

## Management's Discussion and Analysis of Financial Condition and Results of Operations as at May 30<sup>th</sup>, 2019.

The following is management's discussion and analysis ("MD&A") of Chinook Tyee Industry Limited's (the "Company" or "Chinook") financial condition and results of operations for the three months ended March 31<sup>st</sup>, 2019 and should be read in conjunction with the unaudited condensed 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 Chinook Tyee Industry Limited's business activities.

All references herein refer to the unaudited condensed consolidated financial statements and related notes for the three months ended March 31<sup>st</sup>, 2019 and except where otherwise indicated, all financial information is expressed in Canadian dollars ("C\$"). Unless otherwise indicated, reference to the "Company" or "Chinook" means Chinook Tyee Industry Limited 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 2019, means the period beginning January 1<sup>st</sup>, 2019 and ending December 31<sup>st</sup>, 2019. Reference to "reported quarter" means the three calendar months commencing on January 1<sup>st</sup> of that year and ending on March 31<sup>st</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, refers to Condensed Consolidated Interim Statements of: Financial Position, Comprehensive Loss and Cash Flows, respectively.

The Company 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). The Company's website is [www.amp-eu.com](http://www.amp-eu.com).

### 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.

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.

The Company will review its forward-looking statement when it files its second quarter financial results for the six months ending June 30<sup>th</sup>, 2019.

This forward-looking statement dated May 30<sup>th</sup>, 2019, 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>.

### **The Company**

Chinook is a German managed investment company that invests in the cannabis industry in Europe. Chinook holds investments in AMP Alternative Medical Products GmbH and Mercury Partners & Company plc.

Chinook is listed on the TSX Venture Exchange (“TSXV”) in Canada under the trading symbol “XCX” and on the Frankfurt Stock Exchange in Germany under the trading symbols, “C4T” and “WKN: A12DYZ” and is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario, and Québec.

#### *AMP Alternative Medical Products GmbH (“AMP Germany”)*

AMP Germany, a German biopharmaceutical company based in Erfurt, Germany, which will provide medical cannabis formulations and dose delivery systems for German patients. AMP Germany purchases EU-GMP medical cannabis from third-party suppliers located in Canada and other countries and arranges transportation, logistics and storage services for ultimate distribution through pharmaceutical distributors to pharmacists in Germany. All of AMP Germany’s suppliers are audited by German auditors to ensure they meet the stringent EU-GMP standards. Meeting the EU-GMP standard is the biggest obstacle for licensed producers of cannabis (“LP”) trying to export to Germany. As the majority of LPs in Canada are not EU-GMP, AMP Germany assists LPs in their audit and arranges EU-GMP certification in Germany to allow importation.

During 2019, AMP entered into a memorandum of understanding production supply agreement with Pure Life Cannabis Corporation, a late stage Health Canada applicant to become a licensed producer of cannabis flower based in Edmonton, Alberta. The MOU covers the purchase of 1,200 kilograms of cannabis annually in the first year of production and increasing thereafter.

#### *Mercury Partners & Company plc (“MPC”)*

Non-medical cannabis investments are held through MPC, a public liability investment holding company based and operated in Valetta, Malta, whose investments include cash held in €, its 50% ownership and investment loan receivable<sup>2</sup> in the MPC-JV and shareholdings in publicly listed and private companies.

The MPC-JV owns a majority shareholding in a merchant banking company, whose assets predominately include cash and a non-performing €10-million loan to a real estate development company in Dusseldorf, Germany.

The status of the equity markets in Canada and Germany, in particular, the TSXV 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. Generally, the status of the real estate property markets in Germany and particularly Dusseldorf may affect the financial position of the Company. The status of digital currencies, which have a limited history and the fair value historically has been very volatile may affect the financial performance of the Company.

---

<sup>1</sup> See Note 2, “Basis of Presentation”.

<sup>2</sup> See Note 6, “Investment Loan Receivable”.

### 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.

	2019		2018				2017	
	Q1	Q4	(In thousands, except per share amounts)				Q3	Q2
			Q3	Q2	Q1	Q4		
Revenue . . . . .	\$ -	\$ -	\$ -	\$ -	\$ -	\$ --	\$ -	\$ -
Loss . . . . .	\$ (393)	\$ (593)	\$ (71)	\$ (61)	\$ (70)	\$ (141)	\$ (42)	\$ (116)
Loss per share, basic and diluted . . . . .	\$ (0.04)	\$ (0.06)	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

### Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources for the three months ended March 31<sup>st</sup>, 2019, includes a comparison to the corresponding comparative three months ended March 31<sup>st</sup>, 2018.

The Company's principal sources of capital are its available cash and public financing. At March 31, 2019, Chinook had net investment assets of \$1.4-million consisting of cash holdings of \$89,424<sup>3</sup>, long-term investments of \$211,575 and a \$1.7-million<sup>4</sup> investment loan receivable.

During May 2019, Chinook announced a Series C private placement for \$1.5-million through the issuance of 10,000,000 million shares at \$0.15 per share.

Total liabilities increased to \$622,047 during the quarter compared \$412,147 at year-end due to the bridge loan funding for AMP Germany, which totaled \$406,485, compared to \$259,958 at year-end. Chinook's other liabilities included trade and other payables totaling \$215,562<sup>5</sup>.

The statement of cash flows shows the structure of and changes in cash for the reported year and is broken down into operating activities, investing activities and financing activities. Chinook generated cash of \$36,066 to hold \$89,424 in cash at quarter-end. Operating activities used cash of \$319,525 largely to finance AMP Germany, while investing activities generated \$221,775 from investment loan receivable repayments of \$226,500 during the quarter. Chinook's financing activities include borrowing \$147,036 from its bridge loan facility to fund AMP Germany.

Shareholder equity declined to \$1.4-million during the quarter compared to \$1.9-million at year-end due to the funding of AMP Germany.

### Summary of Reported Period Results

*For the three months ended March 31<sup>st</sup>, 2019.*

The following analysis of Chinook's operating results for the three months ended March 31, 2019 includes a comparison to the corresponding, comparative period ended March 31, 2018.

Revenue income was immaterial. Going forward, through its investment subsidiaries and partnerships, Chinook plans to generate revenue from the exportation of medical cannabis from Canada and other countries, where it is legal, into Germany.

Expenses increased to \$389,366 during the quarter compared to \$70,309 in the prior year period due to higher general and administration and corporate governance expenses. General and administration costs totaled \$328,297 and largely included office and supplies of \$65,820, marketing of \$58,195 and consulting and management fees of \$130,043. Corporate governance expenses increased to \$38,946 during the quarter compared to \$7,750 a year earlier. During 2019, Chinook will continue to incur fees to German consultants and pharmaceutical consulting firms and legal fees. Chinook also incurred a foreign currency translation

<sup>3</sup> See Statements of Financial Position.

<sup>4</sup> See Note 6, "Investment Loan Receivable".

<sup>5</sup> See Note 7, "Trade and Other Payables".

adjustment of \$90,998 on foreign operations. Gains or losses from foreign currency translation differences on foreign operations are non-cash accounting adjustments included in comprehensive income (loss).

The Company reported a loss of \$392,608, or a loss of \$0.04 per share, compared to a loss of \$70,233, or \$0.01 per share, for the corresponding comparative period due to funding costs for AMP Germany.

#### **Disclosure of Outstanding Share Data**

The Company's weighted average and shares outstanding as at the reported period were 10,217,796 common shares.

Subsequent to quarter, the Company granted incentive stock options to purchase up to 1,020,000 common shares of the Company to its directors, officers, employees, and consultants in Germany, Switzerland and Canada pursuant to its stock option plan, including 655,000 options issued to directors and officers. Each option vests immediately, has an exercise price of \$0.15 per share and is valid for a period of one year from the date of issuance.

#### **Transactions Between Related Parties<sup>6</sup>**

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

Accordingly, during the three months ended March 31<sup>st</sup>, 2019, the Company paid board meeting and management fees of \$97,120 (2018 - \$5,125) to directors of the Company and paid or accrued professional fees of \$7,630 (2018 - \$6,300) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at March 31, 2019 is \$13,930 owing to one officer of the Company for accounting fees.

-End of Document-

---

<sup>6</sup> See Note 11, "Related Party Transactions".