

## **Management's Discussion and Analysis of Financial Condition and Results of Operations as at November 30<sup>th</sup>, 2020.**

The following is management's discussion and analysis ("MD&A") of AMP German Cannabis Group Inc. (the "Company" or "AMP") financial condition and results of operations for the three and nine months ended September 30<sup>th</sup>, 2020 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the same reporting period and the Company's audited financial statements for the year ended December 31<sup>st</sup>, 2019. The MD&A will also outline the economic operating conditions and how these influence AMP's business activities.

All references herein refer to the unaudited condensed consolidated financial statements and related notes for the three and nine months ended September 30<sup>th</sup>, 2020, and except where otherwise indicated, all financial information is expressed in Canadian dollars ("\$"). Unless otherwise indicated, reference to the "Company" or "AMP" means AMP German Cannabis Group Inc. 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 2020 means the period beginning January 1<sup>st</sup>, 2020, and ending December 31<sup>st</sup>, 2020. Reference to "reported quarter" means the three calendar months commencing on July 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 30th, 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. The Company will review its forward-looking statement when it files its year ending December 31<sup>st</sup>, 2020.

### **Corporate Overview**

AMP German Cannabis Group Inc. is a Canadian incorporated company and its main asset is its wholly-owned Germany subsidiary, AMP Alternative Medical Products GmbH (collectively, “AMP”).

AMP’s business is to import European Union - Good Manufacturing Practices (“EU-GMP”) certified cannabis into Germany and sell to pharmaceutical wholesalers who supply pharmacies permitted to dispense medical cannabis prescribed by German physicians. All of AMP’s suppliers are audited 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.

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

AMP engaged a leading German 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’s supply chain has been EU-GMP certified, ensuring the pharmaceutical goods’ quality and integrity is maintained during transportation, warehousing, handling, testing and distribution from the supplier to distributor in Germany.

During the reported quarter, AMP imported its first shipment of branded medical cannabis flower from the Netherlands, representing the Company’s first sale of imported pharmaceutical narcotics into Germany. AMP entered into additional supply agreements with suppliers from Canada who have EU-GMP certification from Germany. AMP will qualify the Canadian suppliers during Q4, 2020.

During the reported quarter, AMP hired a national sales manager and started recruiting for additional salespeople with the goal of developing a sales network covering 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**

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

The measures adopted by governments worldwide, but specifically, the German government, could impact the Company’s business whether through supply chain disruption or delays in receiving licenses and permits due to government office slowdown.

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.

### **Result of Operations**

#### **Summary of Quarterly Results**

The following selected financial data as reported by the Company for the past eight business quarters have been summarized from the

Company's unaudited quarterly financial statements and are qualified in their entirety by reference to and should be read in conjunction with such financial statements.

	2020		2019				2018	
	(In thousands, except per share amounts)							
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss	\$ 1,264	\$ 783	\$ 427	\$ 1,737	\$ 1,054	\$ 796	\$ 393	\$ 593
Loss per share, basic and diluted	\$ 0.05	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.05	\$ 0.06	\$ 0.05	\$ 0.01

### For the nine months ended September 30<sup>th</sup>, 2020

The following analysis of AMP's operating results for the nine months ended September 30<sup>th</sup>, 2020, includes a comparison to the corresponding comparative period ended September 30<sup>th</sup>, 2019.

The Company reported a loss for the nine months ended September 30<sup>th</sup>, 2020 of \$2.5-million (\$0.10 per share) compared to a loss of \$2.2 million (\$0.16 per share) for the comparative period.

During the year, the Company obtained all the required licenses and permits to import EU-GMP medical cannabis into Germany and during the reported quarter, the Company reported its first sales of \$64,496. The cost of goods sold were \$63,625, resulting in a gross profit of \$871.

During the nine months ended September 30<sup>th</sup>, 2020, general and administrative expenses increased by \$116,802 to \$1,721,692 compared to \$1,604,890 in the comparative period. The increase was primarily a result in additional management and consulting fees as well as increased salary costs arising from the need to employ additional resources as the Company advanced its operations and commenced sales in the current year.

Operating expenses decreased modestly to \$2.2-million primarily due to a decrease in stock based compensation in the current year.

Comprehensive loss, after adjusting for non-cash accounting adjustments for the nine months ended September 30, 2020 increased by \$86,654 to \$2,493,836 in the current year compared to \$2,407,182 in the prior year. Non-cash accounting adjustments for the nine months ended September 30, 2020 included a foreign exchange loss of \$63,052 (2019: gain of \$21,282), foreign currency translation difference on foreign operations gain of \$25,643 (2019: loss of 164,486), share based compensation expense of \$329,808 (2019: \$477,200), unrealized loss on marketable securities \$1,234 (2019: \$5,820) and impairment of loans and investment loan receivables of \$295,557 (2019: \$nil).

In the nine months ended September 30, 2020 the Company recognized a \$295,557 write-down its venture capital loan to Swiss Cannabis which was looking at the business opportunities for CBD medical cannabis cultivation in Switzerland for export to Germany and its investment in a loan receivable made under the Company's former investment policy.

### For the three months ended September 30<sup>th</sup>, 2020

The following analysis of the Company's operating results for the three months ended September 30<sup>th</sup>, 2020, includes a comparison to the corresponding, comparative three months ended September 30<sup>th</sup>, 2019.

The Company generated its first revenue from the sale of imported medical cannabis into Germany during the reported quarter. Operating costs totaled \$944,233, compared to \$1.1-million, while the comprehensive loss for the reported quarter was \$1.3-million, compared to a loss of \$1.1-million. Basic and diluted loss per common share was \$0.05 for the reported quarter.

### Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources for the quarter ended September 30<sup>th</sup>, 2020, includes a comparison to December 31<sup>st</sup>, 2019.

### Working Capital

As of September 30<sup>th</sup>, 2020, the Company had working capital (current assets less current liabilities) of \$238,141 compared to a working

capital deficit of \$531,627 as at December 31<sup>st</sup>, 2019. The improvement of the working capital position was primarily a result of the reclassification of Company's revolving credit facility to long-term debt. During the quarter, the credit facility maturity was extended to December 31<sup>st</sup>, 2021.

As of September 30<sup>th</sup>, 2020, the Company had total assets of \$646,525, which included \$155,721 in cash, \$365,166 in accounts receivable and prepaid expenses, \$14,617 in loans receivable to cannabis suppliers for facility upgrades in order to export to Germany, \$37,461 in investments and \$73,560 in capital assets. Accounts receivable and prepaid expenses increased due to pre-cautionary cash management in preparation for potential disruptions related to the Covid-19 pandemic.

Total liabilities increased to \$1.7-million at the end of the reported quarter compared to \$935,186 at year-end due largely to an increase in drawdowns on the Company's unsecured revolving loan facility. Trade and other payables declined to \$264,824 at the end of the reported quarter compared to \$398,857 at the end of last year. The Company also held \$70,000 in subscription receipts for a private placement that closed after the reported quarter.

Shareholder equity declined to a deficit of \$1.0-million at the end of the reported quarter compared to a deficit of \$133,349 at the end of last year, primarily due to operating expenses incurred during the reported period.

### **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 held \$155,721 in cash at reported period quarter end compared to \$316,632 in cash at December 31<sup>st</sup>, 2019. During the nine months ended September 30<sup>th</sup>, 2020 operating activities used cash of \$1.8-million largely for operating expenses related to business development. Investing activities generated cash of \$207,109 largely due to payments related to the investment loan receivable. Investment in computer software systems used cash of \$67,312. Financing activities generated \$2.0-million in cash from private placement of shares and drawdowns on the Company's revolving loan facility.

### **Transactions Between Related Parties**

During the nine months ended September 30<sup>th</sup>, 2020, the Company paid or accrued directors and management fees \$400,930 (2019 - \$376,888) to directors and executive officers of the Company.

### **Share Outstanding Data**

The Company has 27,160,611 (2019 - 21,478,024) shares and 2,714,500 (2019 - nil) stock options outstanding.

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