



## **Management's Discussion and Analysis of Financial Condition and Results of Operations as at November 29<sup>th</sup>, 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 nine months ended September 30<sup>th</sup>, 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 nine months ended September 30<sup>th</sup>, 2019, 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 1<sup>st</sup> of that year and ending on December 31<sup>st</sup> of that year. For example, fiscal 2019, means the period beginning January 1<sup>st</sup>, 2019, and ending December 31<sup>st</sup>, 2019. Reference to "reported quarter" means the nine calendar months commencing on January 1<sup>st</sup> of that year and ending on September 30<sup>th</sup> 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 November 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 20<sup>th</sup>, 2009. The Company will review its forward-looking statement when it files its third-quarter financial results for the nine months ending September 30<sup>th</sup>, 2019.

### Highlights

- Changed name to AMP German Cannabis Group Inc.;
- Opened offices in Erfurt and Berlin;
- Listed on the Canadian Securities Exchange;
- Closed Series A private placement, raising \$1.5-million;
- Entered into partnership with German pharmaceutical consulting firm to provide EU-GMP audit services;
- Received import license to import cannabis products for medical purposes into Germany;
- Entered into supply agreements for approximately 7,000 kg annually from Canadian suppliers, and;
- Entered into pharmaceutical distribution agreement with CC Pharma GmbH.

### Corporate Overview

#### **AMP German Cannabis Group Inc.**

AMP German Cannabis Group Inc. (“AMP” or “the Company”) is a Canadian investment holding company whose main investment is its wholly-owned Germany subsidiary, AMP Alternative Medical Products GmbH (“AMP Germany”). AMP’s other investment subsidiaries in Switzerland and Malta function to procure supply for AMP Germany.

AMP trades on the Canadian Securities Exchange (CSE: XCX) and Frankfurt Stock Exchange (FSE: C4T) and is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario and Québec.

Corporate filings are available at the System for Electronic Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com) and at the Company’s website: [www.amp-eu.com](http://www.amp-eu.com).

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.

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.

During the year, the Thuringia State Office for Consumer Protection (Thueringer Landesamt fuer Verbraucherschutz) (“TLV”) granted an import license to AMP Germany for cannabis products for medical purposes according to Section 72 of the German Medicine Law (Arzneimittelgesetz - AMG). AMP Germany will apply for a narcotic license with TLV when the first imports begin in the first half of 2020. TLV deals 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 is currently auditing its supply chain to ensure the quality and integrity of the pharmaceutical goods is maintained during transportation, warehousing, handling, testing and distribution from the supplier in Canada to distributor in Germany.

AMP has supply agreements for approximately 7,000 kg of cannabis flower with six late-stage applicants to become Canadian Licensed Producers and is in negotiations with several indoor licensed producers. All of AMP’s Canadian suppliers operate indoor cultivation

facilities near international airports with annual production capacity between 5,000 and 10,000 kg. AMP will enter into a definitive supply agreement once the supplier has passed a EU-GMP audit. Successful, qualified suppliers that are certified by TLV will begin to export to Germany once AMP obtains the necessary import permits.

AMP's primary pharmaceutical distributor is CC Pharma GmbH, the largest distributor of medical cannabis in Germany. CC Pharma and AMP have entered into a 4-year non-exclusive agreement for the purchase of medical cannabis flower commencing in 2020.

**Assets Held for Sale**

The Company held \$206,487 in assets for sale, representing the remaining investments under the Company's former investment policy.

**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
(In thousands, except per share amounts)									
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	
<b>Revenue</b> .....	\$ 3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Loss</b> .....	\$ (1,054)	\$ (796)	\$ (393)	\$ (593)	\$ (71)	\$ (61)	\$ (70)	\$ (141)	
<b>Loss per share, basic and diluted</b> .....	\$ (0.05)	\$ (0.06)	\$ (0.05)	\$ (0.06)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	

**Summary of Reported Period Results**

*For the nine months ended September 30<sup>th</sup>, 2019.*

The following analysis of AMP's operating results for the nine months ended September 30<sup>th</sup>, 2019, includes a comparison to the corresponding comparative period ended September 30<sup>th</sup>, 2018.

Going forward, revenue will be generated from the importation and sale of EU-GMP medical cannabis in Germany to pharmaceutical distributors. Under the Company's previous investment policy revenue was immaterial.

Developing the Company's importation business resulted in overall expenses increasing to \$2.2-million from \$202,686. General and administrative expenses increased due to the addition of several executive officers and other personnel resulting in higher executive management salaries and employee costs. The Company plans to implement an incentive-based compensation policy linked to achieving business results and creating shareholder value 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 during 2020. The Company's Statement of Executive Compensation on Form 51-102F6V for the year ended December 31<sup>st</sup>, 2018, is filed on SEDAR.

As the Company operates in a highly regulated industry, professional and consulting fees were incurred during the year while the opening of the Company's Berlin and Erfurt offices increased rent and office costs. Corporate governance and public company expenses increased moderately as the Company's board size and activity increased.

Non-cash accounting adjustments included share-based compensation of \$477,200, valued using the Black-Scholes valuation model, and a foreign currency translation accounting adjustment of \$164,486. Prior to the Company granting stock options in May 2019, the Company had not granted any stock options since 2013.

The Company reported a loss for the period of \$2.2-million (\$0.16 per share) compared to a loss of \$202,454 (\$0.02 per share) for the corresponding comparative period. The Company reported a comprehensive loss, which includes foreign currency translations and changes in the fair value of assets-for-sale of \$2.4-million compared to a loss of \$248,975 for the corresponding comparative period.

**Summary of Reported Period Results**

*For the three months ended September 30th, 2019*

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

Revenue was immaterial. Operating costs totaled \$1-million, compared to \$70,876, while the loss for the reported quarter was \$1-million, compared to a loss of \$70,800. Basic and diluted loss per common share was \$0.05 compared to a loss of \$0.01, respectively, for the reported quarters.

**Transactions Between Related Parties**

During the reported period, the Company paid director and management fees of \$376,888 (2018 - \$15,375) and professional fees of \$37,350 (2018 - \$18,900) to the Chief Financial Officers consulting company for accounting services. Included in accounts payable at September 30<sup>th</sup>, 2019, is \$6,750 owing to one officer of the Company for accounting fees.

**Liquidity and Capital Resources****Working Capital**

The following analysis of the Company's liquidity and capital resources for the nine months ended September 30<sup>th</sup>, 2019, includes a comparison to the corresponding comparative nine months ended September 30<sup>th</sup>, 2018.

The Company's principal sources of capital are its available cash, assets held for sale, repayment of investment loan receivable and public financing. The Company also has a \$765,000 bridge loan facility.

As at September 30<sup>th</sup>, 2019, AMP had assets of \$2.1-million consisting of cash holdings of \$444,013, assets for sale totaling \$206,487 and \$1.4-million in an investment loan receivable. Total liabilities increased to \$654,768 from \$412,147 at year-end due to bridge loan drawdowns and higher trade and other payables from increased business activity. Shareholders' equity decreased to \$2-million compared to \$2.3-million at year-end.

**Cash flow**

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

The Company generated \$390,655 in cash flow to hold \$444,013 in cash at the end of the reported period. Operating activities used cash of \$1.7-million largely for operating expenses for the development of the Company's importation business, while investing activities generated \$516,775 largely from the repayment of the investment loan receivable. Financing activities generated \$1.6-million in cash from the Series A private placement and \$147,036 from the Company's bridge loan facility.

**Share Outstanding Data**

As of September 30<sup>th</sup>, 2019, the Company had 21,037,796 shares, 2,323,799 stock options and 240,228 finder warrants outstanding.

-End of Document-



(Formerly Chinook Tye Industry Limited)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SEPTEMBER 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 Tyee Industry Limited)  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
September 30, 2019 and December 31, 2018  
(Expressed in Canadian Dollars)

	Notes	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	\$ 444,013	\$ 53,358
Accounts receivable and prepaid expenses	5	60,247	25,912
Assets held for sale	6	206,487	9,750
		<u>710,747</u>	<u>89,020</u>
Equipment		4,494	-
Long-term investment	6	-	220,038
Investment loan receivable	7	1,359,347	2,018,626
<b>Total assets</b>		<u>\$ 2,074,588</u>	<u>\$ 2,327,684</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	8	\$ 249,236	\$ 152,189
Loan payable	9	405,532	259,958
		<u>654,768</u>	<u>412,147</u>
<b>Equity</b>			
Share capital	10	1,604,898	174,613
Share based payment reserve	10	3,225,618	2,744,438
Foreign currency translation reserve		14,828	179,314
Deficit		(3,425,524)	(1,182,828)
Total equity		<u>1,419,820</u>	<u>1,915,537</u>
<b>Total liabilities and equity</b>		<u>\$ 2,074,588</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 Tyee Industry Limited)  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS  
NINE MONTHS ENDED SEPTEMBER 30,  
(Expressed in Canadian Dollars)

	Notes	Nine Months September 30, 2019	Nine Months September 30, 2018	Three Months September 30, 2019	Three Months September 30, 2018
<b>Interest revenue</b>		\$ 3,943	\$ 232	\$ 3,567	\$ 76
<b>Expenses</b>					
Corporate governance expenses	12	46,620	24,825	10,727	8,275
General and administration expenses	11	1,558,270	156,341	531,528	61,032
Interest		22,797	-	7,961	-
Share based compensation		477,200	-	418,350	-
Public company shareholder expenses		135,057	21,520	85,682	1,569
		<u>2,239,944</u>	<u>202,686</u>	<u>1,054,248</u>	<u>70,876</u>
Foreign exchange		(21,282)	-	(10,915)	-
Unrealized loss on marketable securities		5,820	-	2,820	-
Income taxes		22,157	-	11,203	-
<b>Loss for the period</b>		(2,242,696)	(202,454)	(1,053,789)	(70,800)
<b>Other comprehensive loss</b>					
Foreign currency translation differences on foreign operations		(164,486)	(16,221)	(60,726)	(66,502)
Net change in fair value of available for sale financial asset		-	(30,300)	-	(3,675)
<b>Comprehensive loss for the period</b>		<u>\$ (2,407,182)</u>	<u>\$ (248,975)</u>	<u>\$ (1,114,515)</u>	<u>\$ (140,977)</u>
<b>Weighted average number of common shares outstanding</b>		14,346,817	10,217,796	20,449,535	10,217,796
Loss per common share, basic and diluted		<u>\$ (0.16)</u>	<u>\$ (0.02)</u>	<u>\$ (0.05)</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  
NINE MONTHS ENDED SEPTEMBER 30,  
(Expressed in Canadian Dollars)

	Number of common shares	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	-	-	-	-	(202,454)	(202,454)
Foreign currency translation	-	-	-	(46,521)	-	(46,521)
Change in fair value of available for sale financial assets	-	-	-	-	-	-
Balance, September 30, 2018	10,217,796	174,613	2,744,438	61,625	(590,396)	2,390,280
Loss for the period	-	-	-	-	(592,432)	(592,432)
Foreign currency translation	-	-	-	117,689	-	117,689
Balance, December 31, 2018	10,217,796	174,613	2,744,438	179,314	(1,182,828)	1,915,537
Loss for the period	-	-	-	-	(2,242,696)	(2,242,696)
Shares issued in private placement	10,000,000	1,500,000	-	-	-	1,500,000
Shares issued on exercise of stock options	820,000	123,000	-	-	-	123,000
Share issuance costs	-	(240,025)	-	-	-	(240,025)
Fair value stock options	-	47,310	(47,310)	-	-	-
Fair value warrants	-	-	51,290	-	-	51,290
Share based compensation	-	-	477,200	-	-	477,200
Foreign currency translation	-	-	-	(164,486)	-	(164,486)
Balance, September 30, 2019	21,037,796	\$ 1,604,898	\$ 3,225,618	\$ 14,828	\$ (3,425,524)	\$ 1,419,820

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  
NINE MONTHS ENDED SEPTEMBER 30,  
(Expressed in Canadian Dollars)

	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018	Three Months ended September 30, 2019	Three Months ended September 30, 2018
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (2,242,696)	\$ (202,454)	\$ (1,053,789)	\$ (70,800)
Items not affecting cash:				
Non-cash loan interest	22,583	-	7,961	-
Unrealized loss on marketable securities	5,820	-	2,820	-
Share based compensation	477,200	-	418,350	-
	<u>(1,737,093)</u>	<u>(202,454)</u>	<u>(624,658)</u>	<u>(70,800)</u>
Changes in non-cash working capital items				
Receivables and prepaids	(34,335)	37,834	23,090	1,020
Accounts payable and accrued liabilities	97,047	(12,814)	(109,398)	1,649
	<u>(1,674,381)</u>	<u>(177,434)</u>	<u>(710,966)</u>	<u>(68,131)</u>
<b>INVESTING ACTIVITIES</b>				
Acquisition of equipment	(4,725)	-	-	-
Investment loan receivable	521,500	-	(7,000)	-
	<u>516,775</u>	<u>-</u>	<u>(7,000)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>				
Shares issued for cash	1,623,000	-	123,000	-
Share issue costs	(188,737)	-	(49,849)	-
Loan payable	147,036	-	-	-
	<u>1,581,299</u>	<u>-</u>	<u>73,151</u>	<u>-</u>
Effect of foreign exchange on cash	<u>(33,038)</u>	<u>49,629</u>	<u>(12,842)</u>	<u>48,098</u>
Change in cash during the period	390,655	(127,805)	(657,657)	(20,033)
Cash, beginning of the period	53,358	172,589	1,101,670	64,817
Cash, end of the period	<u>\$ 444,013</u>	<u>\$ 44,784</u>	<u>\$ 444,013</u>	<u>\$ 44,784</u>

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

**AMP GERMAN CANNABIS GROUP INC.**

(Formerly Chinook Tyee Industry Limited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

---

**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.

The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol, "XCX" and on the 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 Tyee Industry Limited.

The reporting currency of AMP's consolidated financial statements is the Canadian dollar ("C\$").

**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 November 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.

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 GERMAN CANNABIS GROUP INC.**  
(Formerly Chinook Tyee Industry Limited)  
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019  
(Expressed in Canadian Dollars)

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

**Basis of consolidation (cont'd...)**

MPC 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	\$ 144,013	\$ 53,358
Guaranteed Investment Certificate	300,000	-
	\$ 444,013	\$ 53,358

**5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

	2019	2018
Accounts receivable	\$ 3,901	\$ 12,555
Prepaid expenses	56,346	13,357
	\$ 60,247	\$ 25,912

**6. ASSETS HELD FOR SALE**

	2019	2018
(1) Peekaboo Beans Inc. ("PBI")	\$ 3,375	\$ 9,750
(2) Taiga Atlas plc ("Taiga")	203,112	220,038
	\$ 206,487	\$ 229,788

(1) MPC owns 75,000 shares of PBI. At September 30, 2019, the shares had a fair value of \$3,375 (2018 - \$9,750) and the Company has recognized an unrealized loss of \$5,820 (2018 - \$30,300).

(2) MPC owns 184,342 shares of Taiga, which is a Malta public liability company. 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**

SEPTEMBER 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	(521,500)	(50,363)	(350,000)	-
Impairment	-	(229,500)	-	(150,000)
FX conversion	(137,779)	67,699	-	-
	<u>\$ 1,359,347</u>	<u>\$ 2,018,626</u>	<u>943,991</u>	<u>1,293,991</u>

The Company, through MPC, holds a loan receivable from MCP-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	\$ 242,486	\$ 109,664
Accrued liabilities	6,750	42,525
	<u>\$ 249,236</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 September 30, 2019, \$405,532 / €265,000 (2018 - \$259,958 / €165,000) was drawn-down.

**10. CAPITAL AND OTHER COMPONENTS OF EQUITY**

As of September 30, 2019, the Company had 21,037,796 (2018 - 10,217,796) voting common shares issued and outstanding.

The Company has retroactively restated all share and per share information disclosed in these financial statements for a share split of its common shares on a 1 old for 3 new basis completed on December 5, 2018.

**AMP GERMAN CANNABIS GROUP INC.**

(Formerly Chinook Tyee Industry Limited)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

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

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 finders warrants, which may be exercised for the purchase of one common share at a price of \$0.15 per common share until December 12, 2019.

On September 5, 2019, the Company, issued 820,000 shares on the exercise of stock options for proceeds of \$123,000.

**Stock Options**

As of September 30, 2019, the Company had 2,323,779 stock options outstanding issued to its directors, officers, employees and consultants in Germany, Switzerland and Canada pursuant to its stock option plan.

On May 8, 2019, the Company granted incentive stock options to purchase up to 1,020,000 common shares including 655,000 options to directors and officers. Each option vests immediately, has an exercise price of \$0.15 per share and expires on May 8, 2020. On September 5, 2019, 820,000 stock options were exercised for proceeds of \$123,000.

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 options, estimated on the date of grant, were valued at \$58,850 and \$418,350, respectively, using the Black-Scholes Option Pricing Model and the following assumptions:

	1,020,000 Options	2,123,779 Options
Risk-free interest rate	1.47%	1.49%
Expected life	0.5	1.0
Annualized volatility	106%	116%
Dividend rate	\$Nil	\$Nil

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	(820,000)	0.15
Granted	2,123,799	0.50
Balance, September 30, 2019	2,323,799	0.47

**AMP GERMAN CANNABIS GROUP INC.**

(Formerly Chinook Tyee Industry Limited)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

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

The following table summarizes the options outstanding and exercisable at September 30, 2019:

Exercise Price	Number Outstanding	Expiry Date
\$ 0.15	200,000	May 8, 2020
\$ 0.50	2,123,799	September 6, 2020
	<b>2,323,799</b>	

**Finder Warrants**

As of September 30, 2019, the Company had 240,228 Series A finder warrants outstanding, which may be exercised for the purchase of one common share 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 nine months ended September 30, 2019, was based on the loss attributable to common shareholders of \$2,242,696 (2018 - \$202,454) and the weighted average number of common shares outstanding of 14,346,817 (2018 - 10,217,796).

Diluted loss per share for the nine months ended September 30, 2019 does not include the effect of 2,323,779 stock options (2018 - \$Nil) and 240,228 share purchase warrants (2018 - \$Nil) as the effect would be anti-dilutive.

**AMP GERMAN CANNABIS GROUP INC.**

(Formerly Chinook Tyee Industry Limited)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

**11. GENERAL AND ADMINISTRATION EXPENSES**

	Nine Months ended September 30, 2019	Nine Months ended September 30, 2018	Three Months ended September 30, 2019	Three Months ended September 30, 2018
Consulting fees	\$ 652,168	\$ -	\$ 114,570	\$ -
Executive management fees	339,668	17,575	182,608	17,575
Office and supplies	207,720	41,002	61,766	12,244
Professional fees	205,824	18,845	121,889	4,886
Rent and insurance	48,583	40,119	12,122	13,373
Salaries and benefits	104,307	38,800	38,573	12,954
	<u>\$ 1,558,270</u>	<u>\$ 156,341</u>	<u>\$ 531,528</u>	<u>\$ 61,032</u>

**12. RELATED PARTY TRANSACTIONS**

During the nine months ended September 30, 2019:

The Company paid directors and management fees of \$376,888 (2018 - \$15,375) to directors of the Company and paid or accrued professional fees of \$37,350 (2018 - \$18,900) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at September 30, 2019 is \$6,750 owing to one officer of the Company for 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.

## **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;
- 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 September 30, 2019:

**AMP GERMAN CANNABIS GROUP INC.**

(Formerly Chinook Tyee Industry Limited)

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2019

(Expressed in Canadian Dollars)

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

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	14%	0%	86%	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.