

## Management's Discussion and Analysis of Financial Condition and Results of Operations as at April 29<sup>th</sup>, 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 31<sup>st</sup>, 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 31<sup>st</sup>, 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 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 on December 31<sup>st</sup>, 2019. Reference to "reported quarter" means the three calendar months commencing on October 1<sup>st</sup> of that year and ending on December 31<sup>st</sup> 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](http://www.sedar.com). AMP's website is [www.amp-eu.com](http://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 31<sup>st</sup>, 2020.

This forward-looking statement dated April 29<sup>th</sup>, 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 20<sup>th</sup>, 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")<sup>1</sup>. 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 31<sup>st</sup>, 2019, includes a comparison to the corresponding, comparative year ended December 31<sup>st</sup>, 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 31<sup>st</sup>, 2019**

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