



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

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2020

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

AMP GERMAN CANNABIS GROUP INC.
(Formerly Chinook Tyee Industry Limited)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND DECEMBER 31, 2019
(Expressed in Canadian Dollars)

| | Notes | September 30, December 31, | |
|---|-------|----------------------------|--------------------|
| | | 2020 | 2019 |
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 155,721 | \$ 316,632 |
| Accounts receivable and prepaid expenses | 4 | 365,166 | 14,119 |
| Investments | 5 | 37,461 | 38,737 |
| Loans receivable | 6 | 14,617 | 34,071 |
| | | <u>572,965</u> | <u>403,559</u> |
| Equipment | | 73,560 | 4,212 |
| Investment loan receivable | 7 | - | 394,066 |
| Total assets | | <u>\$ 646,525</u> | <u>\$ 801,837</u> |
| LIABILITIES AND EQUITY (DEFICIT) | | | |
| Current liabilities | | | |
| Trade and other payables | 8, 12 | \$ 264,824 | \$ 398,857 |
| Subscription receipts | 15 | 70,000 | - |
| Loans payable | 9 | - | 536,329 |
| | | <u>334,824</u> | <u>935,186</u> |
| Long term loans payable | 9 | 1,365,767 | - |
| Total liabilities | | <u>\$ 1,700,591</u> | <u>\$ 935,186</u> |
| Equity (deficit) | | | |
| Share capital | 10 | 3,003,258 | 1,763,761 |
| Share based payment reserve | 10 | 3,536,481 | 3,202,859 |
| Foreign currency translation reserves | | 88,244 | 62,601 |
| Deficit | | <u>(7,682,049)</u> | <u>(5,162,570)</u> |
| Total equity (deficit) | | <u>(1,054,066)</u> | <u>(133,349)</u> |
| Total liabilities and equity (deficit) | | <u>\$ 646,525</u> | <u>\$ 801,837</u> |

On behalf of the Board:

/s/ Nicholas Furber Director /s/ Alex Blodgett Director

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

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

| | Notes | Nine Months September 30, 2020 | Nine Months September 30, 2019 | Three Months September 30, 2020 | Three Months September 30, 2019 |
|--|-------|--------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Revenue | | | | | |
| Sales revenue | | 64,496 | - | 64,496 | - |
| Cost of goods sold | | (63,625) | - | (63,625) | - |
| Gross Profit | | 871 | - | 871 | - |
| Expenses | | | | | |
| General and administration expenses | 11 | 1,721,692 | 1,604,890 | 628,886 | 542,255 |
| Interest, net | | 47,110 | 18,854 | 18,315 | 4,394 |
| Share based compensation | | 329,808 | 477,200 | 287,217 | 418,350 |
| Transfer agent, filing fees & shareholder communication | | 61,897 | 135,057 | 9,815 | 85,682 |
| | | <u>(2,160,507)</u> | <u>(2,236,001)</u> | <u>(944,233)</u> | <u>(1,050,681)</u> |
| Loss before other income | | (2,159,636) | (2,236,001) | (943,362) | (1,050,681) |
| Other income (expenses) | | | | | |
| Foreign exchange gain (loss) | | (63,052) | 21,282 | (25,324) | 10,915 |
| Unrealized gain (loss) on marketable securities | | (1,234) | (5,820) | - | (2,820) |
| Impairment of loans and investment loans receivable | 6, 7 | (295,557) | | (295,557) | |
| Income taxes | | - | (22,157) | - | (11,203) |
| | | <u>(2,519,479)</u> | <u>(2,242,696)</u> | <u>(1,264,243)</u> | <u>(1,053,789)</u> |
| Loss for the period | | (2,519,479) | (2,242,696) | (1,264,243) | (1,053,789) |
| Other comprehensive income (loss) | | | | | |
| Foreign currency translation differences on foreign operations | | 25,643 | (164,486) | 4,036 | (60,726) |
| Comprehensive loss for the period | | \$ (2,493,836) | \$ (2,407,182) | \$ (1,260,207) | \$ (1,114,515) |
| Weighted average number of common shares outstanding | | | | | |
| | | 24,171,623 | 14,346,817 | 25,097,391 | 20,449,535 |
| Loss per common share, basic and diluted | | <u>\$ (0.10)</u> | <u>\$ (0.16)</u> | <u>\$ (0.05)</u> | <u>\$ (0.05)</u> |

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

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

| | (Note 10) Number of common shares issued | Share capital | Share-based payment reserve | Foreign currency translation reserve | Deficit | Total equity |
|---|---|---------------|-----------------------------------|---|---------------|--------------|
| Balance December 31, 2018 | 10,217,796 | \$ 174,613 | \$ 2,744,438 | \$ 179,314 | \$(1,182,828) | \$ 1,915,537 |
| Loss for the period | - | - | - | - | (392,608) | (392,608) |
| Foreign currency translation | - | - | - | (90,998) | - | (90,998) |
| Balance, June 30, 2019 | 10,217,796 | 174,613 | 2,744,438 | 88,316 | (1,575,436) | 1,431,931 |
| Loss for the period | - | - | - | - | (3,587,134) | (3,587,134) |
| Foreign currency translation | - | - | - | (25,715) | - | (25,715) |
| Shares issued in private placement | 10,000,000 | 1,500,000 | - | - | - | 1,500,000 |
| Shares issued on exercise of stock options | 1,020,000 | 153,000 | - | - | - | 153,000 |
| Shares issued on exercise of warrants | 240,228 | 36,034 | - | - | - | 36,034 |
| Share issuance costs | - | (210,025) | 51,290 | - | - | (158,735) |
| Fair value of stock options and warrants transferred on exercise | - | 110,139 | (110,139) | - | - | - |
| Share based compensation | - | - | 517,270 | - | - | 517,270 |
| Balance, December 31, 2019 | 21,478,024 | 1,763,761 | 3,202,859 | 62,601 | (5,162,570) | (133,349) |
| Loss for the period | - | - | - | - | (2,519,479) | (2,519,479) |
| Foreign currency translation | - | - | - | 25,643 | - | 25,643 |
| Shares issued in private placement | 4,585,785 | 1,258,025 | - | - | - | 1,258,025 |
| Shares issued on exercise of stock options | 7,000 | 1,750 | - | - | - | 1,750 |
| Share issuance costs | - | (16,464) | - | - | - | (16,464) |
| Fair value of stock options and warrants transferred on exercise | - | 581 | (581) | - | - | - |
| Fair value of warrants | - | (4,395) | 4,395 | - | - | - |
| Share based compensation | - | - | 329,808 | - | - | 329,808 |
| Balance, June 30, 2020 | 26,070,809 | 3,003,258 | 3,536,481 | 88,244 | (7,682,049) | (1,054,066) |

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

| | Nine Months ended September 30 2020 | Nine Months ended September 30 2019 | Three Months ended September 30 2020 | Three Months ended September 30 2019 |
|---|--|--|---|---|
| CASH PROVIDED BY (USED IN): | | | | |
| OPERATING ACTIVITIES | | | | |
| Loss for the period | \$ (2,519,479) | \$ (2,242,696) | \$ (1,264,242) | \$ (1,053,789) |
| Items not affecting cash: | | | | |
| Non-cash loan interest | 48,587 | 22,583 | 14,568 | 7,961 |
| Impairment of loans and investment loans receivable | 295,557 | | 295,557 | |
| Unrealized loss on marketable securities | 1,197 | 5,820 | - | 2,820 |
| Share based compensation | 329,808 | 477,200 | 287,217 | 418,350 |
| | <u>(1,844,330)</u> | <u>(1,737,093)</u> | <u>(666,900)</u> | <u>(624,658)</u> |
| Changes in non-cash working capital items | | | | |
| Receivables and prepaids | (351,047) | (34,335) | (75,627) | 23,090 |
| Accounts payable and accrued liabilities | (134,034) | 97,047 | (29,575) | (109,398) |
| Subscription receipts | 70,000 | - | 70,000 | - |
| | <u>(2,259,411)</u> | <u>(1,674,381)</u> | <u>(702,102)</u> | <u>(710,966)</u> |
| INVESTING ACTIVITIES | | | | |
| Acquisition of equipment | (67,312) | (4,725) | - | - |
| Investment loan receivable | 271,676 | 521,500 | - | (7,000) |
| Sale of investment | 2,745 | - | - | - |
| | <u>207,109</u> | <u>516,775</u> | <u>-</u> | <u>(7,000)</u> |
| FINANCING ACTIVITIES | | | | |
| Shares issued for cash | 1,259,775 | 1,623,000 | 392,275 | 123,000 |
| Share issue costs | (16,464) | (188,737) | (964) | (49,849) |
| Loans payable | 713,026 | 147,036 | 306,155 | - |
| | <u>1,956,337</u> | <u>1,581,299</u> | <u>697,466</u> | <u>73,151</u> |
| Effect of foreign exchange on cash | <u>(64,946)</u> | <u>(33,038)</u> | <u>28,289</u> | <u>(12,842)</u> |
| Change in cash during the period | (160,911) | 390,655 | 23,653 | (657,657) |
| Cash, beginning of the period | 316,632 | 53,358 | 132,068 | 1,101,670 |
| Cash, end of the period | <u>\$ 155,721</u> | <u>\$ 444,013</u> | <u>\$ 155,721</u> | <u>\$ 444,013</u> |

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

1. NATURE OF OPERATIONS

AMP German Cannabis Group Inc. ("the Company" or "AMP") is incorporated in the Province of British Columbia in Canada with its registered office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2 and a representative office at Charlottenstrasse 59, Berlin, Germany, 10117.

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

The Company's common shares trade on the Canadian Securities Exchange ("CSE") under the trading symbol, "XCX" and on the Frankfurt Stock Exchange under the trading symbol is "C4T". The Company is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario and Quebec.

On August 22, 2019, the Company changed its name to AMP German Cannabis Group Inc. from Chinook Tye Industry Limited.

The reporting currency of AMP's consolidated financial statements is the Canadian dollar ("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 September 30, 2020, the Company had an accumulated deficit of \$7,682,049 (December 31, 2019 - \$5,162,570) and working capital of \$238,141 (December 31, 2019 – working capital deficit of \$531,627) and, to date, the Company has not generated sufficient revenues to meet its operating and administrative expenses or its other obligations. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations and ultimately to attain profitable operations. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with private placements of the Company's common shares and loans from related parties.

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

2. BASIS OF PRESENTATION

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These consolidated interim financial statements do not include all of the information required for annual financial statements.

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2019. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2019.

The consolidated financial statements were authorized for issue by the Board of Directors on November 27, 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 and its 99% owned subsidiary Alternative Medical Products Malta plc (“AMP Malta”) of Malta.

Foreign currency translation

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

Currency

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

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

| | September 30, 2020 | December 31, 2019 |
|---------------------|-----------------------|----------------------|
| Accounts receivable | \$ 13,611 | \$ 14,119 |
| Prepaid expenses | 351,555 | - |
| | <u>\$ 365,166</u> | <u>\$ 14,119</u> |

5. INVESTMENTS

The Company held investments for sale of \$37,461 as of September 30, 2020 (December 31, 2019 - \$38,737).

6. LOANS RECEIVABLE

| | June 30, 2020 | December 31, 2019 |
|---------------------------------------|------------------|----------------------|
| (a) Pure Life Cannabis Corp. ("PLCC") | \$ 14,617 | \$ 12,864 |
| (b) Swiss Cannabis Inc. ("CHX") | - | 21,207 |
| | <u>\$ 14,617</u> | <u>\$ 34,071</u> |

(a) In August 2019, the Company and PLCC entered into a memorandum of understanding for the purchase of EU-GMP medical cannabis for export to Germany. The unsecured revolving line of credit with PLCC in the amount

6. LOANS RECEIVABLE

of €35,000, bears interest at 8% per annum, compounded monthly and is due on demand. At September 30, 2020, \$14,617 / €9,351 (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, a business venture formed to explore the production of CBD medical cannabis in Switzerland for export to Germany, entered into a non-recourse credit facility for up to €200,000, bearing interest at 8% per annum and due on September 6, 2020. At June 30, 2020, \$83,013 / €55,293 (December 31, 2019 - \$21,207 / €14,525) had been advanced under this facility. During the three months ended September 30, 2020, the Company recorded an \$83,103 impairment of the loan as the business venture was ended.

7. INVESTMENT LOAN RECEIVABLE

As at December 31, 2019 the Company held a €269,908 (\$394,066) investment loan receivable, which is denominated in Euros, unsecured, and bears interest at 0.0025% capitalized to the loan annually. During the year, the Company received payments of €133,941 and recorded a €135,966 (\$208,096) impairment at September 30, 2020.

8. TRADE AND OTHER PAYABLES

| | September 30, 2020 | December 31, 2019 |
|---------------------|-----------------------|----------------------|
| Trade payables | \$ 219,824 | \$ 344,332 |
| Accrued liabilities | 45,000 | 54,525 |
| | <u>\$ 264,824</u> | <u>\$ 398,857</u> |

9. LOAN PAYABLE

The Company has an unsecured revolving credit drawdown facility for €1.0-million, bearing interest rate of 10% per annum and maturing on December 31, 2021. The credit facility amount, interest and maturity were amended during the year. As of September 30, 2020, \$1,365,767 / €873,699 (December 31, 2019 - \$536,329 / €367,348) was drawn-down against the credit facility.

10. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of September 30, 2020, the Company had 26,070,809 (2019 - 21,478,024) Class A Voting Common Shares issued and outstanding.

On September 18, 2020, the Company completed a non-brokered placement of 1,115,785 common shares at a price of \$0.35 per share for proceeds of \$390,525. The Company paid cash finder's fees of \$1,715 and issued 4,900 finders warrants with a fair value of \$910.

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

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

On June 12, 2019, the Company completed a non-brokered placement of 10,000,000 common shares at a price of \$0.15 per common share for proceeds of \$1,500,000. The Company paid finder's fees and other share issuance costs of \$158,735 and issued 240,228 finders warrants with a fair value of \$51,290.

Stock Options

As of September 30, 2020, the Company had 2,124,500 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 \$0.35, which expire on September 8, 2022.

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.

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

On September 8, 2020, the Company granted incentive stock options to purchase up to 2,124,500 common shares, including 986,000 options to directors and officers. Each option vests immediately, has an exercise price of \$0.35 per share and expires on September 8, 2022.

The fair value of the 1,020,000 options, the 2,123,779 options, the 371,000 options and the 2,124,000 options, estimated on the date of grant, was \$847,086 in aggregate, using the Black-Scholes Option Pricing Model and the following assumptions:

| | 1,020,000 Options | 2,123,779 Options | 371,000 Options | 2,124,000 Options |
|-------------------------|----------------------|----------------------|--------------------|----------------------|
| Risk-free interest rate | 1.47% | 1.65% | 0.29% | 27.00% |
| Expected life | 0.05 | 1.00 | 1.00 | 2.00 |
| Annualized volatility | 106% | 128% | 113% | 100% |
| Dividend rate | \$Nil | \$Nil | \$Nil | \$Nil |

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

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

| | Options | Exercise Price \$ |
|-----------------------------|-------------|-------------------|
| Balance, December 31, 2018 | - | |
| Granted | 1,020,000 | 0.15 |
| Exercised | (1,020,000) | 0.15 |
| Granted | 2,123,779 | 0.50 |
| Balance, December 31, 2019 | 2,123,779 | 0.50 |
| Granted | 2,495,500 | 0.37 |
| Expired | (2,123,779) | 0.50 |
| Cancelled | (371,000) | 0.35 |
| Balance, September 30, 2020 | 2,124,500 | 0.35 |

Subsequent to September 30, 2020 the Company granted incentive stock options to purchase up to 515,000 common shares, including 240,000 options to directors and officers. Each option vests immediately, has an exercise price of \$0.35 per share and expires on September 8, 2022

Finder Warrants

As of September 30, 2020, the Company has 45,150 warrants outstanding (2019 - \$Nil).

On September 8, 2020, the Company completed a non-brokered placement and issued 4,900 finders warrants.

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

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

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the nine and three months ended September 30, 2020, was based on the loss attributable to common shareholders of \$2,519,479 (2019 - \$2,242,696) and the weighted average number of common shares outstanding of 24,171,623 (2019 - 14,346,817) for the nine months ended September 30, 2020 and the loss attributable to common shareholders of \$1,264,243 (2019 - \$1,053,789) and the weighted average number of common shares outstanding of 25,097,391 (2019 - 20,449,535) for the three months ended September 30, 2020.

For the nine and three months ended September 30, 2020, the diluted loss per share does not include the effect of 2,124,500 stock options (2019 - 2,323,779) and 45,150 warrants (2019 - \$240,228) as the effect would be anti-dilutive.

11. GENERAL AND ADMINISTRATION EXPENSES

| | Nine Months ended September 30, 2020 | Nine Months ended September 30, 2019 | Three Months ended September 30, 2020 | Three Months ended September 30, 2019 |
|--------------------------------|---|---|--|--|
| Consulting and management fees | \$ 944,199 | \$ 652,168 | \$ 333,166 | \$ 114,570 |
| Corporate governance expenses | 5,774 | 46,620 | - | 10,727 |
| Marketing | 120,583 | 339,668 | 43,919 | 182,608 |
| Office and supplies | 154,532 | 207,720 | 69,289 | 61,766 |
| Professional fees | 191,890 | 205,824 | 89,952 | 121,889 |
| Rent and insurance | 89,169 | 48,583 | 19,964 | 12,122 |
| Salaries and benefits | 215,545 | 104,307 | 72,596 | 38,573 |
| | <u>\$ 1,721,692</u> | <u>\$ 1,604,890</u> | <u>\$ 628,886</u> | <u>\$ 542,255</u> |

12. RELATED PARTY TRANSACTIONS

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

Included in accounts payable at September 30, 2020 is \$nil (December 31, 2019 - \$111,852) owing to directors and officers of the Company for 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 the economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investments, long-term investment, loans receivable, accounts payable and loan payable.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

Fair value (cont'd...)

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash and investment in PBI are classified as Level 1 and the investment in TA is classified as Level 3. TA is a private company with no quoted prices and there are inherent uncertainties in measuring the value of this investment. The fair value of the TA shares on acquisition was estimated based on the amount of the loan that was settled. This estimate is highly subjective and subject to change based on the extent to which TA is able to realize on its assets and ultimately, on how much the Company will be able to realize on disposal of these shares.

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed is described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary credit risk is on its investment loan receivable (note 7). The loan is subject to AMP Malta realizing on its investments.

The Company's other exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada and Germany. As most of the Company's cash is held by two banks, there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Currency risk

The Company holds cash in Canadian, Euro and US currencies and makes investments in foreign companies, equities and financial instruments. Accordingly, there is a risk of losses from volatility in foreign currency fluctuations.

The Company's investments are subject to foreign currency risk, which may adversely affect the Company's financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company's financial instruments in Canadian dollars at September 30, 2020:

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

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loans receivable have fixed interest rates, and are not affected by changes in interest rates and the Company's loan payable bears no interest and is not affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in note 13.

15. SUBSEQUENT EVENTS

Subsequent to September 30, 2020 the Company completed a non-brokered placement of 1,089,802 common shares at a price of \$0.35 per share for proceeds of \$381,431 on October 9, 2020. The Company paid cash finder's fees of \$1,225 and issued 3,500 finders warrants. As part of this financing commons shares were issued for \$70,000 of subscription receipts received prior to September 30, 2020.