



Dresden, Germany

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited - Prepared by Management)

Three months ended March 31, 2021 and 2020





**AMP ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)**

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2021

(Unaudited – Prepared by Management)

(Expressed in EUROS “€”)

**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 ALTERNATIVE MEDICAL PRODUCTS INC.

(Formerly AMP German Cannabis Group Inc.)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2021 and DECEMBER 31, 2020

(Expressed in Euros)

	Notes	March 31, 2021	December 30, 2020
ASSETS			
Current assets			
Cash		€ 744,447	€ 60,446
Accounts receivable and prepaid expenses	4	307,622	232,335
Inventories	5	57,782	6,189
Loans receivable		<u>9,730</u>	<u>9,541</u>
		1,119,581	308,511
Equipment	6	50,449	45,601
Right of use assets	7	<u>40,941</u>	<u>17,446</u>
Total assets		€ 1,210,971	€ 371,558
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)			
Current liabilities			
Trade and other payables	8	€ 247,677	€ 261,463
Lease liabilities - current	9	<u>14,349</u>	<u>5,464</u>
		262,026	266,927
Lease liabilities – non-current	9	26,284	12,396
Long term loan payable	10	<u>1,359,028</u>	<u>1,064,844</u>
Total liabilities		<u>1,647,338</u>	<u>1,344,167</u>
Shareholders' equity (deficit)			
Share capital	11	3,158,067	2,157,858
Share based payment reserve	11	2,431,060	2,390,292
Foreign currency translation reserve		22,787	22,787
Deficit		<u>(6,048,281)</u>	<u>(5,543,546)</u>
Total shareholders' equity (deficit)		<u>(436,367)</u>	<u>(972,609)</u>
Total liabilities and shareholders' equity (deficit)		€ 1,210,971	€ 371,558

Nature and Continuance of Operations (Note 1)**Subsequent Event (Note 16)****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 ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
THREE MONTHS ENDED MARCH 31,
(Expressed in Euros)

	Notes	2021	2020
Revenue			
Sales		€ 115,056	€ -
Cost of goods sold		<u>(90,232)</u>	<u>-</u>
Gross profit		<u>24,824</u>	<u>-</u>
Expenses			
General and administrative expenses	12	509,662	354,385
Interest, net		31,784	8,015
Transfer agent, filing fees and shareholder communication		<u>10,406</u>	<u>20,033</u>
Total expenses		<u>(551,852)</u>	<u>(382,433)</u>
Loss before other income (expense)		<u>(527,028)</u>	<u>(382,433)</u>
Other income (expense)			
Foreign exchange gain (loss)		22,293	(6)
Loss on investments		<u>-</u>	<u>(809)</u>
Loss for the period		(504,735)	(383,248)
Other comprehensive income (loss)			
Foreign currency translation loss		<u>-</u>	<u>(20,414)</u>
Comprehensive loss for the period		€ (504,735)	€ (403,662)
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Weighted average number of common shares outstanding		29,025,859	22,480,468
Loss per common share, basic and diluted		€ 0.02	€ 0.02

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

AMP ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
(Expressed in Euros)

	Capital Stock		Share-based payment reserve	Foreign currency translation reserve	Deficit	Total Equity
	Shares (Note 13)	Amount				
Balance, December 31, 2019	21,478,024	€ 1,174,577	€ 2,071,550	€ 97,462	€ (3,429,939)	€ (86,350)
Loss for the period	-	-	-	(20,414)	(383,248)	(403,662)
Shares issued in private placement	3,470,000	527,488	-	-	-	527,488
Share issuance costs	-	(10,472)	-	-	-	(10,472)
Fair value of warrants	-	(2,355)	2,355	-	-	-
Balance, March 31, 2020	24,948,024	1,689,239	2,073,904	77,048	(3,813,187)	27,004
Loss for the period	-	-	-	(54,261)	(1,730,359)	(1,784,620)
Shares issued in private placement	2,205,587	470,454	-	-	-	470,454
Shares issued on exercise of warrants	7,000	1,123	-	-	-	1,123
Share issuance costs	-	(2,451)	-	-	-	(2,451)
Fair value of stock options and warrants transferred on exercise	-	373	(373)	-	-	-
Fair value of warrants	-	(880)	880	-	-	-
Share-based compensation	-	-	315,580	-	-	315,880
Balance, December 31, 2020	27,160,611	2,157,858	2,390,292	22,787	(5,543,546)	(972,608)
Loss for the period	-	-	-	-	(504,735)	(504,735)
Shares issued in private placement	3,386,600	1,102,255	-	-	-	1,102,255
Shares issued on exercise of warrants	4,900	1,147	-	-	-	1,147
Share issuance costs	-	(62,425)	-	-	-	(62,425)
Fair value of stock options and warrants transferred on exercise	-	584	(584)	-	-	-
Fair value of warrants	-	(41,352)	41,352	-	-	-
Balance, March 31, 2021	30,552,111	€ 3,158,067	€ 2,431,060	€ 22,787	€ (6,048,281)	€ (436,367)

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

AMP ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31,
(Expressed in Euros)

	2021	2020
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the period	€ (504,735)	€ (383,248)
Items not affecting cash:		
Interest capitalized to loans	(189)	-
Amortization and depreciation	6,558	-
Non-cash loan interest	31,865	20,018
Gain on sale of investments	-	809
Foreign exchange	-	(20,414)
	(466,501)	(382,835)
Changes in non-cash working capital items:		
Accounts receivable and prepaid expenses	(75,287)	(250,304)
Inventory	(51,593)	-
Trade and other payables	(13,786)	(105,981)
Net cash used in operating activities	<u>(607,167)</u>	<u>(739,120)</u>
INVESTING ACTIVITIES		
Acquisition of equipment	(7,767)	(42,778)
Increase in loans receivable	-	(37,188)
Sale of investment	-	1,853
Net cash provided by investing activities	<u>(7,767)</u>	<u>(78,113)</u>
FINANCING ACTIVITIES		
Shares issued for cash	1,103,401	527,488
Share issue costs	(62,425)	(10,472)
Lease payments	(4,697)	-
Loan payable	262,656	274,702
Net cash provided by financing activities	<u>1,298,935</u>	<u>791,718</u>
Effect of foreign exchange on cash	-	56,734
Change in cash for the period	684,001	31,220
Cash, beginning of period	<u>60,446</u>	<u>216,871</u>
Cash, end of period	€ 744,447	€ 248,090

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of Operations

AMP Alternative Medical Products Inc. (formerly 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, 10117, Berlin, Germany.

AMP's operating wholly-owned subsidiaries are AMP Alternative Medical Products GmbH, a pharmaceutical supplier of medical cannabis products to German pharmacies based in Erfurt, Germany and AMP Alternative Medical Products Canada Limited.

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 "C4TA". The Company is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario, and Quebec.

On January 29, 2021, the Company changed its name to AMP Alternative Medical Products Inc. from AMP German Cannabis Group Inc.

The reporting currency of AMP's consolidated financial statements is the Euro ("€").

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 March 31, 2021, the Company had an accumulated deficit of €6,048,281 and working capital surplus of €857,555 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 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, 2020. 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

2. BASIS OF PRESENTATION (cont'd...)

conjunction with the consolidated financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2020.

The consolidated financial statements were authorized for issue by the Board of Directors on May 31st, 2021.

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 the Company and of its wholly-owned investment subsidiaries, AMP Alternative Medical Products GmbH ("AMP Germany") of Germany and AMP Alternative Medical Products Canada Limited ("AMP Canada") of Canada. The consolidated financial statements also include, for comparative purposes in the prior year, the accounts of its previously wholly owned subsidiary, Alternative Medical Products Switzerland GmbH ("AMP Swiss") of Switzerland up until its disposition on June 1, 2020 and its 99% owned subsidiary Alternative Medical Products Malta plc ("AMP Malta") of Malta up until its disposition on December 22, 2020.

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 EUROS.

Change in functional and presentation currencies

Effective October 1, 2020 the Company changed from a Canadian dollar presentation currency to a Euro presentation currency. The functional currency of the Company and AMP Canada also changed from Canadian dollars to the Euro effective October 1, 2020. The functional currency of AMP Germany has not changed and remains the Euro.

A change in presentation currency is accounted for as a change in accounting policy and is applied retrospectively, as if the new presentation currency had always been the presentation currency. Consequently, the comparatives for the year ended December 31, 2020 and as at, December 31, 2019 and 2018 have been restated to be presented in Euro using average exchange rates for income and expenses and the closing rate at the statement of financial position date for assets and liabilities. Capital stock and accumulated deficit have been translated using historic rates. Resulting exchange differences have been recognized within equity.

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.

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

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.

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.

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:

<u>Financial assets / liabilities</u>	
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	Amortized cost

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.

Revenue recognition

The Company follows the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as follows:

Sales are recognized when the quantity of product sold and the sales price are fixed, and control of the products has transferred to the Company's customers, being when the products are shipped to the customer. The customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. The revenue from these sales is recognized when the customer purchases the inventory.

The Company follows the requirements of IFRS 15 Revenue from Contracts with Customers ("IFRS 15") as follows:

Sales are recognized when the quantity of product sold and the sales price are fixed, and control of the products has transferred to the Company's customers, being when the products are shipped to the customer. The customer has full

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

Revenue recognition (cont'd)

discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Once products are delivered to the Company's customers, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales order, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied. The revenue from these sales is recognized when the customer purchases the inventory. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Inventory

Inventories are initially recognized at cost, and subsequently measured at the lower of cost and net realizable value (the estimate selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale) using the "first-in first-out" method. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided on a straight-line with capitalized costs being amortized over three years for computer and other equipment and between seven to nine years for operating systems and hardware.

Leases

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. The mandatory effective date of the new standard is applicable for annual periods beginning on or after January 1, 2019. The Company adopted IFRS 16 Leases as of January 1, 2019. The Company entered into its first lease in the third quarter of 2020 and as such there was no requirement to restate prior periods.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured as the present value of future lease payments excluding payments made at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

AMP ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(Expressed in EUROS)

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

New accounting standards, amendments, and interpretations

The Company did not adopt any new accounting standard changes or amendments in the current year that had a material impact on the Company's financial statements.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2021	December 31, 2020
Trade receivable	€ 48,494	€ 8,057
Prepaid expenses	259,128	224,278
	€ 307,622	€ 232,335

5. INVENTORY

As at March 31, 2021, the Company's inventories consisted of finished goods held at a third party's secure facility in Germany. For the three months ended March 31, 2021, inventories of €6,189 (2020 – €nil) were expensed and included in cost of goods sold.

6. EQUIPMENT

	Operating systems and hardware	Computer and other equipment	Total
Cost			
As at December 31, 2019	€ 3,180	€ -	€ 3,180
Additions during the period	42,600	7,334	49,934
As at December 31, 2020	45,780	7,334	53,114
Additions during the period	836	6,262	7,098
As at March 31, 2021	€ 46,616	€ 13,596	€ 60,212
Accumulated depreciation			
As at December 31, 2019	€ 295	€ -	€ 295
Additions during the period	5,428	1,790	7,218
As at December 31, 2020	5,723	1,790	7,513
Additions during the period	1,730	520	2,250
As at March 31, 2021	€ 7,453	€ 2,310	€ 9,763
Net book value			
As at December 31, 2020	€ 40,057	€ 5,544	€ 45,601
As at March 31, 2020	€ 39,163	€ 11,286	€ 50,449

AMP ALTERNATIVE MEDICAL PRODUCTS INC.
(Formerly AMP German Cannabis Group Inc.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2021
(Expressed in EUROS)

7. RIGHT OF USE ASSETS

As at March 31, 2021 the right-of-use assets consist of motor vehicles located in Germany, which will terminate between December 2023 and February 2024.

	Motor vehicle	
Balance, December 31, 2019	€	-
Additions during the period		19,282
Depreciation		<u>(1,836)</u>
Balance at December 31, 2020	€	17,446
Additions during the period		27,133
Depreciation		<u>(3,638)</u>
Balance at March 31, 2021	€	40,941

8. TRADE AND OTHER PAYABLES

	March 31, 2021	December 31, 2020
Trade payables (note 15)	€ 197,922	€ 164,266
Accrued liabilities	<u>49,755</u>	<u>97,197</u>
	€ 247,677	€ 261,463

9. LEASE LIABILITIES

Lease liabilities are recorded as follows:

	Motor vehicles	
Balance, December 31, 2019	€	-
Additions during the period		19,282
Payments		(2,000)
Interest		578
Balance, December 31, 2020	€	17,860
Additions during the period		27,133
Payments		(4,697)
Interest		<u>337</u>
Balance, March 31, 2021	€	40,633
Current	€	14,349
Non-current	€	<u>26,284</u>

The lease liabilities were discounted at an incremental borrowing rate of 3% as at January 1, 2021.

10. LOAN PAYABLE

The Company has an unsecured revolving credit drawdown facility for €1.5 million, bearing interest rate of 10% per annum and maturing on December 31, 2023. As of March 31, 2021, €1,359,028 (December 31, 2020 - €1,064,844) was drawn-down against the credit facility.

11. CAPITAL AND OTHER COMPONENTS OF EQUITY

Authorized and issued shares

The authorized share capital of the Company is an unlimited number of Class A Voting Common Shares (the “common shares”). As at March 31, 2021 there were 30,552,111 shares outstanding, with the following common shares having been issued since January 1, 2020:

- a) On February 20, 2021, the Company completed a non-brokered placement of 3,386,600 common shares at a price of CDN\$0.50 per share for proceeds of CDN\$1,693,300 (€1,102,255). The Company paid cash finder’s fees of CDN\$80,465 (€52,400) and issued 160,930 finders warrants with a fair value of CDN\$63,500 (€41,532). The finders warrants are exercisable at CDN\$0.50 each and expire on August 10, 2021;
- b) On October 9, 2020, the Company completed a non-brokered placement of 1,089,802 common shares at a price of CDN\$0.35 per share for proceeds of CDN\$381,431 (€232,993). The Company paid cash finder’s fees of CDN\$1,225 (€790) and issued 3,500 finders warrants with a fair value of CDN\$460 (€296). The finders’ warrants are exercisable at CDN\$0.35 each and expire on March 18, 2021;
- c) On September 18, 2020, the Company completed a non-brokered placement of 1,115,785 common shares at a price of CDN\$0.35 per share for proceeds of CDN\$390,525 (€237,461). The Company paid cash finder’s fees of CDN\$1,715 (€1,099) and issued 4,900 finders warrants with a fair value of CDN\$910 (€584). The finder’s warrants are exercisable at CDN\$0.35 each and expire on March 18, 2021;
- d) In September 2020, the Company issued 7,000 common shares at a price of CDN\$0.25 per share for proceeds of CDN\$1,750 (€1,123) upon the exercise of finders’ warrants; and
- e) On March 6, 2020, the Company completed a non-brokered placement of 3,470,000 common shares at a price of CDN\$0.25 per common share for proceeds of CDN\$867,500 (€527,488). The Company paid cash finder's fees of CDN\$10,500 (€7,095), other share issuance costs of CDN\$5,000 (€3,378) and issued 42,000 finders warrants with a fair value of CDN\$3,485 (€2,355). The finder’s warrants are exercisable at CDN\$0.25 each and expired on September 6, 2020;

Stock options and warrants

The Option Plan adopted by the board of directors (the “Board”) is a “rolling” stock option plan, pursuant to which the Board may from time to time, in its discretion, and in accordance with CSE and regulatory requirements, grant to directors, officers, employees and consultants, non-assignable and non-transferable options to purchase common shares of the Company, provided that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company.

The Company uses a fair value method of accounting for all stock-based payments. Under this method, the Company recorded a stock-based compensation expense of €nil (2020: €nil) for the three months March 31, 2021. The fair value of the stock options is estimated as at the date of the grant using the Black-Scholes pricing model assuming the following weighted average assumptions:

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

Stock options and warrants (cont'd)

	2020
Risk-free interest rate	0.27%
Expected life	1.69 years
Annualized volatility	103%
Pre-vest forfeiture rate	0.00%
Dividend rate	0.00%

The continuity of incentive stock options issued and outstanding is as follows:

	Stock options	
	Number	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2019	2,123,779	0.50
Granted	3,340,500	0.38
Expired	(2,123,779)	0.50
Cancelled	(626,000)	0.44
Balance, December 31, 2020	2,714,500	\$ 0.36
Balance, March 31, 2021	2,714,500	\$ 0.36

The following stock options were outstanding as at March 31, 2021:

Exercise price range	Options outstanding			Options exercisable	
	Number of stock options outstanding	Weighted average contractual life (years)	Weighted average exercise price (CAD\$)	Number of stock options exercisable	Weighted average exercise price (CAD\$)
CDN\$0.35	1,969,500	1.44	\$ 0.35	1,969,500	\$ 0.35
CDN\$0.39	745,000	1.44	0.39	745,000	0.39
	2,714,500	1.44	\$ 0.36	2,714,500	\$ 0.36

The continuity of warrants issued and outstanding is as follows:

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

Stock options and warrants (cont'd)

	Warrants	
	Number	Weighted Average Exercise Price (CAD\$)
Balance, December 31, 2019	-	\$ -
Granted	50,400	0.27
Exercised	(7,000)	0.25
Expired	(35,000)	0.25
Balance, December 31, 2020	8,400	0.35
Granted	160,930	0.27
Exercised	(4,900)	0.25
Balance, March 31, 2021	164,430	\$ 0.50

12. GENERAL AND ADMINISTRATION EXPENSES

	Fort the three months ended March 31,	
	2021	2020
Consulting and executive management fees (note 13)	€ 337,425	€ 206,031
Office and supplies	67,378	32,859
Professional fees	5,698	37,701
Rent and insurance	18,704	12,054
Salaries and benefits	80,457	65,741
	€ 509,662	€ 354,385

13. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2021, the Company paid or accrued directors and management fees €158,627 (2020 - €93,084) to directors and executive officers of the Company.

During the three months ended March 31, 2021, 200,000 common shares in the February 20, 2021 private placement were issued to officers and directors of the Company, or companies controlled by officers and directors of the Company, for proceeds of CDN\$100,000 (€65,121)

Included in accounts payable at March 31, 2021, is €63,845 (December 31, 2020 - €16,017) owing to directors and officers of the Company for management fees and expenses incurred on behalf of the Company.

14. 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.

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, investments, 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:

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

The Company's cash and loans receivable are classified as Level 1.

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 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.

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

Currency risk

The Company holds cash in Canadian and Euro currencies and primarily makes investments in AMP Germany in Euros. The Company raises equity on the Canadian markets denominated in the Canadian \$. 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 Euros at March 31, 2021:

	Euro	CDN Dollar	Total
Cash, accounts receivable and prepaid expenses	30%	70%	100%
Loans receivable	0%	100%	100%
Trade and other payable	50%	50%	100%
Long term loan payable	100%	0%	100%

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loan receivable and long term loan payable have fixed interest rates and are 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 16. Liquidity risk is assessed as high.

16. SUBSEQUENT EVENT

On April 5, 2021, the Company granted 340,000 incentive stock options to directors and consultants with an exercise price of \$0.50 per share until September 8, 2022.

Subsequent to March 31, 2020, the Company issued 3,500 common shares at a price of CDN\$0.35 per share for proceeds of CDN\$1,225 (€827) upon the exercise of finders' warrants.

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