

Management's Discussion and Analysis of Financial Condition and Results of Operations as at April 29th, 2020.

The following is management's discussion and analysis ("MD&A") of AMP German Cannabis Group Inc. (Formerly Chinook Tye Industry Limited.) ("AMP" or the "Company") and its subsidiaries financial condition and results of operations for the year ended December 31st, 2019 and should be read in conjunction with the audited 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's business activities.

All references herein refer to the audited consolidated financial statements and related notes for the year ended December 31st, 2019, and except where otherwise indicated, all financial information is expressed in Canadian dollars ("C\$"). Unless otherwise indicated, reference to "AMP" means AMP German Cannabis Group Inc. and its subsidiaries. The financial year is the calendar year ("year-end"). Reference to a "fiscal year" means AMP'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 on December 31st, 2019. Reference to "reported quarter" means the three calendar months commencing on October 1st of that year and ending on December 31st of that year. In addition, reference will be made to "Notes", which refers to the Notes to the Consolidated Financial Statements. References to Statements of "Financial Position", "Income or Loss" and "Cash Flows, refer to Consolidated Statements of Financial Position, Comprehensive Loss and Cash Flows, respectively.

AMP files reports and other information on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at www.sedar.com. AMP's website is www.amp-eu.com and has social media accounts at LinkedIn, Facebook and Twitter.

Forward-Looking Statements

This document contains forward-looking statements. AMP'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 AMP'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 AMP's 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 foreign exchange rates, particularly in regard to the Canadian dollar ("C\$"), Euro ("€") and the United States dollar ("US\$"), will not vary materially from current levels.

The status of the equity markets in Germany and Canada, in particular, the Frankfurt Stock Exchange and Canadian Securities 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 \$. High annual inflation in Germany, the European Union and Canada may affect the financial performance and condition of the Company. 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 AMP's or persons acting on its behalf contained in this MD&A.

AMP will review its forward-looking statement when it files its first quarter financial results for the three months ending March 31st, 2020.

This forward-looking statement dated April 29th, 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.

Accounting Policy

Financial information for 2019 and 2018 presented and discussed in this MD&A is prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB")¹. AMP prepares consolidated financial statements which, in addition to AMP as the parent company, incorporates all material subsidiaries in which Chinook is deemed to have control or influence over (IFRS 10), which includes 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 (formerly Mercury Partners & Company plc).

Highlights (2019)

- Changed name to AMP German Cannabis Group Inc. and adopted a new investment strategy focused on medical cannabis in Germany;
- Opened offices in Erfurt and Berlin Germany;
- Listed on the Frankfurt Stock and Canadian Securities Exchanges;
- 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 with Canadian suppliers; and
- Entered into a distribution agreement with German pharmaceutical distributor.

AMP German Cannabis Group Inc.

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

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.

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 will apply for a narcotic license with TLV when the first imports begin in the

first half of 2020 from the Netherlands. 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 is maintained during transportation, warehousing, handling, testing and distribution from the supplier in Canada to distributor in Germany.

AMP has supply agreements for cannabis flower with late-stage applicants to become Canadian Licensed Producers and Licensed Producers. AMP's Canadian suppliers generally operate indoor cultivation facilities with annual production capacity between 5,000 and 10,000 kg. AMP will enter into a definitive supply agreement once the supplier has passed an EU-GMP audit. Successfully qualified suppliers that are certified by TLV will begin to export to Germany.

AMP entered into a 4-year non-exclusive agreement for the purchase of 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.

Covid-19

In March 2020, the World Health Organization declared coronavirus (specifically identified as "COVID19") 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 in Germany could affect the value and liquidity of the Company's non-core German 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.

Selected Annual Information

The following table summarizes selected consolidated financial data for AMP. The information in this table was extracted from the more detailed consolidated financial statements and related notes included herein and should be read in conjunction with such financial statements:

	2019	2018	2017
Revenue	\$ 0	\$ 0	461
Loss for the year	\$ 3,979,742	\$ 794,886	\$ 387,942
Net loss per share basic and diluted	\$ 0.25	\$ 0.08	\$ 0.04
Total assets	\$ 801,837	\$ 2,327,684	\$ 2,713,324

Summary of Quarterly Results

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(In thousands, except per share amounts)							
Revenue	\$ 1	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss	\$ 1,737	\$ 1,054	\$ 796	\$ 393	\$ 593	\$ 71	\$ 61	\$ 70
Loss per share, basic and diluted	\$ 0.09	\$ 0.05	\$ 0.06	\$ 0.05	\$ 0.06	\$ 0.01	\$ 0.00	\$ 0.01

For the year ending, December 31, 2019

The following analysis of AMP's operating results for the fiscal year ended December 31st, 2019, includes a comparison to the corresponding, comparative year ended December 31st, 2018.

Beginning in 2020, revenue will be generated from the importation and sale of EU-GMP medical cannabis to pharmaceutical wholesalers who supply to pharmacists. Under the Company's former investment policy interest revenue was immaterial.

Developing the Company's business resulted in overall operating expenses, increasing to \$3.1-million from \$512,840. General and administrative expenses increased to \$2.3-million from \$426,575 due to the cost of additional executive officers and professional and consulting expenses as the Company developed its import businesses. Office and supplies and rent and insurance increased to \$338,150 from \$142,991 due to costs associated with the Company's new offices in Erfurt and Berlin, Germany in addition to the Company's head office in Vancouver, Canada.

Corporate governance and public company expenses increased to \$252,277 from \$84,290 as the Company's board size and activity increased and financing and share trading activity increased.

Non-cash accounting adjustments included share-based compensation of \$517,270, valued using the Black-Scholes valuation model, and a foreign currency translation accounting adjustment of \$116,713. Prior to May 2019, the Company had not granted stock options since 2013. 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. The Company expects it will establish a compensation committee with formal objectives and policies, including performance goals and objectives during 2020.

The Company reported a loss for the year of \$4-million (\$0.25 per share) compared to a loss of \$723,718 (\$0.08 per share) for the corresponding comparative period.

For the three months ending December 31st, 2019

The following analysis of the Company's operating results for the three months ended December 31st, 2019, includes a comparison against the previously completed three months ended December 31st, 2018.

General and administration costs totaled \$768,388, compared to \$360,480 in the prior year. The loss for the reported quarter was \$1.7-million, compared to a loss of \$592,432 in the corresponding period. Basic and diluted loss per common share was \$0.09 compared to a loss of \$0.06, respectively for the reported quarters.

Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources for the year ended December 31, 2019, includes a comparison to the corresponding comparative year ended December 31, 2018.

Working Capital

At year-end AMP had total assets of \$801,837, which mainly included \$316,632 in cash and \$34,071 in loans receivable to cannabis suppliers for facility upgrades in order to export to Germany. AMP also holds \$38,737 in investments and \$394,066 in a non-core investment loan receivable that the Company plans to sell. The Covid-19 pandemic has affected the price and liquidity of these assets and as such the Company recorded an unrealized loss on investments of \$179,944 and an impairment reserve of \$691,528 on the investment loan receivable.

Total liabilities increased to \$935,186 from \$412,147 due to the start-up of the Company's medical cannabis import business. The Company had drawn down \$536,329 at year end on its unsecured revolving loan facility and amended the loan after the reported period to increase the loan amount and extend the maturity date. Trade and other payables totaling \$398,857 increased from \$152,189 a year earlier due to increased business activity.

Shareholder equity declined to (\$133,349) from \$1.9-million a year before due to the impairment reserve on the investment loan receivable and investments, as well as start-up costs to fund AMP's import business.

Cashflow

The Statements of Cash Flows show 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 \$263,274 in cash flow during the year to hold \$316,632 in cash at year end. Operating activities used cash of \$2.3-million largely for operating expenses for business development, while investing activities generated \$795,573 largely from the repayment of the investment loan receivable. Financing activities generated \$1.8-million in cash from private placements and \$260,797 from the Company's revolving loan facility.

Transactions Between Related Parties

AMP has a related party relationship with its subsidiaries, with shareholders who hold more than 10% of the Company's shares, Executive Officers and the Company's Directors.

During the year ended December 31, 2019, the Company paid or accrued board meeting and service fees of \$58,896 (2018 - \$25,625), rent of \$49,800 (2018 - \$nil) and management and consulting fees of \$852,934 (2018 - \$58,806) to directors and executive officers of the Company.

During the year ended December 31, 2019, the Company paid or accrued accounting fees of \$49,838 (2018 - \$30,450) to its Chief Financial Officer's consulting company.

During the year ended December 31, 2019, 166,667 common shares in the June 2019 private placement were issued to a private company controlled by a director and officer for proceeds of \$25,000.

Included in accounts payable at December 31, 2019 is \$111,852 (2018 - \$55,632) owing to directors and officers of the Company for director and accounting fees and expenses incurred on behalf of the Company.

Share Outstanding Data

As at year-end the Company has 21,478,024 (2018 - 10,217,796) shares and 2,123,779 (2018 - nil) stock options (exercisable at \$0.50 per share) outstanding.

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AMP GERMAN CANNABIS GROUP INC.

(Formerly Chinook Tye Industry Limited)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AMP German Cannabis Group Inc.

Opinion

We have audited the consolidated financial statements of AMP German Cannabis Group Inc. (formerly Chinook Tye Industry Limited) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 29, 2020



An independent firm
associated with Moore
Global Network Limited`

AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tye Industry Limited)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019
(Expressed in Canadian Dollars)

	Notes	2019	2018
ASSETS			
Current assets			
Cash		\$ 316,632	\$ 53,358
Accounts receivable and prepaid expenses	4	14,119	25,912
Investments	5	38,737	229,788
Loans receivable	6	34,071	-
		<u>403,559</u>	<u>309,058</u>
Equipment		4,212	-
Investment loan receivable	7	394,066	2,018,626
Total assets		<u>\$ 801,837</u>	<u>\$ 2,327,684</u>
LIABILITIES AND EQUITY (DEFICIT)			
Current liabilities			
Trade and other payables	8, 12	\$ 398,857	\$ 152,189
Loan payable	9	536,329	259,958
		<u>935,186</u>	<u>412,147</u>
Equity (deficit)			
Share capital	10	1,763,761	174,613
Share based payment reserve	10	3,202,859	2,744,438
Foreign currency translation reserves		62,601	179,314
Deficit		<u>(5,162,570)</u>	<u>(1,182,828)</u>
Total equity (deficit)		<u>(133,349)</u>	<u>1,915,537</u>
Total liabilities and equity (deficit)		<u>\$ 801,837</u>	<u>\$ 2,327,684</u>

Nature and Continuance of Operations (Note 1)
Subsequent Events (Note 16)

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 Tyee Industry Limited)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Notes	2019	2018
Expenses			
Corporate governance expenses	12	71,471	38,225
General and administration expenses	11, 12	2,326,658	426,575
Interest, net		25,939	1,975
Share based compensation	10	517,270	-
Transfer agent, filing fees and shareholder communication		180,806	46,065
		<u>3,122,144</u>	<u>512,840</u>
Foreign exchange (gain) loss		(13,874)	17,296
Unrealized loss on investments	5	179,944	35,250
Impairment of investment loan receivable	7	691,528	229,500
		<u>3,979,742</u>	<u>794,886</u>
Loss for the year			
Other comprehensive (income) loss			
Foreign currency translation differences on foreign operations		116,713	(71,168)
Comprehensive loss for the year			
		<u>\$ 4,096,455</u>	<u>\$ 723,718</u>
Weighted average number of common shares outstanding			
		16,106,637	10,217,796
Loss per common share, basic and diluted			
		<u>\$ 0.25</u>	<u>\$ 0.08</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)
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	(Note 10) 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 year	-	-	-	-	(794,886)	(794,886)
Foreign currency translation	-	-	-	71,168	-	71,168
Balance, December 31, 2018	10,217,796	174,613	2,744,438	179,314	(1,182,828)	1,915,537
Loss for the year	-	-	-	-	(3,979,742)	(3,979,742)
Foreign currency translation	-	-	-	(116,713)	-	(116,713)
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)

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
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	<u>2019</u>	<u>2018</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	\$ (3,979,742)	\$ (794,886)
Items not affecting cash:		
Interest capitalized to loans	(43)	(55)
Non-cash loan interest	30,176	2,558
Impairment of investment loan receivable	691,528	229,500
Unrealized loss on investments	179,944	35,250
Share based compensation	517,270	-
	<u>(2,560,867)</u>	<u>(527,633)</u>
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	11,793	25,802
Trade and other payables	246,668	78,120
	<u>(2,302,406)</u>	<u>(423,711)</u>
INVESTING ACTIVITIES		
Acquisition of equipment	(4,725)	-
Increase in loans receivable	(34,102)	-
Repayments on loan receivable	834,400	50,363
	<u>795,573</u>	<u>50,363</u>
FINANCING ACTIVITIES		
Shares issued for cash	1,689,034	-
Share issue costs	(158,735)	-
Loan payable	260,797	240,278
	<u>1,791,096</u>	<u>240,278</u>
Effect of foreign exchange on cash	<u>(20,989)</u>	<u>13,839</u>
Change in cash during the year	263,274	(119,231)
Cash, beginning of the year	<u>53,358</u>	<u>172,589</u>
Cash, end of the year	<u>\$ 316,632</u>	<u>\$ 53,358</u>
Supplemental disclosure with respect to cash flows:		
Cash received during the year for interest	<u>\$ 4,452</u>	<u>\$ 352</u>
Cash paid during the year for interest	<u>\$ 215</u>	<u>\$ 2</u>

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 ("C\$").

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 December 31, 2019, the Company had an accumulated deficit of \$5,162,570 (December 31, 2018 - \$1,182,828) and working capital deficit of \$531,627 (December 31, 2018 – deficit of \$103,089) 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, which has continued to spread, 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 financial statements have been prepared on an accrual basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and with the accounting policies and selected annual disclosures disclosed in note 3.

The consolidated financial statements were authorized for issue by the Board of Directors on April 29, 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 (formerly Mercury Partners & Company plc).

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.

Basis of preparation

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”).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations

The financial results of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date;
- equity is translated at historical rates; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of the financial statements of foreign operations from the functional currency to the presentation currency are adjusted directly to the Company’s foreign currency translation reserve in the statement of comprehensive income (loss). These differences are recognized in the profit or loss and reversed from the foreign currency translation reserve in the period in which the operation is disposed of.

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

Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and contingent assets and liabilities. Significant estimates include the fair value measurements and assumptions relating to financial instruments, changes in equity accounted investments, deferred income taxes and the recoverability of receivables and loans receivable.

Use of estimates and assumptions

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's influence on associates, the Company's ability to continue as a going concern and determination of functional currency.

Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

The following table shows the classification of the Company's financial instruments under IFRS 9:

Financial assets / liabilities	
Cash	Amortized cost
Accounts receivable	Amortized cost
Investments in marketable securities	FVTPL
Loans receivable	FVTPL
Investment loan receivable	FVTPL
Trade and other payables	Amortized cost
Loan payable	FVTPL

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

Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to \$nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

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

Equity accounted investments (cont'd...)

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

Revenue recognition

Fees for services are recognized when the service is performed providing there is reasonable expectation of collection.

Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in reserves as part of shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be realized.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is determined by dividing the net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the dilutive effect of all potential common shares issuances upon exercise of options, warrants and similar instruments. For the periods presented the Company had no dilutive instruments.

Reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of subsidiaries and equity accounted investments of the Company that have a functional currency other than the Canadian dollar.

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

New accounting standards, amendments and interpretations

IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting. The Company adopted this new standard on January 1, 2019. The adoption of this new standard had no impact on the Company's consolidated financial statements.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2019	2018
Accounts receivable	\$ 14,119	\$ 12,555
Prepaid expenses	-	13,357
	<u>\$ 14,119</u>	<u>\$ 25,912</u>

5. INVESTMENTS

	2019	2018
(a) Peekaboo Beans Inc. ("PBI")	\$ 3,750	\$ 9,750
(b) Taiga Atlas plc ("TA")	34,987	220,038
	<u>\$ 38,737</u>	<u>\$ 229,788</u>

- (a) AMP Malta owns 75,000 shares of PBI. At December 31, 2019, the shares had a fair value of \$3,750 (2018 - \$9,750) and the Company recorded an unrealized loss of \$5,486 (2018 - \$35,250). Subsequent to the year ended December 31, 2019, the remaining shares were sold for proceeds of \$2,745.
- (b) AMP Malta owns 184,342 shares of TA. The shares were acquired in partial settlement of the investment loan received (note 7) and are recorded at their estimated fair value. During the year ended December 31, 2019, the Company recorded an unrealized loss of \$174,458 / €117,086 (2018 - \$Nil).
- (c) AMP Malta owned 600 shares of Asiamerica Limited ("AA-L"), which were sold for proceeds of \$876 / €600 during the year ended December 31, 2019 to a company with a common director and officer. The investment in AA-L was accounted for using the equity method and the carrying value attributed to the equity accounted investment prior to the sale was \$nil.

6. LOANS RECEIVABLE

	2019	2018
(a) Pure Life Cannabis Corp. ("PLCC")	\$ 12,864	\$ -
(b) Swiss Cannabis Inc. ("CHX")	21,207	-
	<u>\$ 34,071</u>	<u>\$ -</u>

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6. LOANS RECEIVABLE (cont'd...)

- (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. In October 2019, the Company entered into an unsecured revolving line of credit with PLCC in the amount of €35,000, bearing interest at 8% per annum, compounded monthly and due on demand. At 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 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. A director of CHX is a director of the Company.

7. INVESTMENT LOAN RECEIVABLE

	CDN\$		€	
	2019	2018	2019	2018
Loan receivable AA-L	\$ 2,018,626	\$ 2,230,735	1,293,991	1,443,955
Interest capitalized to loan	43	55	29	36
Repayments	(834,400)	(50,363)	(560,000)	-
Impairment	(691,528)	(229,500)	(464,112)	(150,000)
FX conversion	(98,675)	67,699	-	-
	<u>\$ 394,066</u>	<u>\$ 2,018,626</u>	<u>269,908</u>	<u>1,293,991</u>

AMP Malta holds a loan receivable from AA-L, which is unsecured and bears interest at 0.0025% capitalized to the loan annually. The fair value of the loan was determined based on the estimated value of net assets of AA-L and the amount the Company ultimately expects to be available to make repayments.

8. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	\$ 344,332	\$ 109,664
Accrued liabilities	54,525	42,525
	<u>\$ 398,857</u>	<u>\$ 152,189</u>

9. LOAN PAYABLE

During the year ended December 31, 2018, the Company entered into an unsecured revolving credit facility with TA for €500,000 at 8% per annum, maturing on December 31, 2020 and 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 ("Revolving Credit Facility"). As of December 31, 2019, \$536,329 / €367,348 (2018 - \$259,958 / €165,000) was drawn-down.

Subsequent to December 31, 2019, the Revolving Credit Facility was increased to €1-million, the interest rate increased to 10% and the maturity was extended to December 31, 2021.

10. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of December 31, 2019, the Company had 21,478,024 (2018 - 10,217,796) Class A Voting Common Shares issued and outstanding.

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.

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 December 31, 2019, the Company had 2,123,779 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, expiring September 6, 2020.

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 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 and 2,123,779 options, estimated on the date of grant, was \$517,270, 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%	1.65%
Expected life	0.05	1.00
Annualized volatility	106%	128%
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 and 2017	-	
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

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

Finder Warrants

As of December 31, 2019, the Company did not have any warrants outstanding.

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 year ended December 31, 2019, was based on the loss attributable to common shareholders of \$3,979,742 (2018 - \$794,886) and the weighted average number of common shares outstanding of 16,106,637 (2018 - 10,217,796).

For the year ended December 31, 2019, the diluted loss per share does not include the effect of 2,123,779 stock options (2018 - \$Nil) as the effect would be anti-dilutive.

11. GENERAL AND ADMINISTRATION EXPENSES

	2019	2018
Consulting and executive management fees	\$ 1,529,004	\$ 104,367
Office and supplies	268,287	90,806
Professional fees	300,659	117,434
Rent and insurance	69,863	52,185
Salaries and benefits	158,845	61,783
	\$ 2,326,658	\$ 426,575

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Company paid or accrued board meeting and service fees of \$58,896 (2018 - \$25,625), rent of \$49,800 (2018 - \$nil) and management and consulting fees of \$852,934 (2018 - \$58,806) to directors and executive officers of the Company.

During the year ended December 31, 2019, the Company paid or accrued accounting fees of \$49,838 (2018 - \$30,450) to its Chief Financial Officer's consulting company.

During the year ended December 31, 2019, 166,667 common shares in the June 2019 private placement were issued to a private company controlled by a director and officer for proceeds of \$25,000.

Included in accounts payable at December 31, 2019 is \$111,852 (2018 - \$55,632) owing to directors and officers of the Company for director and accounting fees 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.

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.

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

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 December 31, 2019:

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	98%	0%	2%	100%
Loans receivable	100%	0%	0%	100%
Investments	90%	0%	10%	100%
Long-term investment	100%	0%	0%	100%
Trade and other payables	37%	0%	63%	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.

15. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying a combined federal and provincial income tax rate of 27% (2018 - 27%) to income before taxes as follows:

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15. INCOME TAXES (cont'd...)

	2019	2018
Loss before income taxes	<u>\$ (3,979,742)</u>	<u>\$ (794,886)</u>
Income tax recovery	(1,074,530)	(214,619)
Valuation allowance	1,192,064	304,218
Non-deductible expenses	181,386	27,296
Effect of tax rate change/diffs	-	(85,810)
Other - FX rate changes	(260,112)	(32,667)
Share issuance costs	(38,809)	-
Other - True-up tax loss as filed	-	1,582
	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2019	2018
Capital loss carry-forwards	\$ 1,179,561	\$ 1,179,561
Non-capital loss carry-forwards	2,002,359	1,250,790
Other	420,670	(67,724)
Net deferred tax assets	<u>3,602,590</u>	<u>2,362,627</u>
Less: valuation allowance	<u>(3,602,590)</u>	<u>(2,362,627)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital tax losses carried forward approximating \$6,800,000 in Canada, expiring from 2026 through 2039.

The Company has gross capital losses approximating \$8,737,000 available for deduction against future capital gains that if not utilized will carry forward indefinitely.

Deferred tax assets have not been recognized because management believes it is not sufficiently probable that future taxable profits will be available against which the Company can utilize the benefits.

16. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2019:

- (a) 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, which included 90,000 common shares to a director for proceeds of \$123,250. The Company paid finders' fees of \$10,500 and issued 42,000 finders' warrants.
- (b) The Company increased the revolving credit facility with TA to €1-million, increased the interest rate to 10% and extended the maturity date to December 31, 2021 (note 9).

16. SUBSEQUENT EVENTS (cont'd...)

- (c) In March 2020, the World Health Organization declared coronavirus (specifically identified as “COVID19”) 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 Germany could impact the Company’s business whether through supplier licensing and production delays which may delay imports, supply chain disruption and delay in receiving licenses and permits from Germany due to government slowdown.

Economic uncertainty and disruption in Germany could affect the price and liquidity of the Company’s investments and investment loan receivable.

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.