(60,820)
Accounts payable and accrued liabilities	(104,459)	206,446	52,513	143,073
	<u>(1,557,309)</u>	<u>(963,415)</u>	<u>(588,507)</u>	<u>(643,890)</u>
INVESTING ACTIVITIES				
Acquisition of equipment	(67,312)	(4,725)	(3,952)	-
Investment loan receivable	271,676	528,500	326,757	302,000
Sale of investment	2,745	-	-	-
	<u>207,109</u>	<u>523,775</u>	<u>322,805</u>	<u>302,000</u>
FINANCING ACTIVITIES				
Shares issued for cash	867,500	1,500,000	-	1,500,000
Share issue costs	(15,500)	(138,888)	-	(138,888)
Loan payable	406,871	147,036	-	-
	<u>1,258,871</u>	<u>1,508,148</u>	<u>-</u>	<u>1,361,112</u>
Effect of foreign exchange on cash	<u>(93,235)</u>	<u>(20,196)</u>	<u>73,146</u>	<u>(6,976)</u>
Change in cash during the period	(184,564)	1,048,312	(192,556)	1,012,246
Cash, beginning of the period	316,632	53,358	324,624	89,424
Cash, end of the period	<u>\$ 132,068</u>	<u>\$ 1,101,670</u>	<u>\$ 132,068</u>	<u>\$ 1,101,670</u>

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

1. NATURE OF OPERATIONS

AMP German Cannabis Group Inc. ("the Company" or "AMP") is 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 and a representative office at Charlottenstrasse 59, Berlin, Germany, 10117.

AMP German Cannabis Group Inc. is a Canadian holding company whose main investment is its wholly-owned Germany subsidiary, AMP Alternative Medical Products GmbH, which imports EU-GMP medical cannabis into Germany.

The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol, "XCX" and on the Frankfurt Stock Exchange under the 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 ("\$").

Going Concern

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning that it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2020, the Company had an accumulated deficit of \$6,417,807 (December 31, 2019 - \$5,162,570) and working capital deficit of 752,522 (December 31, 2019 – deficit of \$531,627) and, to date, the Company has not generated sufficient revenues to meet its operating and administrative expenses or its other obligations. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately to attain profitable operations. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with private placements of the Company's common shares and loans from related parties.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments has adversely affected workforces, economies and financial markets globally, potentially leading to an economic downturn. The impact on the Company and its ability to obtain financing and realize on its investments is not currently determinable, but management continues to monitor the situation.

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, 2019. 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, 2019.

The consolidated financial statements were authorized for issue by the Board of Directors on August 28, 2020.

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.

These consolidated financial statements include the accounts of its wholly-owned investment subsidiaries, AMP Alternative Medical Products GmbH (“AMP Germany”) of Germany, AMP Alternative Medical Products Canada Limited (“AMP Canada”) of Canada, Alternative Medical Products Switzerland GmbH (“AMP Swiss”) of Switzerland and its 99% owned subsidiary Alternative Medical Products Malta plc (“AMP Malta”) of Malta.

Foreign currency translation

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). These financial statements are presented in Canadian dollars.

Currency

The functional currency of the Company is the Canadian dollar (“\$”). The functional currency of the Company’s European subsidiaries is the Euro (“€”) and the functional currency of AMP Swiss is the Swiss Franc (“CH”).

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2020	December 31, 2019
Accounts receivable	\$ 17,757	\$ 14,119
Prepaid expenses	271,781	-
	<u>\$ 289,538</u>	<u>\$ 14,119</u>

5. INVESTMENTS

The Company held investments for sale of \$36,677 as of June 30, 2020 (December 31, 2019 - \$38,737)

AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tyee Industry Limited)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(Expressed in Canadian Dollars)

6. LOANS RECEIVABLE

	June 30, 2020	December 31, 2019
(a) Pure Life Cannabis Corp. ("PLCC")	\$ 14,030	\$ 12,864
(b) Swiss Cannabis Inc. ("CHX")	83,013	21,207
	<u>\$ 97,043</u>	<u>\$ 34,071</u>

- (a) In August 2019, the Company and PLCC entered into a memorandum of understanding for the purchase of EU-GMP medical cannabis for export to Germany. The unsecured revolving line of credit with PLCC in the amount of €35,000, bears interest at 8% per annum, compounded monthly and is due on demand. At June 30, 2020, \$14,030 / €9,167 (December 31, 2019 - \$12,864 / €8,812) had been advanced under this facility. The loan is to be used for upgrading PLCC's facility to meet EU-GMP standards in order to export cannabis to Germany.
- (b) In September 2019, the Company and CHX entered into a non-recourse credit facility for up to €200,000, bearing interest at 8% per annum and due on September 6, 2020. At June 30, 2020, \$83,013 / €54,240 (December 31, 2019 - \$21,207 / €14,525) had been advanced under this facility. The loan is to be used to develop EU-GMP CBD medical cannabis for export to Germany. The credit facility may be converted into shares of CHX at the sole discretion of the lender at the price to be agreed upon by the parties at the time conversion takes place.

7. INVESTMENT LOAN RECEIVABLE

The Company holds an investment loan receivable totaling, \$208,096 ((December 31, 2019 - \$394,066), which is unsecured and bears interest at 0.0025% capitalized to the loan annually. During the six months ended June 30, 2020, \$204,354 in payments were made to the Company.

8. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	\$ 249,398	\$ 344,332
Accrued liabilities	45,000	54,525
	<u>\$ 294,398</u>	<u>\$ 398,857</u>

9. LOAN PAYABLE

During the six months ended June 30, 2020, the Company revised the terms of the unsecured revolving credit facility increasing the maximum available from €500,000 to €1 million, revising the bearing interest rate from 8% per annum to 10% per annum, and extending the maturity date by a year to December 31, 2021. The facility may be converted into shares of the Company at the sole discretion of the lender at a price to be agreed upon by the parties. As of June 30, 2020, \$1,013,450 / €664,084 (December 31, 2019 - \$536,329 / €367,348) was drawn-down.

10. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of June 30, 2020, the Company had 24,948,024 (2019 - 21,478,024) Class A Voting Common Shares issued and outstanding.

On March 6, 2020, the Company completed a non-brokered placement of 3,470,000 common shares at a price of \$0.25 per common share for proceeds of \$867,500. The Company paid cash finder's fees of \$10,500, other share issuance costs of \$5,000 and issued 42,000 finders warrants with a fair value of \$3,485.

On June 12, 2019, the Company completed 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 and other share issuance costs of \$158,735 and issued 240,228 finders warrants with a fair value of \$51,290.

Stock Options

As of June 30, 2020, the Company had 2,494,779 stock options outstanding issued to its directors, officers, employees and consultants in Germany, Switzerland and Canada pursuant to its stock option plan with an exercise price of \$0.50, of which 2,123,779 stock options expire on September 6, 2020 and 371,000 stock options expire on June 17, 2021.

On May 8, 2019, the Company granted incentive stock options with an exercise price of \$0.15 per share to purchase up to 1,020,000 common shares, which included 655,000 options to directors and officers. On September 5, 2019, 820,000 stock options were exercised for proceeds of \$123,000 and on October 10, 2019, 200,000 stock options were exercised for proceeds of \$30,000.

On June 17, 2020, the Company granted incentive stock options to purchase up to 371,000 common shares, including 300,000 options to directors and officers. Each option vests immediately, has an exercise price of \$0.50 per share and expires on June 17, 2021.

On September 6, 2019, the Company granted incentive stock options to purchase up to 2,123,779 common shares, including 1,175,000 options to directors and officers. Each option vests immediately, has an exercise price of \$0.50 per share and expires on September 6, 2020.

The fair value of the 1,020,000 options, the 2,123,779 options and the 371,000 options, estimated on the date of grant, was \$559,861 in aggregate, using the Black-Scholes Option Pricing Model and the following assumptions:

	1,020,000 Options	2,123,779 Options	371,000 Options
Risk-free interest rate	1.47%	1.65%	0.29%
Expected life	0.05	1.00	1.00
Annualized volatility	106%	128%	113%
Dividend rate	\$Nil	\$Nil	\$Nil

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

The Company's stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price \$
Balance, December 31, 2018	-	
Granted	1,020,000	0.15
Exercised	(1,020,000)	0.15
Granted	2,123,779	0.50
Balance, December 31, 2019	2,123,779	0.50
Granted	371,000	0.50
Balance, June 30, 2020	2,494,779	0.50

Finder Warrants

As of June 30, 2020, the Company has 42,000 warrants outstanding (2019 - \$Nil).

On March 6, 2020, the Company completed a non-brokered placement and issued 42,000 finders warrants.

On June 12, 2019, the Company completed a non-brokered placement and issued 240,228 finders warrants, which were exercised in 2019 for proceeds of \$36,034.

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 and three months ended June 30, 2020, was based on the loss attributable to common shareholders of \$1,255,237 (2019 - \$1,118,907) and the weighted average number of common shares outstanding of 23,701,891 (2019 - 11,244,883) for the six months ended June 30, 2020 and the loss attributable to common shareholders of \$783,293 (2019 - \$796,299) and the weighted average number of common shares outstanding of 24,948,024 (2019 - 12,260,683) for the three months ended June 30, 2020.

For the six and three months ended June 30, 2020, the diluted loss per share does not include the effect of 2,494,779 stock options (2019 - \$Nil) and 42,000 warrants (2019 - \$Nil) as the effect would be anti-dilutive.

11. GENERAL AND ADMINISTRATION EXPENSES

	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Consulting and management fees	\$ 611,033	\$ 536,141	\$ 334,268	\$ 406,098
Marketing	76,664	158,517	51,654	100,322
Office and supplies	85,243	145,953	36,612	80,134
Professional fees	101,938	83,935	46,140	61,915
Rent and insurance	69,205	36,461	51,366	21,679
Salaries and benefits	142,949	65,735	45,653	28,297
	<u>\$ 1,087,032</u>	<u>\$ 1,026,742</u>	<u>\$ 565,693</u>	<u>\$ 698,445</u>

12. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2020:

The Company paid or accrued directors and management fees \$256,770 (2019 - \$261,694 to directors and executive officers of the Company).

Included in accounts payable at June 30, 2020 is \$11,025 (December 31, 2019 - \$111,852) owing to directors and officers of the Company for consulting and accounting fees, rent and expenses incurred on behalf of the Company.

13. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity less reserves and liabilities. Cash, investments and loans receivable 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 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.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investments, 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.

14. FINANCIAL INSTRUMENTS (cont'd...)

Fair value (cont'd...)

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 TA is classified as Level 3. TA 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 TA 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 TA 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 AMP Malta realizing on its investments.

The Company's other exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Germany. As most of the Company's cash is held by two banks 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, 2020:

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	78%	0%	22%	100%
Investment	90%	0%	10%	100%
Loans receivable	100%	0%	0%	100%
Investment loan receivable	100%	0%	0%	100%
Trade and other payables	26%	0%	74%	100%

14. FINANCIAL INSTRUMENTS (cont'd...)

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.