

AXIM BIOTECHNOLOGIES, INC.

Form 10-K

April 08, 2019

**U. S. SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-54296

**AXIM Biotechnologies, Inc.**

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(Exact name of registrant as specified in its charter)

**Nevada**

**27-4029386**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

**45 Rockefeller Plaza, 20<sup>th</sup> Floor, Suite 83**

**New York, NY 10111**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(212) 332-1677**

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **Common stock, \$0.0001 par value**

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

Yes [ ] No [X]

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes [ ] No [X]

**Note** – Checking in the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment of this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Do not check if smaller reporting company) Smaller reporting company   
Emerging growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant as of June 30, 2018, based upon the closing price of the common stock as reported by finance.yahoo.com on such date, was approximately \$30,369,429. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of April 8, 2019, there were 61,072,411 shares of the registrant's common stock were issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:** None

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**AXIM BIOTECHNOLOGIES, INC.**

**FORM 10-K**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the “Exchange Act”), with the Securities and Exchange Commission (the “SEC”). You may read and copy any document we file with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC’s internet site at <http://www.sec.gov>.

On our Internet website, <http://www.aximbiotech.com>, we post the following recent filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act.

*When we use the terms “AXIM”, “Company”, “we”, “our” and “us” we mean Axim Biotechnologies, Inc., a Nevada corporation, and its consolidated subsidiaries, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.*

## FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K, the other reports, statements, and information that the Company has previously filed with or furnished to, or that we may subsequently file with or furnish to, the SEC and public announcements that we have previously made or may subsequently make include, may include, or may incorporate by reference certain statements that may be deemed to be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended, and that are intended to enjoy the protection of the safe harbor for forward-looking statements provided by that Act. To the extent that any statements made in this report contain information that is not historical, these statements are essentially forward-looking. Forward-looking statements can be identified by the use of words such as “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “expect”, “believe”, “may”, “will”, “should”, “could”, and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and, consequently, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, without limitation, marketability of our products; legal and regulatory risks associated with trading publicly; our ability to raise additional capital to finance our activities; the future trading of our common stock; our ability to operate as a public company; our ability to protect our proprietary information; general economic and business conditions; the volatility of our operating results and financial condition; our ability to attract or retain qualified senior management personnel and research and development staff; and other risks detailed from time to time in our filings with the SEC, or otherwise.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not undertake any obligation to publicly update any forward-looking statements. As a result, investors should not place undue reliance on these forward-looking statements.



## PART I

### Item 1. Business

#### *Overview*

Axim Biotechnologies, Inc., a Nevada corporation, is an innovative biotechnology company focusing on research, development and production of pharmaceutical, nutraceutical and cosmetic products, and extraction and purification of cannabinoids technologies based on our proprietary technologies. We believe to be setting the standard for cannabinoid bioscience through the discovery and commercialization of new materials and technologies for healthy living. Our common stock is traded on the OTCQB under the symbol “AXIM.”

We were originally incorporated in the State of Nevada on November 18, 2010 under the name AXIM International, Inc. On July 24, 2014, we changed our name to AXIM Biotechnologies, Inc. to better reflect our business operations. On August 7, 2014, we incorporated a wholly owned Nevada subsidiary named Axim Holdings, Inc. to help facilitate the business operations of the Company.

On May 11, 2015, we entered into a 50 year, worldwide, exclusive intellectual property licensing agreement (“Agreement”) with CanChew Biotechnologies, LLC (“CanChew”). As compensation for the Agreement, CanChew received 5,826,706 restricted shares of the Company’s common stock and a royalty fee of approximately 2-3% of all gross sales derived from products produced under the Agreement. So long as we are in compliance with the Agreement, we have the option to purchase the licensed intellectual property after 5 years at a purchase price equal to fifty percent (50%) of the annual royalty fee paid.

In October 2017, we formed a wholly owned subsidiary in the Netherlands for purposes of holding pharmaceutical licenses as required by the Netherlands regulations and laws.

Our principal corporate headquarters are located at 45 Rockefeller Plaza, 20<sup>th</sup> Floor, Suite 83, New York, New York 10111. Our website address is [www.aximbiotech.com](http://www.aximbiotech.com). The information contained on, or that can be accessed through, our website is not a part of this prospectus. The trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

#### **Current Operations**

The operations of the Company include: the research and development of pharmaceutical products, and extraction and purification of cannabinoids technologies. Over the next 12 months, we anticipate the following activities:

Development of a bioequivalent to Marinol product for treatment of nausea and vomiting associated with chemotherapy and lack of appetite in HIV/ AIDS patients based on proprietary controlled-release functional chewing gum delivery platform. This product will lead to a NDA according to 505(b)2 regulatory pathway according to a pIND meeting with the FDA.

Development and commercialization of products pending Phase I and II clinical trials for Restless Leg Syndrome.

Conducting a clinical trial at the Free University of Amsterdam, The Netherlands for a novel, patented controlled-release delivery form of cannabinoids for treatment of chronic pain and spasticity in patients with multiple sclerosis. The anticipated duration of the trials prior to FDA/ EMA registration is 12 to 18 months.

Conducting a clinical trial at the University of British Columbia, Canada on patients suffering of illicit drug-related psychosis using innovative, (patented) delivery mechanisms containing cannabinoids. This trial is awaiting approval by Health Canada and will result in an NDA.

During the next twelve months we anticipate incurring costs related to: (i) filing Exchange Act reports, (ii) contractual obligations, (iii) clinical trials, and (iv) continued research and development of pharmaceutical formulations.

We believe we will be able to meet these costs through use of funds in our treasury, through deferral of fees by certain service providers and additional amounts, as necessary, to be loaned to or invested in us by our shareholders, management or other investors. As of the date of the period covered by this report, we have limited cash. There are no assurances that we will be able to secure any additional funding as needed. Currently, however our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management's plan includes obtaining additional funds by equity financing and/or related party advances; however, there is no assurance of additional funding being available.

We are in our early stages of development and growth, without established records of sales or earnings. We will be subject to numerous risks inherent in the business and operations of financially unstable and early stage or potential emerging growth companies.

## **Research and Development**

We are continuing our research and development at the Free University of Amsterdam with our novel (patent pending) delivery system for treatment of patients with pain and spasticity as a sequence of Multiple Sclerosis. The study is conducted in strict compliance with FDA/EMA guidelines and is supervised by QPS as a CRO. The product tested is a pharmaceutical, functional chewing gum containing equal parts of THC and CBD. With our proprietary technology numerous problems related to cannabinoid' water-insolubility due to its lipophilic nature, first-pass liver metabolism and direct delivery into the systemic circulation has been resolved.

Phase I and II trial in patients with Restless Leg Syndrome will be conducted in Israel in strict adherence to FDA guidelines. The study is anticipated to commence in April of 2019 and will test a combination cannabinoid/gabapentin product based on AXIM' proprietary delivery format.

Phase I and II clinical trial for treatment of patients affected by drug-related psychosis will commence at the University of British Columbia, Canada utilizing cannabinoids in a proprietary delivery formulation.

New, patent pending cannabinoid extraction techniques as well as pure, water soluble, freeze-dried cannabinoids are being developed in cooperation with Syncom, BV, The Netherlands, which practically solves the issue with very poor absorption of currently available, oil-based cannabinoids.

There are numerous other R&D projects being considered involving our proprietary intellectual property. These will be strategically planned depending on availability of funds to carry on.

## **Intellectual Property**

Our pending patent applications include twelve (12) patent applications for oral care compositions, sugar alcohol kneading method, antimicrobial compositions, extraction method, cosmetic, nicotine dependence treatment gum, opioid dependence treatment gum, restless leg treatment gum, suppositories, method to treat psoriasis, method to treat atopic dermatitis, and method to treat vitiligo. Twelve (12) of our patent applications have entered non-provisional stage in the U.S. and/or international stage and/or national stages in other jurisdictions. Our patents include five (5) patents for toothpaste compositions, ophthalmic solutions, method to use the ophthalmic solution to treat glaucoma and conjunctivitis, method to extract THC, and suppository compositions; and one (1) licensed patent (chewing gum containing cannabinoids, covering all cannabinoids, including THC). Continuation applications for oral care compositions, method to extract THC, and suppository compositions have been filed, these pending applications are indicated above. We are in the process of developing and filing more patent applications.

We have twenty seven (27) trademark applications some of which are registered trademarks, received Notices of Allowance, or pending in front of the United States Patent and Trademark Office or other jurisdictions: A Axim Biotech, Axim, Cannanimals, CanQuit, CannaCoal, CanChui, CanShu, Oraximax, ReneCann, CannBleph, OphthoCann, Cannonich, Cannocyn, HempChew, SuppoCann, CanChew, CanChew Hemp CBD Gum, CanChew RX, CanChew Plus, CanQuit OC, CanChew +, CanChew +10, CanChew +50, CanChew +100, MedChew, MedChew GP, MedChew RL. Corresponding trademark applications have been filed in other jurisdictions for some of the marks and have received registration or are pending.

## **Market, Customers and Distribution Methods**

Our focus is on the development of innovative pharmaceutical, nutraceutical and cosmetic products focusing on diseases and conditions for which currently there are no known efficient therapeutic ingredients or delivery systems for known active pharmaceutical ingredients. The body of knowledge regarding therapeutic use of cannabinoid-based formulations is steadily increasing. We plan to be an active player in this field of biosciences with our extensive R&D and pipeline of innovative products.

Our target customers are primarily end consumers via Internet sales, direct-to-consumer health and wellness stores, collectives, cooperatives, affiliate sales and master distributors. Secondly, we are targeting manufacturers of products that can readily replace their raw base materials with our materials, making the products more environmentally friendly and sustainable. Next, we will target retail stores with major distribution companies who have preexisting relationships with major retail chain stores. As we continue to develop our business, these markets may change, be re-prioritized or eliminated as management responds to consumer and regulatory developments.

### **Competition**

There are many developers of hemp-based consumer products, many of which are under-capitalized which we consider to be viable acquisition targets. There are also large, well-funded companies that currently do not offer hemp-based products but may do so in the future.

### **Source and Availability of Raw Materials**

The Company currently has arrangements with multiple reputable suppliers which are expected to meet the projected needs for materials for the upcoming year. These suppliers are based in The Netherlands.

### **Government Regulation**

On December 20, 2018, the 2018 Farm Bill was signed into law. The law went into effect on January 1st, 2019.

As a consequence of the 2018 Farm Bill, hemp has now been permanently removed from the Controlled Substances Act (CSA). It is now deemed an agricultural commodity, no longer able to be classified as a controlled substance, like marijuana. Furthermore, by redefining hemp to include its “extracts, cannabinoids and derivatives,” Congress explicitly removed popular hemp products – such as hemp-derived CBD — from the purview of the CSA.

Accordingly, the Drug Enforcement Administration (DEA) no longer has any claim to interfere with the interstate commerce of hemp products, so as long as the THC level is at or below 0.3%. State and Tribal governments may impose separate restrictions or requirements on hemp growth and the sale of hemp products. However, they cannot interfere with the interstate transport of hemp or hemp products.

We believe that the 2018 Farm Bill should give comfort to federally regulated institutions, pharmacies, banks, merchant services, credit card companies, e-commerce sites and advertising platforms, to conduct commerce with the hemp and hemp CBD industry.

On September 27, 2018, the Department of Justice and Drug Enforcement Administration announced that Epidiolex, the newly approved medication by the Food & Drug Administration, is being placed in Schedule V of the Controlled Substances Act, the least restrictive schedule of the federal Controlled Substances Act of 1970 (the “CSA”). On June 26 2018, the FDA announced it approved Epidiolex for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. Epidiolex contains cannabidiol (CBD), a chemical constituent of the cannabis plant (commonly referred to as marijuana). The CBD in Epidiolex is extracted from the cannabis plant and is the first FDA-approved drug to contain a purified extract from the plant. Schedule V drugs represents the least potential for abuse. Schedule V drugs, substances, or chemicals are defined as drugs with lower potential for abuse than Schedule IV and consist of preparations containing limited quantities of certain narcotics. Schedule V drugs are generally used for antidiarrheal, antitussive, and analgesic purposes. Some examples of Schedule V drugs are: cough preparations with less than 200 milligrams of codeine or per 100 milliliters (Robitussin AC), Lomotil, Motofen, Lyrica, Parepectolin.

Despite the approvals by the FDA and DEA for Epidiolex, any of these foregoing factors, many of which are beyond our control, could jeopardize our ability to obtain regulatory approval for and successfully market our planned products. Moreover, because our business is almost entirely dependent upon these product candidates, any such setback in our pursuit of regulatory approval would have a material adverse effect on our business and prospects.

## **Employees**

As of April 8, 2019, we have 4 full-time employees and 2 part-time employees. We allow and utilize the services of independent contractors. We will be considering the conversion of some of our part-time employees to full-time positions. We are currently in discussions with qualified individuals to engage them for positions in sales and marketing, research and development, and operations. Management believes the Company has good relationships with its employees.

### **Costs and effects of compliance with environmental laws**

The expense of complying with environmental regulations is of minimal consequence.

### **Item 1A. Risk Factors**

Not applicable to a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

#### **Real Property**

We currently rent our office space located at 45 Rockefeller Plaza in New York City, for \$3,720 per month. The rent expense for our warehouse space located in the Netherlands is 1,731 Euros or approx. \$2,040 per month. Rents are on a month to month basis. At present, we do not own any real property.

#### **North American Address:**

45 Rockefeller Plaza 20th Floor, Suite 83

New York, NY 10111

**European Address:**

Industrieweg 40, Unit B4

3401MA IJsselstein The Netherlands

**Item 3. Legal Proceedings**

We are subject to litigation, claims, investigations and audits arising from time to time in the ordinary course of our business. However, at this time, we are not aware on any material pending, threatened or unasserted claims.

**Item 4. Mine Safety Disclosure**

Not applicable.



## PART II

### Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is currently traded on the OTCQB under trading symbol “AXIM.” An active public market for our common stock may not develop or be sustained. Trading of securities on the OTCQB is often sporadic and investors may have difficulty buying and selling or obtaining market quotations.

The following table sets forth the high and low closing bid prices for our common stock as reported on OTCQB for the following periods. These prices do not include retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions.

|  | High (\$) | Low (\$) |
|--|-----------|----------|
| <b>Fiscal Year Ended December 31, 2018</b> |           |          |
| First Quarter                              | 10.29     | 3.24     |
| Second Quarter                             | 6.96      | 2.28     |
| Third Quarter                              | 3.49      | 1.70     |
| Fourth Quarter                             | 1.91      | 0.46     |
| <b>Fiscal Year Ended December 31, 2017</b> |           |          |
| First Quarter                              | 9.95      | 6.05     |
| Second Quarter                             | 8.80      | 4.45     |
| Third Quarter                              | 13.45     | 6.25     |
| Fourth Quarter                             | 19.80     | 8.01     |

As of April 2, 2019, there are 53 holders of record of our common stock. This number does not include beneficial holders of our stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders.

### Dividends

We have never declared or paid cash dividends on our common stock. We anticipate that in the future we will retain any earnings for operation of our business. Accordingly, we do not anticipate declaring or paying any cash dividends in the foreseeable future.

### **Securities Authorized for Issuance Under Equity Compensation Plans**

Effective May 29, 2015 the company adopted a stock incentive plan under which eligible persons or vendors whom provide the company services may be afforded an opportunity to acquire an equity interest in the company in exchange for those services provided. The Company has reserved 9,806,000 shares of its common stock for issuance under this plan.

### **Unregistered Sales of Equity Securities and Use of Proceeds**

The Company did not sell any securities that were not registered under the Securities Act of 1933, as amended, during fiscal year 2018 that have not already been reported on a Current Report on Form 8-K or a Quarterly Report on Form 10-Q.

### **Issuer Repurchases of Equity Securities**

None.

### **Item 6. Selected Financial Data**

Not applicable to a “smaller reporting company” as defined in Item 10(f)(1) of SEC Regulation S-K.

## **Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion of our financial condition and results of operations for the years ended December 31, 2018 and December 31, 2017 should be read in conjunction with the financial statements and the notes to those statements that are included elsewhere in this Annual Report on Form 10-K. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as “anticipate”, “estimate”, “plan”, “project”, “continuing”, “ongoing”, “expect”, “believe”, “intend”, “may”, “will”, “should”, “could”, and similar expressions to identify forward-looking statements.*

### **Liquidity and Capital Resources**

We are in our early stages of development and growth, without established records of sales or earnings. We will be subject to numerous risks inherent in the business and operations of financially unstable and early stage or emerging growth companies.

We estimate our G & A expenses for 2019 to be approximately \$1,300,000, which includes projected audit and accounting costs of \$80,000. R&D expenses for 2019 will vary based on drug formulation and clinical trial project activity that the Company is engaged in, which in turn is determined by available capital. We don’t expect R&D expenditures to exceed \$12 million in 2019.

We can provide no assurance that the Company can continue to satisfy its cash requirements for at least the next twelve months.

We expect to obtain financing through shareholder loans and private placements. Shareholder loans will be without stated terms of repayment or interest. We will not consider taking on any long-term or short-term debt from financial institutions in the immediate future. Shareholders loans may be granted from time to time as required to meet current working capital needs. We have no formal agreement that ensures that we will receive such loans. We may exhaust this source of funding at any time.

We are dependent upon certain related parties to provide continued funding and capital resources. If continued funding and capital resources are unavailable at reasonable terms, we may not be able to implement our plan of

operations. These loans may include terms that may be highly dilutive to existing shareholders.

On September 14, 2017, our Registration Statement on Form S-3 was declared effective by the SEC. We sold 1,945,000 shares of Company's common stock during the year ending December 31, 2018.

### **Sources of Capital**

We expect to sustain our working capital needs through shareholder loans and private placements. Shareholder loans will be without stated terms of repayment or interest. We will not consider taking on any long-term or short-term debt from financial institutions in the immediate future. Shareholders loans may be granted from time to time as required to meet current working capital needs. We have no formal agreement that ensures that we will receive such loans. We may exhaust this source of funding at any time.

During the next twelve months, we anticipate incurring costs related to:

- (i) filing Exchange Act reports,
- (ii) contractual obligations
- (iii) clinical trials, and
- (iv) continued research and development of pharmaceutical formulations

We believe we will be able to meet these costs through use of funds in our treasury, deferral of fees by certain service providers and additional amounts, as necessary, to be loaned to or invested in us by our shareholders, management or other investors. As of the date of the period covered by this report, we have limited cash. There are no assurances that we will be able to secure any additional funding as needed. Currently, however our ability to continue as a going concern is dependent upon our ability to generate future profitable operations and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations when they come due. Management's plan includes obtaining additional funds by equity financing and/or related party advances; however, there is no assurance of additional funding being available.

## Going Concern

The Company's financial statements have been presented assuming that the Company will continue as a going concern. As shown in the financial statements, the Company has negative working capital of \$1,301,337, has an accumulated deficit of \$28,992,485, has cash used in operating activities of \$4,845,269 and presently does not have the resources to accomplish its objectives during the next twelve months. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation.

The Company intends to raise additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company or will be sufficient to enable the Company to fully complete its development activities or sustain operations. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful.

## Results of Operations

### Comparison of the year ended December 31, 2018 and 2017.

|                         | <b>December 31, 2018</b> | <b>December 31, 2017</b> | <b>\$ Change</b> | <b>% Change</b> |
|-------------------------|--------------------------|--------------------------|------------------|-----------------|
| Revenues                | \$ 195,614               | \$ 47,573                | \$ 148,041       | 311.19%         |
| Cost of goods sold      | 8,511                    | 42,857                   | (34,346)         | (80.14)%        |
| Gross margin percentage | 95.65%                   | 9.91%                    | 85.74%           | -               |
| Operating expenses      | 5,223,246                | 3,153,803                | 2,069,443        | 65.62%          |
| Loss from operations    | (5,036,143)              | (3,149,087)              | (1,887,056)      | 59.92%          |
| Other expenses          | 1,718,503                | 1,019,116                | 699,387          | 68.63%          |
| Net loss                | \$ (6,754,646)           | \$ (4,168,203)           | \$ (2,586,443)   | 62.05%          |

### Revenue

For the year ended December 31, 2018, we had revenue of \$195,614 from sales of our products, as compared to revenue of \$47,573 for the year ended December 31, 2017. This is primarily due to revenue from a fee the company received to facilitate negotiation regarding an Australia and New Zealand licensing agreement of its products with Impression Healthcare Limited.

*Cost of Revenue*

For the year ended December 31, 2018, we had cost of revenue of \$8,511 from sales of our products, as compared to cost of revenue of \$42,857 for the year ended December 31, 2017. This is primarily due to using raw material for research purposes in 2018.

*Operating Expenses*

*Research and Development Expenses*

For the year ended December 31, 2018 our research and development expenses were \$2,056,175 as compared to \$1,352,969 for the year ended December 31, 2017. The increase is primarily due to increase in research activities of Marinol Biocomp, MedChew RLS, and MedChew Rx projects in 2018.

*Selling, General and Administrative Expenses*

Our Selling, General and Administrative expenses for the years ending in 2018 and 2017 were \$3,163,715 and \$1,797,478 respectively. Variance was primarily result due to non-cash compensation valued at \$911,340 in 2018.

*Depreciation Expenses*

For the year ended December 31, 2018 our depreciation expenses were \$3,356 as compared to \$3,356 for the year ended December 31, 2017.

*Other Income and Expenses*

Our interest expenses for the year ending in 2018 and 2017 were \$456,063 and \$315,013 respectively. Variance was result of funding received in June 2017 which incurred interest expense. Interest income for the year ending in 2018 and 2017 were \$0 and \$1,597. Loss on extinguishment of debt for the years ending in 2018 and 2017 were \$139,537 and \$0 respectively. Amortization of debt discount was \$1,122,903 and \$705,700 respectively. Variance was result of debt exchange in 2018.

**For the Year Ended December 31, 2018 and 2017**

*Net Cash Provided by/Used in Operating Activities*

Net cash used in operating activities was \$4,845,269 for the year ended December 31, 2018, as compared to net cash used of \$3,081,956 for the year ended December 31, 2017. The increase is primarily attributable to our net loss from operations of \$6,754,646 and offset by net changes in the balances of operating assets and liabilities and by amortization of prepaid services, amortization of prepaid insurance.

*Net Cash Used in Investing Activities*

Net cash used by investing activities during the year ended December 31, 2018 was \$0 compared to \$0 for the same period in 2017.

*Net Cash Provided by Financing Activities*

Net cash provided by financing activities during the year ended December 31, 2018, was \$4,593,053 compared to \$4,426,453 for the same period in 2017. Cash provided by financing activities were primarily a result of issuance of convertible notes.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The more critical accounting estimates include estimates related to revenue recognition and accounts receivable allowances. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 3 to our consolidated financial statements.

### **Recently Issued Accounting Standards**

Note 4 to our audited consolidated financial statements appearing elsewhere in this report includes Recently Issued Accounting Standards.

### **Foreign Currency Transactions**

Foreign exchange loss in the year ended December 31, 2018 was \$5,118 compared to \$7,088 for the same period in 2017.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable to a “smaller reporting company” as defined in Item 10(f)(1) of Regulation S-K.

### **Item 8. Financial Statement and Supplementary Data**



The full text of the Company's audited consolidated financial statements for the fiscal years ended December 31, 2018 and 2017, begins on page F-1 of this Annual Report on Form 10-K.

**Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

## **Item 9A. Controls and Procedures**

### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules, regulations and related forms, and that such information is accumulated and communicated to our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of December 31, 2018, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and our principal financial officer of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

### **Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in rule 13a-15(f) of the Exchange Act. The Company's internal control system is designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company's internal control over financial reporting includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

These limitations preclude the board and management from having absolute assurance of the achievement of the entity's objectives. Even an effective control system provides reasonable but not absolute assurances.

An evaluation was performed under the supervision and with the participation of the Company's management of the effectiveness of the design and operation of the Company's procedures and internal control over financial reporting as of December 31, 2018. In making this assessment, the Company used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework of 1992. Based on that evaluation, the Company's management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2018. Management, board of directors, and other personnel use judgment every day to select, develop, and deploy controls across the Company. Management, among other personnel apply judgement as they monitor and assess the effectiveness of the system of internal control.

#### **Attestation Report of the Registered Public Accounting Firm**

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, wherein non-accelerated filers are exempt from Sarbanes-Oxley internal control audit requirements.

#### **Changes in Internal Control over Financial Reporting**

The Company has formal Compensation, Audit, Nominating and Governance Committees. Management and the Board established controls over financial reporting through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of the entity, at various levels within day-to-day procedures, and over technology environment. The Company's control over financial reporting includes combination of preventive and detective controls and encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, and business performance reviews.

### **Inherent Limitations of Internal Controls**

Internal control provides reasonable assurance of achieving entity's objectives, limitations do exist. Internal control cannot prevent bad judgment or decisions, or external events that can cause the Company to fail to achieve its operational goals. However, even an effective system of internal control can experience a failure. The limitations include, but not limited to: suitability of objectives established as a precondition to internal control; reality that human judgment in decision making can be faulty and subject to bias; breakdowns that can occur because of human failures such as simple errors; ability of management to override internal control; ability of management, other personnel, and/or third parties to circumvent controls through collusion; external events beyond the organization's control. Notwithstanding these inherent limitations, management is aware of them when selecting, developing, and deploying controls that minimize, to the extent practical, these limitations. Segregation of duties is built into the selection and development of control activities. Where segregation of duties is not practical, management selects and develops alternative control activities. Ongoing evaluations are built into business process at different hierarchy levels of the Company and provide timely information. Findings are evaluated against criteria established by regulations, recognized standard-setting bodies or management and the board of directors, and deficiencies are communicated to management and the board of directors as appropriate.

### **Item 9B. Other Information**

None.

## **PART III**

### **Item 10. Directors, Executive Officers and Corporate Governance**

#### **Directors and Executive Officers**

Our executive officers, key employees and directors are listed in the below table. There are no arrangements, agreements or understandings between non-management security holders and management under which non-management security holders may directly or indirectly participate in or influence the management of our affairs. There are no arrangements or understandings between any director and any other person pursuant to which any director or executive officer was or is to be selected as a director or executive officer, as applicable. There currently are no legal proceedings, and during the past ten years there have been no legal proceedings, that are material to the

evaluation of the ability or integrity of any of our directors or director nominees.

| <b>NAME</b>                             | <b>AGE</b> | <b>POSITION</b>                    |
|---|------------|------------------------------------|
| John W. Huemoeller II                   | 63         | Chief Executive Officer, President |
| Dr. George E. Anastassov                | 54         | Chairman, Founder                  |
| Dr. Philip A. Van Damme                 | 64         | Director, Chief Medical Officer    |
| Lekhram Changoer                        | 51         | Director, Chief Technology Officer |
| Robert Malasek                          | 50         | Chief Financial Officer, Secretary |
| Timothy R. Scott, PhD                   | 66         | Director                           |
| Robert Cunningham                       | 71         | Director                           |
| Blake N. Schroeder, Esq. <sup>(1)</sup> | 41         | Director                           |
| Mauricio Javier Gatto-Bellora           | 57         | Director                           |

(1) Effective April 2, 2019, Blake N. Schroeder resigned as a member of the Company's Board of Directors. Mr. Schroeder's resignation was not because of any disagreements with the Company on matters relating to its operations, policies and practices.

The background of our executive officers, key employees and directors is as follows:

**John W. Huemoeller II - Chief Executive Officer, President**

Mr. Huemoeller has over 30 years' experience in financial markets and publicly traded companies including investment banking, corporate finance, executive management, sales and marketing, mergers and acquisitions, leveraged buyouts and private placements of securities. Since April 2015 to the present, Mr. Huemoeller has been the chief executive officer and president of Air Water Earth Inc. From March 2013 to January 2016, he was chairman, chief executive officer and chief financial officer of Propell Technologies Group Inc. From April 2012 to March 2013, Mr. Huemoeller served as the president of Joshua Tree Capital Inc. Mr. Huemoeller has held Series 3, 7, 24, 63 and 79 Securities Licenses, was registered with various state insurance boards, the Chicago Board of Trade as a commodities broker, and worked for various broker-dealers throughout his career including Smith Barney, Drexel Burnham, Prudential Securities, and Paine Webber. Mr. Huemoeller is co-author of U.S. Patent #5,855,005.

**Dr. George E. Anastassov - Chairman of the Board**

Dr. George E. Anastassov is the Chairman of the Board of Directors and founder of AXIM Biotechnologies, Inc. as of May 2014. Prior to that Dr. Anastassov was one of the founders and the CEO of CanChew Biotechnologies, LLC in 2012. Dr. Anastassov is also one of the founders and a Board Member and a general partner of Sanammad Foundation and Sanammad Pharmaceuticals; both companies originated and located in The Netherlands since 2009 and 2014, respectively. He is one of the developers of the first-in-the-world cannabinoid-containing chewing gum-based delivery system. Dr. Anastassov possesses Medical and Dental Doctorates as well as an Executive MBA. Dr. Anastassov has been recognized in “Who’s Who in Medicine” as well as “Who’s Who in Business Professionals” numerous times. He is the recipient of multiple national and international professional and humanitarian awards. Dr. Anastassov has been actively involved in Research and Development in Medicine and Biotechnologies since 1987.

**Lekhram Changoer - Director, Chief Technology Officer**

Lekhram Changoer is the Chief Technology Officer of AXIM Biotechnologies, Inc. as of May 2014. He holds a bachelor’s degree in Analytical/Organic Chemistry and a master’s degree in Organic Chemistry. He was one of the founders of CanChew Biotechnologies, LLC in 2012 and is board member and partner of Sanammad Foundation and Sanammad Pharmaceuticals BV; both companies originated and located in The Netherlands since 2009 and 2014, respectively. He is the originator of multiple patents including patent-pending technology on chewing gum compositions comprising cannabinoids, together with his Sanammad partners. He has over 20 years of experience in the area of Sales & Marketing, R&D, product development, and quality assurance of technical, consumer healthcare and pharmaceutical products - all servicing European and other international markets. During his career he has co-founded different intellectual property-based pharmaceutical and dental companies in different stages from clinical development to the global sales of registered products.

**Robert Malasek - Chief Financial Officer, Secretary**

Mr. Malasek’s experience includes serving as the Assistant Controller for Starwood Hotel & Resorts Worldwide, Inc., Controller for Pacific Crest Equity Partners (a private equity company), and Chief Financial Officer for NatureWell, Inc. From 2011 to 2015, Robert served as the Chief Financial Officer, Secretary, Treasurer and a Director of Liberty Coal Energy Corp. Since 2015, Robert has served as the Chief Financial Officer of Cannalink, Inc. Robert received his Bachelor of Science in Accountancy from San Diego State University.

**Dr. Philip A. Van Damme, DMD MD PhD - Director**

Dr. Philip. A. Van Damme is Chief Scientific/Medical Officer of AXIM Biotechnologies Inc., as of May 2014. Prior to that, Dr. Van Damme was one of the founders and CSO of CanChew Biotechnologies LLC, in 2012. He is also one of the founders and President/Director of Sanammad Foundation and Sanammad Pharmaceuticals, both originated and located in The Netherlands since 2009 and 2014, respectively. He is one of the developers of the first-in-the-world cannabinoid-containing chewing gum-based delivery systems. Dr. Van Damme possesses Dental and Medical Doctorates as well as a PhD in Medical Sciences and has been actively involved in Research and Development in Dentistry, Medicine and Biotechnologies since 1983.

**Timothy R. Scott, PhD - Director**

Dr. Scott has served on the Board of Directors of Medical Marijuana, Inc. from March 2015 to the present. From September 2001 to May 2008, Dr. Scott served on the board of directors of Naturewell, Incorporated, a publicly traded company engaged in the nutraceutical and homeopathic drug business. From 1998 to 2000, Dr. Scott served as a member of the board of directors of ICH Corporation, an American Stock Exchange listed company, which owned 265 fast food and family dining restaurants having approximately \$265 million in revenues and 7,800 employees, and as a member of ICH's compensation committee. Dr. Scott has served as chairman of the board of directors, president and senior pastor of a 2,500-member church located in San Diego, California from 1992 to the present. He also has served as chairman and president of Project Reach World, Inc., a 501(c)(3) charitable organization from 1995 to the present. He received his Ph.D. in Theology from Christian University in 1981 and served as a Professor of Philosophy and Religion at Pacific International College from 1981 to 1985.

**Robert Cunningham - Director**

Robert “Bob” Cunningham has over 40 years of executive management experience in financial services and venture capital. From August 2011 to the present, he serves as the chief executive officer of Preferred Dealer Programs LLC, a venture funded firm developing electronic payment technologies for banks. Prior to joining PDP, from January 1985 to December 2006, he was the founding partner in Placer Financial Group, a nationwide mortgage and real estate development company. Mr. Cunningham also served as Trustee for the U.S. Department of Justice, and as a member of the board for numerous firms, including Allied Commercial Corporation, Vermillion Development, Pacific Building Industries Corporation and Bond HD Hospitality Group. From March 2015 to the present, Mr. Cunningham has served on the board of directors of Medical Marijuana, Inc.

**Blake N. Schroeder, Esq. - Director**

Mr. Schroeder’s career began as a litigator at a commercial litigation firm in Salt Lake City, UT. Beginning in 2008, Schroeder became involved in the sale and marketing of natural products and opening international marketplaces to those products. From 2008 to 2015 Mr. Schroeder served in various capacities at MonaVie LLC developing international business plans and growing international businesses. From August 2014 to February 2016, Mr. Schroeder served as the chief operating officer of Forevergreen International, where he was responsible for global operation and sales of the multinational organization, including oversight of a global supply chain. From 2016 to the present, Mr. Schroeder serves as the chief executive officer of Kannaway, LLC, a wholly owned subsidiary of Medical Marijuana, Inc. Mr. Schroeder is the vice president of operations for Medical Marijuana, Inc. and has served on the board of directors of Medical Marijuana, Inc. from March 2016 to the present. Mr. Schroeder holds a B.S. in Finance from Utah State University and a law degree from Syracuse University College of Law.

**Mauricio Javier Gatto-Bellora - Director**

Mr. Gatto-Bellora has over 30 years in the pharmaceutical, biochemistry and cosmetics industries throughout the world. Mr. Gatto-Bellora’s business background includes Allergan (Mexico, Latin America, Brazil, Argentina), Natura (USA, Argentina, Brazil, Chile, Peru, Bolivia, France), Jugos Del Sur S.A., Mary Kay Inc, DaumDeuman, LLC, MonaVie and Hair Ventures, LLC. Since 2015 to the present, Mr. Gatto-Bellora has been the founder and President of Hair Ventures, LLC based in New York City. While working with Natura from 2002-2011, Mr. Gatto-Bellora served as CEO-International, CEO-Brazil & Latin America, President-Latin America and General Manager-Argentina being responsible for more than US\$ 5 Billion in sales. From 2011 to the present, Mr. Gatto-Bellora served as the founder and CEO of Daumdeuman, LLC, a company specializing in the strategy and implementation of startup and turnaround companies with an emphasis on international scenarios. From 2013-2015, Mr. Gatto-Bellora was the President, CEO and Chairman of the Board of MonaVie a MLM company selling nutritional products in 46 countries. Mr. Gatto-Bellora holds a doctor’s degree in Pharmaceutical Sciences &



Biochemistry from the University of Buenos Aires, and Postgrad degree in International business from INSEAD. Mr Gatto Bellora was published in multiple countries including the Journal of Micro-encapsulation and Journal of antimicrobial agents and chemotherapy.

## **Corporate Governance**

### **General**

We believe that good corporate governance is important to ensure that the Company is managed for the long-term benefit of our shareholders. This section describes key corporate governance practices that we have adopted.

### **Board of Directors Meetings and Attendance**

The Company's Board of Directors has responsibility for establishing broad corporate policies and reviewing our overall performance rather than day-to-day operations. The primary responsibility of the Board is to oversee the management of the Company and, in doing so, serve the best interests of the Company and its shareholders. The Board selects, evaluates and provides for the succession of executive officers and, subject to shareholder election, directors. It reviews and approves corporate objectives and strategies and evaluates significant policies and proposed major commitments of corporate resources. The Board also participates in decisions that have a potential major economic impact on the Company. Management keeps the directors informed of Company activity through regular communication, including written reports and presentations at Board and committee meetings.

### **Committees of the Board of Directors**

The Company has formal Compensation and Audit and Nominating and Governance Committees. All other functions of the Board are being undertaken by the Board of Directors as a whole.

On April 2, 2019, Blake N. Schroeder resigned from the Company's Audit, Compensation and Nomination and Governance Committees. Mr. Schroeder's resignation was not because of any disagreements with the Company on matters relating to its operations, policies and practices.

Effective April 3, 2019, the Company's Board of Directors appointed Mauricio Javier Gatto-Bellora as a member of the Company's Audit, Compensation and Nominating and Governance Committees.

### **Compensation Committee**

The Compensation Committee consists of Mauricio Javier Gatto-Bellora, Timothy Scott, and Robert Cunningham and has established a charter that requires all members of the Compensation Committee to be "non-employee directors" for purposes of Rule 16b-3 of the Exchange Act and satisfy the requirements of an "outside director" for purposes of Section 16(m) of the Internal Revenue Code. The Compensation Committee is responsible for overseeing and, as appropriate, making recommendations to the Board of Directors regarding the annual salaries and other compensation of our executive officers, our general employee compensation and other policies and providing assistance and recommendations with respect to our compensation policies and practices. The Compensation Committee is authorized to carry out these activities and other actions reasonably related to the Compensation Committee's purposes or assigned by the Board of Directors from time to time. The Compensation Committee's specific responsibilities are delineated in its charter.

### **Audit Committee**

The Audit Committee consists of Robert Cunningham, Mauricio Javier Gatto-Bellora, and Timothy Scott and has established a charter that requires all members of the Audit Committee to be independent in accordance with applicable listing standards. Our securities are quoted on the OTCQB, which does not have any director independence requirements. Further, companies with securities only quoted on the OTCQB are not required to comply with the independence standards set forth in Rule 10A-3(b)(1) of the Exchange Act. Our Board of Directors has also determined that Mr. Robert Cunningham is an "audit committee financial expert" as defined in Item 407(d) of Regulation S-K.

The Audit Committees responsibilities include: a) selecting and evaluating the performance of our independent auditors; b) reviewing the scope of the audit to be conducted by our independent auditors, as well as the result of their audit, and approving audit and non-audit services to be provided; c) reviewing and assessing our financial reporting activities and disclosure, including our earnings press releases and periodic reports, and the accounting standards and principles followed; d) reviewing the scope, adequacy and effectiveness of our internal control over financial

reporting; e) reviewing management's assessment of our compliance with our disclosure controls and procedures; f) reviewing our public disclosure policies and procedures; g) reviewing our guidelines and policies regarding risk assessment and management, our tax strategy and our investment policy; h) reviewing and approving related-party transactions; and i) reviewing threatened or pending litigation matters and investigating matters brought to the committees attention that are within the scope of its duties.

### **Nominating and Governance Committee**

The Nominating and Governance Committee consists of Mauricio Javier Gatto-Bellora, Robert Cunningham, and Timothy Scott and has established a charter that governs its role with the Company. Timothy Scott has been appointed as the Chairman of the Nominating and Governance Committee.

The role of the Nominating and Governance Committee is to identify, qualify and propose new board members for the Company. The Nominating and Governance Committee shall also submit a slate of officers including, when applicable. The Nominating and Governance Committee shall: (i) obtain biographies and effectively screen all nominations to ensure selection of members of the highest caliber to serve as selected officers and directors. and (ii) in connection with the performance of its duties, the Nominating and Governance Committee shall have unrestricted access to and assistance from the officers, employees and independent auditors of the Corporation, and shall be furnished with such resources and support from the Company as the Nominating and Governance Committee shall deem necessary. The Nominating and Governance Committee shall have the authority to employ, at the expense of the Company, such experts and professionals as the Nominating and Governance Committee shall deem appropriate from time to time.

### **Security Holder Communications with our Board of Directors**

The Company provides an informal process for security holders to send communications to our board of directors. Security holders who wish to contact the board of directors or any of its members may do so by writing to: AXIM Biotechnologies, Inc., 45 Rockefeller Plaza 20th Floor, Suite 83, New York, NY 10111. Correspondence directed to an individual board member is referred, unopened, to that member. Correspondence not directed to a particular board member is referred, unopened, to the President and CEO.

## **Conflicts of Interest**

Some of officers and all our directors are not obligated to commit their full time and attention to our business and, accordingly, they may encounter a conflict of interest in allocating their time between our operations and those of other businesses. In the course of their other business activities, they may become aware of investment and business opportunities which may be appropriate for presentation to us as well as other entities to which they owe a fiduciary duty. As a result, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. They may be currently and, in the future, may become affiliated with entities that are engaged in business activities similar to those we intend to conduct.

In general, officers and directors of a corporation are required to present business opportunities to the Company if:

1. The Company could financially undertake the opportunity;
2. The opportunity is within the Company's line of business; and
3. It would be unfair to the Company and its shareholders not to bring the opportunity to the attention of the Company.

## **Code of Ethics**

We have adopted a written code of ethics that obligates our directors, officers and employees to disclose potential conflicts of interest and prohibits those persons from engaging in such transactions without our consent.

## **Compliance with Section 16(a) of Securities Exchange Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the registrant's officers and directors, and persons who own more than 10% of a registered class of the registrant's equity securities, to file reports of ownership and changes in ownership of equity securities of the Registrant with the Securities and Exchange Commission. Officers, directors and greater-than-10% shareholders are required by the Securities and Exchange Commission regulation to furnish the registrant with copies of all Section 16(a) forms that they file. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us during our most recent fiscal year and Forms 5 and amendments thereto furnished to us with respect to our most recent fiscal year, to the best of our knowledge, all

executive officers, directors and persons holding greater than 10% of our issued and outstanding stock have filed the required reports in a timely manner during fiscal 2017.

### **Family Relationships**

There is no family relationship between any Director, executive or person nominated or chosen by the Company to become a Director or executive officer.

### **Advisory Board**

October 15, 2014, our Board of Directors created an Advisory Board to advise the Board on certain matters and decisions. As of December 31, 2018, the Company Advisory Board consists of:

#### **Dr. Donald Abrams - Advisory Board**

Dr. Donald Abrams is chief of the Hematology-Oncology Division at San Francisco General Hospital and a Professor of Clinical Medicine at the University of California San Francisco. Dr. Abrams has long been involved in clinical trials of complementary and alternative medicine interventions for HIV/AIDS and cancer, including evaluations of medicinal marijuana. In 1997, Dr. Abrams received funding from the National Institute on Drug Abuse (NIDA) to conduct clinical trials of the short-term safety of cannabinoids in HIV infection. Subsequently, he was granted funds by the University of California Center for Medicinal Cannabis Research to continue studies of the effectiveness of cannabis in a number of clinical conditions. Dr. Abram's NIDA-funded trial investigated the possible pharmacokinetic interaction between vaporized cannabis and opioid analgesics in patients with chronic pain. Dr. Abrams is conducting an NIH-funded trial investigating vaporized cannabis in patients with Sickle Cell disease. He co-authored the chapter on "Cannabinoids and Cancer" in the Oxford University Press Integrative Oncology text that he co-edited with Andrew Weil. He co-edits the NCI PDQ CAM Cannabinoids and Cancer website.

### **Professor Robert Ritch – Advisory Board**

Professor Robert Ritch holds the Shelley and Steven Einhorn Distinguished Chair in Ophthalmology and is Surgeon Director Emeritus and Chief of Glaucoma Services at New York Eye and Ear Infirmary of Mount Sinai (NYEE). He has devoted his career to broadening the understanding of the underlying etiologies and mechanisms of glaucoma and innovation in its medical, laser, and surgical treatment. Prof. Ritch received his B.A. cum laude from Harvard College and an M.A. in cell biology from Harvard University. He received his M.D. from Albert Einstein College of Medicine and, after a residency in Ophthalmology at Mount Sinai School of Medicine, received fellowships in glaucoma from the Heed Foundation and the National Institutes of Health. A Diplomat of the American Board of Ophthalmology, Prof. Ritch is a Fellow of the American Academy of Ophthalmology, the American College of Surgeons, the International College of Surgeons, the Royal College of Ophthalmology, the Association for Research in Vision and Ophthalmology, and the New York Academy of Medicine, and is a member of more than 35 scientific and medical societies around the world.

### **Dr. Ilya Reznik - Advisory Board**

Dr. Ilya Reznik is a Board-certified specialist in Adult Forensic & Clinical NeuroPsychiatry at MaReNa Diagnostic and Consulting Center, Israel. Dr. Reznik has published many original papers (including controlled trials), reviews and case reports in leading peer-reviewed journals in field of clinical psychiatry and neuropsychopharmacology. He is currently researching the medical use of cannabis and cannabinoids, especially for various neuropsychiatric illnesses, such as Chronic Pain Syndrome, Fibromyalgia, Post-Traumatic Stress Disorder (PTSD), OCD, Gilles de la Tourette syndrome, Parkinson's and Alzheimer diseases etc. During the last 7 years Dr. Reznik, coordinated the activities of Israel National Forum/Association for Medical Cannabis Research & Treatment. He is Associate Member of The Canadian Consortium for the Investigation of Cannabinoids (CCIC), Member of International Cannabinoid Research Society (ICRS). In 2013 he was elected to the Board of Directors, International Association for Cannabinoid Medicines (IACM) and promotes educational and international activity within IACM.

### **Professor John Zajicek MD, PhD**

**Professor John Zajicek** Chair in Medicine at the University of St. Andrews School of Medicine, Institute of Behavioural and Neural Sciences. Professor Zajicek trained in Medicine at Cambridge and St Mary's Hospital in London. He completed a Ph.D. in cell biology of myelination in Cambridge. He then moved to Plymouth in 1995 as a neurologist where he was involved in both laboratory and clinical research. He is Chair of Clinical Neuroscience at Plymouth University, Director of the Peninsula Clinical Trials Unit, and Chair of the UK NIHR Nervous System Disorders Specialty Group. Zajicek has served on the UK MRC Neuroscience and Mental Health Board and the MRC Methodology Panel. He is particularly interested in the way Axim Biotechnologies develops trials for neurodegenerative diseases. He has been Chief Investigator in several large multicentre randomized controlled trials,

including the investigation of cannabinoid use in multiple sclerosis. Professor Zajicek has authored many papers on cannabinoids, multiple sclerosis and the methodology of clinical trials in neurodegeneration.

**Professor Renger Witkamp, PhD**

Professor Renger Witkamp studied Biology and Pharmacy at the Utrecht University (NL). He obtained his pharmacist degree in 1987 and started his career as pharmacist/lecturer at the Veterinary Faculty of the Utrecht University, which was combined with his Ph.D. training on experimental pharmacokinetics. After his Ph.D., he continued as an assistant professor, and later as an associate professor at the Utrecht University, until 1996. Subsequently, he moved to TNO, the Netherlands' Organization for Applied Research.

At TNO, he held several scientific and managerial positions. In 2006, he became a professor in Nutrition and Pharmacology at Wageningen University, which at that time was a newly established academic chair. His group focuses on teaching and researching concepts and applications of the interface between food and pharma, including medical nutrition and drug-nutrient combinations. Research is predominantly directed at further elucidating the actions of plant cannabinoids and endocannabinoids on inflammatory processes and eating behavior. Practical applications of this program include muscle preservation during chronic disease and intestinal disorders.

**Dr. Arno Hazekamp, PhD**

Dr. Arno Hazekamp studied at Leiden University in the Netherlands, where he obtained his Bachelor's degree in the field of Molecular Biology, followed by an MSc in Biopharmaceutical Sciences. After finishing his research on Thai traditional medicine, he graduated with honors in 2000. Subsequently, Arno started his Ph.D., focused on the medicinal properties of the cannabis plant, and on the practical obstacles that stand between this plant and its development into a modern medicine. Arno was able to work closely with the official grower of medicinal cannabis in the Netherlands, Bedrocan BV, and was involved in numerous projects regarding the chemical analysis, quality control, and product development regarding medicinal cannabis. He was actively involved in setting up the medicinal cannabis program of the Dutch Health Ministry and became a strong advocate of a more science-based approach to the medicinal use of cannabis in the Netherlands and abroad. After finishing his Ph.D., Arno continued to set up his own consultancy lab for analysis of medicinal plants while keeping a special interest in cannabis. As an independent researcher, Arno worked closely with government agencies, universities, and pharmaceutical companies. Some relevant experiences during this period (2005-2011) include his involvement in the early phase of Echo Pharmaceuticals (a Dutch pharmaceutical company developing a sublingual administration form of THC and other cannabinoids) and validation studies for the German company Storz & Bickel (e.g., the basis for the successful development of the Volcano Medic, a vaporizer device specifically designed for inhalation of medicinal cannabis). Arno is considered an expert on standardized growing, quality control, and product development. He is an active traveler and medicinal cannabis advocate. In 2011, Arno became the head of Research and Development (R&D) of Bedrocan BV, where he currently works on the preparation of clinical trials with medicinal cannabis.

**Professor Jacques F. Meis MD, PhD**

Dr. Jacques F. Meis is a consultant microbiologist at Canisius-Wilhelmina Hospital in Nijmegen, The Netherlands, a large teaching hospital; and an honorary consultant at the Radboud University Medical Center in the same city. In addition to an MD, he holds a Ph.D. in Science, is a board-certified medical specialist in the Netherlands and is a Fellow of the Infectious Diseases Society of America and the Royal College of Pathology in the UK. He is a former President of the Dutch Society for Medical Mycology, former President of the European Confederation for Medical Mycology, and former Chairman of the External Quality Control Program in Bacteriology and Mycology in the Netherlands. In addition to being Senior Editor of *Mycoses*, he is a voting member on the CLSI Subcommittee on Antifungal Susceptibility Testing. He is (co)author of more than 350 peer-reviewed PubMed-included publications. His current research focuses on diagnosis, treatment, molecular typing and antifungal susceptibility of the opportunistic fungi *Aspergillus*, *Cryptococcus* and *Candida* in addition to other rare filamentous fungi.

**Compensation of Company Directors and Advisory Board Members**



Our Directors are compensated \$5,000 on a quarterly basis plus on each annual anniversary of Board service additional \$20,000. Our Advisory Board Members are compensated quarterly with stock grants of approximately 300 to 5,000 shares per quarter. Both, our Directors and Advisory Board Members are reimbursed for reasonable out-of-pocket expenses related to attending board of directors' meetings and for promoting our business. In the future, we may compensate our Directors for serving on Special Committees and our Advisory Board Members with additional cash or other compensation. From time to time we may request certain members of the board of directors to perform services on our behalf. In such cases, we will compensate the directors for their services at rates no more favorable than could be obtained from unaffiliated parties.

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**Item 11. Executive Compensation**

The following table sets forth the cash compensation paid to our officers and directors for services rendered, and to be rendered:

| Name and<br>Principal<br>Position           | Year | Salary  | Bonus   | Non-Equity   |               |                   | Nonqualified |                | Total   |                       |
|---|------|---------|---------|--------------|---------------|-------------------|--------------|----------------|---------|-----------------------|
|   |      |         |         | Stock Awards | Option Awards | Plan Compensation | Warrant      | Incentive Plan |         | Deferred Compensation |
| <b>Dr. George E. Anastassov</b>             | 2018 | 240,000 | 120,000 | -            | -             | -                 | -            | -              | 235,000 | \$595,000             |
| Chairman                                    | 2017 | 240,000 | -       | -            | -             | -                 | -            | -              | -       | \$240,000             |
| <b>Dr. Philip A. Van Damme</b>              | 2018 | 45,000  | -       | -            | -             | -                 | -            | -              | -       | 45,000                |
| Director,<br>Chief<br>Scientific<br>Officer | 2017 | 15,000  | -       | -            | -             | -                 | -            | -              | -       | 15,000                |
| <b>Lekhram Changoer</b>                     | 2018 | 240,000 | -       | -            | -             | -                 | -            | -              | 235,000 | \$475,000             |
| Director,<br>Chief<br>Technology<br>Officer | 2017 | 240,000 | -       | -            | -             | -                 | -            | -              | -       | \$240,000             |
| <b>Robert Malasek</b>                       | 2018 | 12,000  | -       | -            | -             | -                 | -            | -              | 235,000 | 247,000               |
| Chief<br>Financial<br>Officer,<br>Secretary | 2017 | 13,000  | -       | -            | -             | -                 | -            | -              | -       | 13,000                |
| <b>Timothy R. Scott, PhD</b>                | 2018 | 45,000  | -       | -            | -             | -                 | -            | -              | -       | 45,000                |

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|  |      |        |   |   |   |   |   |   |        |
|--|------|--------|---|---|---|---|---|---|--------|
| Director                                   | 2017 | 15,000 | - | - | - | - | - | - | 15,000 |
| <b>Robert<br/>Cunningham</b>               | 2018 | 45,000 | - | - | - | - | - | - | 45,000 |
| Director                                   | 2017 | 15,000 | - | - | - | - | - | - | 15,000 |
| <b>John W.<br/>Huemoeller<br/>II</b>       | 2018 | 45,000 | - | - | - | - | - | - | 45,000 |
| Director,<br>Chief<br>Executive<br>Officer | 2017 | 15,000 | - | - | - | - | - | - | 15,000 |
| <b>Blake N.<br/>Schroeder,<br/>Esq.</b>    | 2018 | 45,000 | - | - | - | - | - | - | 45,000 |
| Director                                   | 2017 | 15,000 | - | - | - | - | - | - | 15,000 |

## Employment Agreements

On June 13, 2014, we entered into a 12-month employment agreement, at a compensation rate of \$240,000 annually, with Dr. George E. Anastassov to serve as our Chairman, Chief Executive Officer, President, Chief Financial Officer and Secretary. The agreement automatically renews for an additional 12-month term unless terminated earlier by either party. Following 12 months of continuous employment, Dr. Anastassov will receive either; at the sole option of the Company, 500,000 restricted shares of Company common stock; or the financial equivalent in cash, based upon the average 10 day closing price as of the Company's common stock immediately preceding the grant date, as quoted on finance.yahoo.com. Following 15 months of continuous employment, and every three (3) months thereafter, Dr. Anastassov will receive either, at the sole option of the Company, 125,000 restricted shares of Company common stock; or the financial equivalent in cash, based upon the average 10 day closing price as of the Company's common stock immediately preceding the grant date, as quoted on finance.yahoo.com.

Effective January 1, 2016, we entered into a 12-month employment agreement, at a compensation rate of \$126,000 annually, with Lekhram Changoer to serve as our Chief Technology Officer. Following 3 months of continuous employment, and every three months thereafter, Mr. Changoer will receive either; at the sole option of the Company, 120,000 restricted shares of Company common stock; or the financial equivalent in cash, based upon the average 10 day closing price as of the Company's common stock immediately preceding the grant date, as quoted on finance.yahoo.com.

On September 1, 2016, the Company entered into an amended and restated employment agreement with Dr. George Anastassov, its Chief Executive Officer. The agreement does not have a set term and may be terminated at any time by the Company or Dr. Anastassov with proper notice. Under the agreement, Dr. Anastassov receives an annual base agreement. Upon the one-year anniversary of the agreement, the Company has the direction to grant additional equity awards to Dr. Anastassov. On April 1, 2016 the Company was obligated to issue 120,000 restricted shares of the Company's common stock pursuant to the terms of the June 13, 2014, employment agreement. On September 1, 2016, the Company was obligated to issue 2,000,000 restricted shares of the Company's common stock pursuant to the terms of the September 1, 2016, employment agreement with Dr. Anastassov. The shares were issued in the 4<sup>th</sup> quarter 2016. At the year-end December 31, 2016 the Company recorded \$600,000 compensation expense in the accompanying consolidated financial statements to account for the required issuance of the incentive shares. On March 20, 2018 the Company issued 50,000 restricted shares of its common stock and recorded \$235,000 compensation expense. On May 15, 2018 the Company agreed to pay Dr. George Anastassov a bonus of \$15,000 per month as a compensation. The Company recorded \$120,000 of additional expense for the year ended December 31, 2018 as part of this bonus arrangement. On January 2, 2019 Dr. George Anastassov resigned as the Chief Executive Officer of Axim Biotechnologies, Inc.

On January 2, 2019 the Company entered into the term of Executive's employment agreement, at a base salary of \$10,000 per month with John W. Huemoeller II to serve as its Chief Executive Officer. The Company and Executive acknowledge and agree that Executive's employment hereunder shall at all times be "at will," which means that either

Executive may resign at any time for any reason or for no reason, and that the Company may terminate Executive's employment at any time for any reason or for no reason, in either case, subject to the applicable provisions of this Agreement. In further consideration for Executive's services and subject to the approval of the Board, Executive will be granted an option to purchase 2,000,000 shares of the Company's common stock (the "Option Shares"). The option will be subject to the terms and conditions applicable to stock options granted under the Company's 2015 Stock

Incentive Plan, as amended from time to time (the "Plan"), and as described in the Plan and the stock option agreement, which Executive will be required to sign. 50% of the Option Shares shall vest on the date of grant and the remaining 50% of the Option Shares shall vest on the 12- month anniversary of the grant date, subject to Executive's continued employment by the Company. The exercise price per share will be equal to the fair market value per share on the date of grant, as determined by the last closing price of the Company's common stock the day prior to grant.

On September 1, 2016, the Company entered into an amended and restated employment agreement with Mr. Lekhram Changoer, its Chief Technology Officer. The agreement does not have a set term and may be terminated at any time by the Company or Mr. Changoer with proper notice. Under the agreement Mr. Changoer receives an annual base compensation of \$240,000 and an incentive payment of 2,000,000 shares of the Company's common stock due upon execution of the agreement. Upon the one-year anniversary of the agreement, the Company has the discretion to grant additional equity awards to Mr. Changoer. On September 1, 2016, the Company was obligated to issue 2,000,000 restricted shares of the Company's common stock pursuant to the terms of the September 1, 2016, employment agreement with Mr. Changoer. The shares were issued in the 4<sup>th</sup> quarter 2016. At the year ended December 31, 2016 the Company recorded \$600,000 of compensation expense in the accompanying consolidated financial statements to account for the required issuance of the incentive shares. On March 20, 2018 the Company issued 50,000 restricted shares of its common stock and recorded \$235,000 compensation expense.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth certain information regarding our common stock beneficially owned as of December 31, 2018:

(i) each stockholder known by us to be the beneficial owner of five (5%) percent or more of our outstanding common stock;

(ii) each of our officers and directors; and

(iii) all executive officers and directors as a group.

This information as to beneficial ownership was furnished to the Company by or on behalf of each person named. As at December 31, 2018, there were 59,582,890 shares of our common stock issued and outstanding.

| <b>Title of Class</b> | <b>Name and Address of Beneficial Owner</b>  | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percentage of Class</b> |
|-----------------------|--|--|----------------------------|
| Common Stock          | Dr. George E. Anastassov <sup>(1)</sup>      | 3,053,000  | 5.12% <sup>(4)</sup>       |
| Common Stock          | Dr. Philip A. Van Damme <sup>(3)</sup>       | 202,500  | ** <sup>(5)</sup>          |
| Common Stock          | Lekhram Changoer <sup>(3)</sup>              | 2,315,000  | 3.89% <sup>(7)</sup>       |
| Common Stock          | Robert Malasek <sup>(1)</sup>                | 50,000   | **                         |
| Common Stock          | Mauricio Javier Gatto-Bellora <sup>(1)</sup> | 0  | **                         |
| Common Stock          | Timothy R. Scott, PhD <sup>(1)</sup>         | 0  | 0%                         |
| Common Stock          | Robert Cunningham <sup>(1)</sup>             | 0  | 0%                         |
| Common Stock          | John W. Huemoeller II <sup>(1)</sup>         | 0  | 0%                         |
| Common Stock          | Blake N. Schroeder, Esq. <sup>(1)</sup>      | 0  | 0%                         |
| Common Stock          | Sanammad Foundation USA <sup>(6)</sup>       | 14,943,650                                       | 25.08%                     |
| Common Stock          | Sanammad Foundation                          | 3,626,706  | 6.09%                      |
| Common Stock          | MJNA Investment Holdings LLC <sup>(2)</sup>  | 17,969,125                                       | 30.16% <sup>(8)</sup>      |
| Common Stock          | Medical Marijuana Inc <sup>(2)</sup>         | 4,700,000  | 7.89%                      |
| Common Stock          | All Directors and Officers as a Group        | 24,190,856                                       | 40.60%                     |

\*\* Less than 1%

(1) The address is: 45 Rockefeller Plaza 20th Floor, Suite 83, New York, NY 10111.

(2) The address is: 13831 Danielson, Poway, CA 92064.

(3) The address is: Bijleveldsingel 89, Nijmegen, 6521AP, Netherlands.

(4) Mr. Anastasov owns 3,053,000 shares individually and is a 1/3 owner and control person of Sanammad Foundation which holds 3,626,706 shares and Sanammad Foundation USA which holds 14,943,650 shares of our common stock and 500,000 shares of our Series B preferred stock.

(5) Mr. Van Damme owns 202,500 shares individually and is a 1/3 owner and control person of Sanammad Foundation which holds 3,626,706 shares and Sanammad Foundation USA which holds 14,943,650 shares of our common stock and 500,000 shares of our Series B preferred stock.

(6) The address is: 560 Sylvan Avenue, 3rd Floor, Englewood Cliffs, NJ 07632.

(7) Mr. Changoer owns 2,315,000 individually and is a 1/3 owner and control person of Sanammad Foundation which holds 3,626,706 shares and Sanammad Foundation USA which holds 14,943,650 shares of our common stock and 500,000 shares of our Series B preferred stock

(8) MJNA Investment Holdings, LLC owns 17,969,125 individually and holds 500,000 shares of our Series C preferred stock.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. The number of shares and the percentage beneficially owned by each individual listed above include shares that are subject to options held by that individual that are immediately exercisable or exercisable within 60 days from the date of this Report and the number of shares and the percentage beneficially owned by all officers and directors as a group includes shares subject to options held by all officers and directors as a group that are immediately exercisable or exercisable within 60 days from the date of this Report.





### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

On August 8, 2014 the Company entered into a Promissory Note Agreement with CanChew Biotechnologies, LLC (CCB), a related party (the owners of CCB also own 90% of the outstanding shares of the Company), under which it borrowed \$1,000,000 to fund working capital. The loan is a demand note which bears interest at a rate of 7% annually. The Promissory Note Agreement was amended effective January 1, 2015. The amended Promissory Note bears an annual interest rate of 3%. All other terms and conditions shall remain in full force and effect. On December 23, 2016, a principal payment of \$120,000 was made. The total outstanding at December 31, 2018, is \$880,000.

On May 21, 2014, the Company's President advanced an additional \$5,000 to the Company to fund working capital needs.

On June 25, 2014, the Company received a non-interest-bearing advance from CanChew Biotechnologies, LLC (CCB) of \$30,000 to pay the down payment on its D & O liability insurance. In addition, the Company during 2014 was advanced an additional \$35,775 for operating expenses principally for the owner's salary. For the years ended December 31, 2017 and 2016, the Company received additional advance of \$0 and \$1,619,067, respectively for operation expenses. The advance is due on demand. In the 4<sup>th</sup> quarter of 2018 the Company evaluated change in imputed interest and recorded \$44,312 of interest expenses which represents 2.76% interest rate (Index for Applicable Federal Rates) as provided by IRS for December 2018. The total outstanding due to related party as of December 31, 2018 and 2017 is \$1,649,832 and \$1,605,520, respectively.

#### **Board of Directors Independence**

The Company considers Mauricio Javier Gatto-Bellora, Robert Cunningham, and Timothy Scott to be "independent" within the meaning of definitions established by the Securities and Exchange Commission.

### **Item 14. Principal Accountant Fees and Services**

#### **Audit Fees**

RBSM, LLP, billed us \$97,500 and \$56,300 in audit fees during the years ended December 31, 2018 and 2017.

**Audit-Related Fees**

We did not pay any fees to any of our primary auditors, for assurance and related services that are not reported under Audit Fees above, during our fiscal years ended December 31, 2018 and 2017.

**Tax and All Other Fees**

We did not pay any fees to any of our primary auditors for tax compliance, tax advice, tax planning or other work during our fiscal years ended December 31, 2018 and 2017.

**Pre-Approval Policies and Procedures**

With respect to the audit of our financial statements as of December 31, 2018 and 2017, and for the years then ended, none of the hours expended on any of our primary auditor's engagement to audit those financial statements were attributed to work by persons other than our primary auditor's full-time, permanent employees.

**Item 15. Exhibits, Financial Statement Schedules**

Please see the below Exhibit Index and the Index to Financial Statements and related notes to financials which follows the signature page to this annual report on Form 10-K and which is incorporated by reference herein.

### Exhibit Index

| Exhibits  | Exhibit<br># | Incorporated by<br>Reference<br>(Form Type) | Filing<br>Date | Filed<br>with<br>This<br>Report |
|---|--------------|---|----------------|---------------------------------|
| Articles of Incorporation, as filed with the Nevada Secretary of State on November 18, 2010.  | <u>3.1</u>   | 10-Q  | 11/14/2014     |                                 |
| Certificate of Amendment, as filed with the Nevada Secretary of State on July 24, 2014.   | <u>3.2</u>   | 10-Q  | 11/14/2014     |                                 |
| Amended and Restated (As of August 17, 2016) Bylaws of AXIM Biotechnologies, Inc.   | <u>3.3</u>   | 10-Q  | 8/22/2016      |                                 |
| Certificate of Designation of Series B Preferred Stock.   | <u>3.4</u>   | 10-Q  | 8/22/2016      |                                 |
| Certificate of Designation of Series C Preferred Stock.   | <u>3.5</u>   | 10-Q  | 8/22/2016      |                                 |
| Amended and Restated Employment Agreement effective September 1, 2016, by and between AXIM International, Inc. and Dr. George E. Anastassov.  | <u>10.1</u>  | 10-Q  | 11/21/2016     |                                 |
| Amended and Restated Employment Agreement effective September 1, 2016, by and between AXIM International, Inc. and Lekhram Changoer.  | <u>10.2</u>  | 10Q   | 11/21/2016     |                                 |
| Employment Agreement effective September 1, 2016, by and between AXIM International, Inc. and Dr. Philip A. Van Damme.  | <u>10.3</u>  | 10-Q  | 11/21/2016     |                                 |
| Code of Business Conduct and Ethics.  | <u>14.1</u>  | 10-Q  | 11/20/2017     |                                 |
| Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | <u>31.1</u>  |   |                | X                               |

|   |              |      |            |   |
|---|--------------|------|------------|---|
| Consent of Independent Registered Public Accounting Firm  | <u>23.1</u>  |      |            | X |
| Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. | <u>31.2</u>  |      |            | X |
| Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  | <u>32.1*</u> |      |            | X |
| Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  | <u>32.2*</u> |      |            | X |
| Nominating and Governance Committee Charter.  | <u>99.1</u>  | 10-Q | 11/20/2017 |   |
| Compensation Committee Charter.   | <u>99.2</u>  | 10-Q | 11/20/2017 |   |
| Audit Committee Charter.  | <u>99.3</u>  | 10-Q | 11/20/2017 |   |
| XBRL Instance Document  | 101.INS      |      |            | X |
| XBRL Taxonomy Extension Schema Document   | 101.SCH      |      |            | X |
| XBRL Taxonomy Extension Calculation Linkbase Document   | 101.CAL      |      |            | X |
| XBRL Taxonomy Extension Definition Linkbase Document  | 101.DEF      |      |            | X |
| XBRL Taxonomy Extension Label Linkbase Document   | 101.LAB      |      |            | X |
| XBRL Taxonomy Extension Presentation Linkbase Document  | 101.PRE      |      |            | X |

\*These certifications are being furnished solely to accompany this annual report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| <b>Signature</b>  | <b>Title</b>  | <b>Date</b>   |
|---|---|---------------|
| <i>/s/ John W. Huemoeller II</i><br>John W. Huemoeller II                 | President and Director (Principal Executive Officer)  | April 8, 2019 |
| <i>/s/ Robert Malasek</i><br>Robert Malasek                               | Chief Financial Officer (Principal Financial Officer) | April 8, 2019 |
| <i>/s/ Lekhram Changoer</i><br>Lekhram Changoer                           | Director  | April 8, 2019 |
| <i>/s/ Dr. George Anastassov</i><br>Dr. George Anastassov                 | Director  | April 8, 2019 |
| <i>/s/ Timothy R. Scott, PhD</i><br>Timothy R. Scott, PhD                 | Director  | April 8, 2019 |
| <i>/s/ Robert Cunningham</i><br>Robert Cunningham                         | Director  | April 8, 2019 |
| <i>/s/ Dr. Philip A. Van Damme</i><br>Dr. Philip A. Van Damme             | Director  | April 8, 2019 |
| <i>/s/ Mauricio Javier Gatto-Bellora</i><br>Mauricio Javier Gatto-Bellora | Director  | April 8, 2019 |



**AXIM BIOTECHNOLOGIES, INC.**

**Index to Financial Statements**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of

Axim Biotechnologies, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Axim Biotechnologies, Inc. (the “Company”), as of December 31, 2018 and 2017, and the related consolidated statements of operations, stockholders’ deficit and cash flows for each of the two years in the period ended December 31, 2018 and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### **The Company's Ability to Continue as a Going Concern**

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the accompanying consolidated financial statements, the Company has suffered recurring losses from operations, generated negative cash flows from operating activities, has an accumulated deficit and has stated that substantial doubt exists about Company’s ability to continue as a going concern. Management's evaluation of the events and conditions and management’s plans in regarding these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.



We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The company is not required to have, nor were we engaged to perform, an audit of the Company's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*/s/ RBSM, LLP*

We have served as the Company's auditor since 2014

New York, New York

April 8, 2019

**AXIM BIOTECHNOLOGIES, INC.**  
**Consolidated Balance Sheets**

|  | <b>December<br/>31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|--|----------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                  |                                  |
| Current assets:  |                                  |                                  |
| Cash   | \$ 1,805,627                     | \$ 2,057,843                     |
| Inventory  | 9,797                            | 8,765                            |
| Prepaid expenses   | 52,105                           | 40,986                           |
| Loan receivable  | 5,000                            | 5,000                            |
| Marketable securities  | 150,000                          | -                                |
| Total current assets   | 2,022,529                        | 2,112,594                        |
| Property and equipment, net of accumulated depreciation of \$11,187 and \$7,831, respectively.   | 5,593                            | 8,949                            |
| Other Assets:  |                                  |                                  |
| Acquired intangible asset - intellectual property licensing agreement, net   | 53,692                           | 63,167                           |
| Security deposits  | 7,440                            | 7,440                            |
| Total other assets   | 61,132                           | 70,607                           |
| <b>TOTAL ASSETS</b>  | <b>\$ 2,089,254</b>              | <b>\$ 2,192,150</b>              |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   |                                  |                                  |
| Current liabilities:   |                                  |                                  |
| Accounts payable and accrued liabilities   | \$ 217,728                       | \$ 441,753                       |
| Due to shareholder   | 412,500                          | 5,000                            |
| Due to first insurance funding   | 23,280                           | 22,807                           |
| Due to related party   | 1,649,832                        | 1,605,520                        |
| Promissory note - related party (including accrued interest of \$140,526 and \$114,126 respectively)   | 1,020,526                        | 994,126                          |
| Convertible note payable (including accrued interest of \$0 and \$90,487 respectively) net of unamortized debt discount of \$0 and \$714,573, respectively (see note 11) | -                                | 4,635,914                        |
| Total current liabilities  | 3,323,866                        | 7,705,120                        |
| Long-term liabilities:   |                                  |                                  |
| Convertible note payable (including accrued interest of \$132,733 and \$84,041 respectively) net of unamortized debt discount of \$815,004 and \$1,224,117,              |                                  |                                  |

|   |                     |                     |
|---|---------------------|---------------------|
| respectively (see note 11)  | 4,847,207           | 771,523             |
| Total long-term liabilities   | 4,847,207           | 771,523             |
| <b>TOTAL LIABILITIES</b>  | <b>8,171,073</b>    | <b>8,476,643</b>    |
| <b>STOCKHOLDERS' DEFICIT</b>  |                     |                     |
| Preferred stock, \$0.0001 par value, 5,000,000 shares authorized;<br>Series B Convertible Preferred Stock, \$0.0001 par value 500,000 shares designated,<br>500,000 and 500,000 shares issued and outstanding, respectively | 50                  | 50                  |
| Series C Convertible Preferred Stock, \$0.0001 par value 500,000 shares designated,<br>500,000 and 500,000 shares issued and outstanding, respectively  | 50                  | 50                  |
| Common stock, \$0.0001 par value, 300,000,000 shares authorized 59,582,890 and<br>54,564,441 shares issued and outstanding, respectively;   | 5,958               | 5,457               |
| Additional paid in capital  | 22,863,608          | 15,923,789          |
| Common stock to be issued   | 41,000              | 24,000              |
| Accumulated deficit   | (28,992,485)        | (22,237,839)        |
| <b>TOTAL STOCKHOLDERS' DEFICIT</b>  | <b>(6,081,819)</b>  | <b>(6,284,493)</b>  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  | <b>\$ 2,089,254</b> | <b>\$ 2,192,150</b> |

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

**AXIM BIOTECHNOLOGIES, INC.**  
**Consolidated Statement of Operations**

|  | <b>For the<br/>Year Ended<br/>December 31, 2018</b> | <b>For the<br/>Year Ended<br/>December<br/>31, 2017</b> |
|--|---|---|
| Revenues   | \$ 195,614  | \$ 47,573   |
| Cost of goods sold   | 8,511   | 42,857  |
| Gross profit   | 187,103   | 4,716   |
| Operating Expenses:  |   |   |
| Research and development expenses                              | 2,056,175   | 1,352,969   |
| Selling, general and administrative                            | 3,163,715   | 1,797,478   |
| Depreciation   | 3,356   | 3,356   |
| Total operating expenses                                       | 5,223,246   | 3,153,803   |
| Loss from operations   | (5,036,143)   | (3,149,087)   |
| Other (Income) expenses:                                       |   |   |
| Interest Income  | -   | (1,597)   |
| Amortization of debt discount                                  | 1,122,903   | 705,700   |
| Loss on extinguishment of debt                                 | 139,537   | -   |
| Interest expense   | 456,063   | 315,013   |
| Total other expenses   | 1,718,503   | 1,019,116   |
| Loss before provision of income tax                            | (6,754,646)   | (4,168,203)   |
| Provision for income tax                                       | -   | -   |
| NET LOSS   | \$ (6,754,646)                                      | \$ (4,168,203)  |
| NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS                   | \$ (6,754,646)                                      | \$ (4,168,203)  |
| Loss per common share - basic and diluted                      | \$ (0.12)   | \$ (0.08)   |
| Weighted average common shares outstanding - basic and diluted | 57,283,687  | 53,295,927  |

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

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**Consolidated Statement of Stockholders' Deficit**

**For the Two Years Ended December 31, 2018**

| Common Stock |         | Preferred Stock |        | Series A<br>Convertible Preferred Stock |        | Series B<br>Convertible Preferred Stock |        | Common  |        | Additional               | Accumulated        |                |
|--------------|---------|-----------------|--------|---|--------|---|--------|---------|--------|--------------------------|--------------------|----------------|
| Shares       | Amount  | Shares          | Amount | Shares                                  | Amount | Shares                                  | Amount | Shares  | Amount | Stock<br>to be<br>Issued | Paid In<br>Capital | Deficit        |
| 52,506,441   | \$5,251 | -               | \$ -   | -                                       | \$ -   | 500,000                                 | \$ 50  | 500,000 | \$ 50  | \$20,064                 | \$15,672,631       | \$(18,069,636) |
| 60,000       | 6       | -               | -      | -                                       | -      | -                                       | -      | -       | -      | (20,064)                 | 20,058             | -              |
| 1,995,000    | 200     | -               | -      | -                                       | -      | -                                       | -      | -       | -      | -                        | 199,300            | -              |
| 3,000        | -       | -               | -      | -                                       | -      | -                                       | -      | -       | -      | -                        | 31,800             | -              |
| -            | -       | -               | -      | -                                       | -      | -                                       | -      | -       | -      | 24,000                   | -                  | -              |
| -            | -       | -               | -      | -                                       | -      | -                                       | -      | -       | -      | -                        | -                  | (4,168,203)    |

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|            |         |   |    |   |   |    |   |         |    |    |         |    |          |          |              |                |
|------------|---------|---|----|---|---|----|---|---------|----|----|---------|----|----------|----------|--------------|----------------|
| 54,564,441 | \$5,457 | - | \$ | - | - | \$ | - | 500,000 | \$ | 50 | 500,000 | \$ | 50       | \$24,000 | \$15,923,789 | \$(22,237,839) |
|            |         | - |    |   |   |    |   |         |    |    |         |    |          |          |              |                |
| 2,179      | -       | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | (15,000) | 15,000   |              |                |
| 1,925,830  | 193     | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | -        | -        | 403,289      |                |
| 348,662    | 35      | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | -        | -        | 725,878      |                |
| 400,000    | 40      | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | -        | -        | 356,460      |                |
| 192,000    | 19      | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | -        | -        | 854,321      |                |
| -          | -       | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | 32,000   | -        |              |                |
| -          | -       | - | -  | - | - | -  | - | -       | -  | -  | -       | -  | -        | -        | 25,000       |                |

|            |         |   |     |   |     |   |         |      |         |      |          |              |                |
|------------|---------|---|-----|---|-----|---|---------|------|---------|------|----------|--------------|----------------|
| -          | -       | - | -   | - | -   | - | -       | -    | -       | -    | -        | 191,003      |                |
| 1,945,000  | 194     | - | -   | - | -   | - | -       | -    | -       | -    | -        | 3,768,888    |                |
| 204,778    | 20      | - | -   | - | -   | - | -       | -    | -       | -    | -        | 599,980      |                |
| -          | -       | - | -   | - | -   | - | -       | -    | -       | -    | -        | (6,754,646)  |                |
| 59,582,890 | \$5,958 | - | \$- | - | \$- | - | 500,000 | \$50 | 500,000 | \$50 | \$41,000 | \$22,863,608 | \$(28,992,485) |

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



**AXIM BIOTECHNOLOGIES, INC.**  
**Consolidated Statements of Cash Flows**

|  | <b>For the<br/>Year Ended<br/>December 31,<br/>2018</b> | <b>For the<br/>Year Ended<br/>December 31,<br/>2017</b> |
|--|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |   |   |
| Net loss   | \$ (6,754,646)  | \$ (4,168,203)  |
| Adjustments to reconcile net loss to cash provided by (used in) in operating activities: |   |   |
| Depreciation   | 3,356   | 3,356   |
| Stock based compensation   | 911,340   | 55,800  |
| Amortization of prepaid insurance  | 91,207  | 84,767  |
| Amortization of debt discount  | 1,122,902   | 705,700   |
| Amortization of intangible assets  | 9,475   | -   |
| Non-cash revenue   | (150,000)   | -   |
| Loss on extinguishment of debt   | 139,537   | -   |
| Changes in operating assets & liabilities:   |   |   |
| Increase in reservation fee deposit  | -   | 76,155  |
| Increase in prepaid expenses   | -   | -   |
| Increase in prepaid insurance  | (101,439)   | (85,000)  |
| Decrease in Inventory  | (1,032)   | 29,681  |
| Increase in due to First Insurance Funding   | 370   | (171)   |
| Increase in accounts payable and accrued expenses  | (116,339)   | 223,399   |
| Increase in security deposits  | -   | (7,440)   |
| Net cash used in operating activities  | \$ (4,845,269)  | \$ (3,081,956)  |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>  |   |   |
| Proceeds from due to shareholders  | 407,500   | -   |
| Repayment of related party loan  | -   | (13,547)  |
| Repayment of convertible notes   | (1,965,610)   | -   |
| Proceeds from loans receivable   | -   | 500,000   |
| Proceeds from convertible notes  | 1,782,079   | 3,940,000   |
| Common stock issued under registration statement on Form S-3                             | 3,769,084   | -   |
| Common stock issued per stock purchase agreement   | 600,000   | -   |

|  |    |                  |    |                  |
|--|----|------------------|----|------------------|
| Net cash provided by financing activities        | \$ | 4,593,053        | \$ | 4,426,453        |
| Net increase in cash and cash equivalents        | \$ | (252,216)        | \$ | 1,344,497        |
| Comprehensive income (loss)                      |    |                  |    |                  |
| Cash and cash equivalents at beginning of period |    | 2,057,843        |    | 713,346          |
| Cash and cash equivalents at end of period       | \$ | <b>1,805,627</b> | \$ | <b>2,057,843</b> |

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

**CASH PAID DURING THE PERIOD FOR:**

|                                  |    |         |    |         |
|----------------------------------|----|---------|----|---------|
| Interest                         | \$ | 456,063 | \$ | 105,522 |
| Income taxes - net of tax refund |    |         |    |         |

**NON-CASH INVESTING AND FINANCING ACTIVITIES**

|  |    |         |    |           |
|--|----|---------|----|-----------|
| Common stock issued against common stock to be issued              | \$ | 15,000  | \$ | 24,000    |
| Common stock issued against conversion of debt and interest        | \$ | 989,857 | \$ | 199,500   |
| Common stock issued against exchange of debt                       | \$ | 356,500 |    |           |
| Balance on extinguishment of debt - related party                  | \$ | 191,003 | \$ | -         |
| Debt discount and initial derivative liability at issuance of note | \$ | -       | \$ | 1,320,000 |

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

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 1: ORGANIZATION**

The Company was originally incorporated in Nevada on November 18, 2010, as Axim International Inc. On July 24, 2014, the Company changed its name to AXIM Biotechnologies, Inc. to better reflect its business operations. The Company's principal executive office is located at 45 Rockefeller Plaza 20th Floor, Suite 83, New York, NY 10111. On August 7, 2014, the Company formed a wholly owned Nevada subsidiary named Axim Holdings, Inc. This subsidiary will be used to help facilitate the anticipated activities planned by the Company. On May 11, 2015, the Company acquired a 100% interest in Can Chew License Company a Nevada incorporated licensing Company, through the exchange of 5,826,706 shares of its common stock. In October 2017 the company formed a wholly owned subsidiary in the Netherlands for purposes of holding pharmaceutical licenses as required by the Netherlands regulations and laws. On October 16, 2018, the Company formed a wholly owned disregarded entity Marina Street, LLC for banking purposes.

**NOTE 2: BASIS OF PRESENTATION**

The consolidated financial statements of AXIM Biotechnologies, Inc. (formerly Axim International, Inc.) as of December 31, 2018, and 2017 have been prepared in accordance with United States generally accepted accounting principles ("US GAAP").

**NOTE 3: GOING CONCERN**

The Company's consolidated financial statements have been presented assuming that the Company will continue as a going concern. As shown in the consolidated financial statements, the Company has negative working capital of \$1,301,337 and has an accumulated deficit of \$28,992,485 has cash used in operating activities of continuing operations \$4,845,269. The Company extinguished its old debt and entered in debt exchange agreement. On April 16, 2018, the Company entered into a Stock Purchase Agreement and sold 1,945,000 shares of our common stock registered under the Registration Statement on Form S-3 declared effective by the Securities and Exchange Commission on September 14, 2017. During the year ended December 31, 2018, the Company raised additional capital of \$4,369,082 through Stock Purchase Agreements. This capital provides funds for research, development, and

ongoing operations. The Company intends to raise substantial additional capital through private placements of debt and equity securities, but there can be no assurance that these funds will be available on terms acceptable to the Company or will be sufficient to enable the Company to fully complete its development activities or sustain operations. If the Company is unable to raise sufficient additional funds, it will have to develop and implement a plan to further extend payables, reduce overhead, or scale back its current business plan until sufficient additional capital is raised to support further operations. There can be no assurance that such a plan will be successful. That will raise a doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments related to the recoverability of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation.

#### **NOTE 4: SIGNIFICANT ACCOUNTING POLICIES**

##### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expenses during reporting periods. Actual results could differ from these estimates.

##### **Cash equivalents**

The Company considers all highly liquid investments with original maturities of three months or less at the time of purchase to be cash equivalents.

##### **Inventory**

Inventory consists of finished goods available for sale and raw materials owned by the Company and are stated at the lower of cost or market. As of December 31, 2018, the finished goods inventory and raw material totaled \$4,922 and \$4,875 respectively. The shelf life of the finished goods inventory is set to expire on May 1, 2019.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment**

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using straight-line method over the estimated useful life. New assets and expenditures that extend the useful life of property or equipment are capitalized and depreciated. Expenditures for ordinary repairs and maintenance are charged to operations as incurred. For the year ended December 31, 2018 and 2017 the Company recorded \$3,356 and \$3,356, respectively, of depreciation expense.

**Intangible Assets**

As required by generally accepted accounting principles, trademarks and patents are not amortized since they have an indefinite life. Instead, they are tested annually for impairment. In the year ended December 31, 2018 company recorded \$9,475 of impairment loss. Intangible assets as of December 31, 2018 and 2017 amounted to \$53,692 and \$63,167, respectively.

**Revenue Recognition**

On January 1, 2018 the Company adopted guidance contained in Topic 606 (FASB ASC 606). The core principle of Topic 606 (FASB ASC 606) is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The revenue recognition guidance contained in Topic 606, to follow the five-step revenue recognition model along with other guidance impacted by this standard: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transportation price; (4) allocate the transportation price; (5) recognize revenue when or as the entity satisfies a performance obligation. Previous practices were broadly consistent with this approach, and the company determined the amount of revenue based on the amount

customer paid or promised to pay.

Revenues from continuing operations recognized when title for goods is transferred; non-refundable fees and proceeds from irrevocable agreements recognized when inflows or other enhancements of assets of the Company are received.

On August 21, 2018, AXIM Biotechnologies, Inc. (the “Company”) entered into an agreement with Revive Therapeutics Ltd. (“Revive”) to begin selling the Company’s flagship nutraceutical product throughout the rapidly expanding Canadian cannabis market.

The agreement defines a relationship where Revive will seek regulatory approval for AXIM’s proprietary, controlled-release functional chewing gum which contains hemp oil and cannabidiol (CBD). Under the terms of the agreement, Revive will have a minimum purchase amount annually, which increases each year for the term of the agreement.

The Company recorded \$10,000 of revenue received from Revive for the year ended December 31, 2018.

On September 3, 2018, the Company entered into a Letter of Intent (“LOI”) with Impression Health Limited (“Impression”), Australian company. Pursuant to the LOI, both parties will endeavor to enter into a definitive agreement whereby the parties will co-develop new products. Impression will collaborate with Axim for the licensing and distribution of its current and future medical cannabinoid products for distribution in Australia and New Zealand. Following the LOI, Axim signed term agreement with Impression in exchange for 10,300,000 ordinary fully paid shares in Impression at the price of A\$0.02 per share and exchange rate of \$0.74 AUD/USD valued \$150,000. The Company recorded revenue of \$150,000 in the year ended December 31, 2018.

Revenues from continuing operations recognized for the year ended December 31, 2018 and 2017 amounted to \$195,614 and \$47,573, respectively.

### **Principles of Consolidation**

The consolidated financial statements include the accounts of Axim Biotechnologies, Inc. and its wholly owned subsidiaries Axim Holdings, Inc., Can Chew License Company, and Marina Street LLC as of December 31, 2018 and 2017. All significant intercompany transactions and balances have been eliminated in consolidation.



**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derivative Liabilities**

The Company assessed the classification of its derivative financial instruments as of December 31, 2018, which consist of convertible instruments and rights to shares of the Company's common stock and determined that such derivatives meet the criteria for liability classification under ASC 815.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirement of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

**Fair value of Financial Instruments**

Effective January 1, 2008, the Company adopted FASB ASC 820-Fair Value Measurements and Disclosures, or ASC 820, for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements established a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact the Company's financial position or operating results but did expand certain disclosures.



ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company did not have any Level 2 or Level 3 assets or liabilities as of December 31, 2018, with the exception of its convertible notes payable and derivative liability. The carrying amounts of these liabilities at December 31, 2017 approximate their respective fair value based on the Company's incremental borrowing rate.

Cash is considered to be highly liquid and easily tradable as of December 31, 2018 and therefore classified as Level 1 within our fair value hierarchy.

### **Fair Value Measurements**

The Company applies the guidance that is codified under ASC 820-10 related to assets and liabilities recognized or disclosed in the financial statements at fair value on a recurring basis. ASC 820-10 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of ASC 820-10 only apply to the Company's investment securities, which are carried at fair value.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

ASC 820-10 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based on the highest and best use of the asset or liability. As such, fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. ASC 820-10 requires valuation techniques to measure fair value that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized as follows:

| <b>Fair Value Hierarchy</b> | <b>Inputs to Fair Value Methodology</b>   |
|-----------------------------|---|
| <b>Level 1</b>              | Quoted prices in active markets for identical assets or liabilities   |
| <b>Level 2</b>              | Quoted prices for similar assets or liabilities; quoted markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the financial instrument; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from, or corroborated by, observable market information |
| <b>Level 3</b>              | Pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption is unobservable or when the estimation of fair value requires significant management judgment  |

The Company categorizes a financial instrument in the fair value hierarchy based on the lowest level of input that is significant to its fair value measurement.

**As of December 31, 2018**

| Quoted Market | Internal Models with   | Internal Models with     | Total Fair Value |
|---------------|------------------------|--------------------------|------------------|
| Prices in     | Significant Observable | Significant Unobservable | Reported in      |

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|                       | Active Markets<br>(Level 1) | Market Parameters<br>(Level 2) | Market Parameters<br>(Level 3) | Financial<br>Statements |
|-----------------------|-----------------------------|--------------------------------|--------------------------------|-------------------------|
| Marketable Securities | \$ 150,000                  | \$ -                           | \$ -                           | \$ 150,000              |

**As of December 31, 2017**

|                       | Quoted Market<br>Prices in<br>Active Markets<br>(Level 1) | Internal Models with<br>Significant Observable<br>Market Parameters<br>(Level 2) | Internal Models with<br>Significant Unobservable<br>Market Parameters<br>(Level 3) | Total Fair Value<br>Reported in<br>Financial<br>Statements |
|-----------------------|---|--|--|--|
| Marketable Securities | \$ -  | \$ -   | \$ -   | \$ -   |

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Convertible Instruments**

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for “Accounting for Derivative Instruments and Hedging Activities”.

Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instruments are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of “Conventional Convertible Debt Instrument”.

The Company accounts for convertible instruments (when it has determined that the embedded conversion options should not be bifurcated from their host instruments) in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

## Income Taxes

The Company follows Section 740-10, Income tax ("ASC 740-10") Fair Value Measurements and Disclosures of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Operations in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including reversals of any existing taxable temporary differences, projected future taxable income, tax planning strategies, and the results of recent operations. If the Company determines that it would be able to realize a deferred tax asset in the future in excess of any recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification ("Section 740-10-25"). Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentrations of Credit Risk**

Financial instruments and related items, which potentially subject the Company to concentrations of credit risk, consist primarily of cash and cash equivalents. The Company places its cash and temporary cash investments with credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limit. The Company does not have accounts receivable and allowance for doubtful accounts at December 31, 2018 and 2017.

**Net Loss per Common Share**

Net loss per common share is computed pursuant to section 260-10-45 Earnings Per Share (“ASC 260-10”) of the FASB Accounting Standards Codification. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding and the member potentially outstanding during each period. In periods when a net loss is experienced, only basic net loss per share is calculated because to do otherwise would be anti-dilutive.

There were common share equivalents 15,843,037 at December 31, 2018 and 15,587,904 at December 31, 2017. For the year ended December 31, 2018 and 2017 these potential shares were excluded from the shares used to calculate diluted earnings per share as their inclusion would reduce net loss per share.

**Stock Based Compensation**

All stock-based payments to employees and to nonemployee directors for their services as directors, including any grants of restricted stock and stock options, are measured at fair value on the grant date and recognized in the statements of operations as compensation or other expense over the relevant service period. Stock-based payments to nonemployees are recognized as an expense over the period of performance. Such payments are measured at fair value at the earlier of the date a performance commitment is reached, or the date performance is completed. In addition, for awards that vest immediately and are non-forfeitable the measurement date is the date the award is issued.

### **Cost of Sales**

Cost of sales includes the purchase cost of products sold and all costs associated with getting the products to the customers including buying and transportation costs.

### **Research and Development**

The Company accounts for research and development costs in accordance with the Accounting Standards Codification subtopic 730-10, Research and Development (“ASC 730-10”). Under ASC 730-10, all research and development costs must be charged to expense as incurred. Accordingly, internal research and development costs are expensed as incurred. Third-party research and development costs are expensed when the contracted work has been performed or as milestone results have been achieved. Company-sponsored research and development costs related to both present and future products are expensed in the period incurred. The Company incurred research and development expenses of \$2,056,175 and \$1,352,969 for the year ended December 31, 2018 and 2017, respectively.

### **Shipping Costs**

Shipping and handling costs billed to customers are recorded in sales. Shipping costs incurred by the company are recorded in general and administrative expenses.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Standards**

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, “*Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement.*” This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. The standard is effective for all entities for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company’s financial statements.

In July 2018, the FASB issued ASU 2018-09, “*Codification Improvements.*” This ASU makes changes to a variety of topics to clarify, correct errors in, or make minor improvements to the Accounting Standards Codification. The majority of the amendments in ASU 2018-09 will be effective for the Company for fiscal years beginning after December 15, 2018. The Company expects to adopt ASU 2018-09 in the first quarter of 2019. The Company is evaluating the impact of the standard and does not expect the guidance to have a material effect on its financial statements.

In June 2018, the FASB issued ASU 2018-07, “*Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*”, which simplifies the accounting for nonemployee share-based payment transactions. The amendments specify that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor’s own operations by issuing share-based payment awards. The standard is effective for public business entities for fiscal years beginning after December 15, 2018. The adoption of this standard is not expected to have a material impact on the Company’s financial statements.

In February 2016, FASB issued an update 2016-02 and created Topic 842, Leases. Topic 842 effects any entity that enters into a lease arrangement with another person. The guidance in this update supersedes Topic 840.



The main difference between previous GAAP and Topic 842 is the recognition of accounting policies for leases classified as operating leases under previous GAAP. The amendments in this update for public business entities that file with the Securities and Exchange Commission are effective for fiscal years beginning after Dec. 15, 2018 and the interim periods within that year with early application permitted for all entities. The Company is adopting the lease accounting model as described in Topic 842 for the fiscal year begins on January 1, 2019.

In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842). The Company lease office on month-to-month basis. Topic 842 can be early adopted and will not have material impact on the preparation of financial statements. The effective date for ASU 2017-13 is for fiscal years beginning after December 15, 2018.

In July 2017, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): Part 1 – Accounting for Certain Financial Instruments with Down Round Features and Part 2 – Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with Scope Exception (“ASU No. 2017-11”). Part 1 of ASU No. 2017-11 addresses the complexity of accounting for certain financial instruments with down round features. Down round features are provisions in certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of ASU No. 2017-11 addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification®. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The amendments in Part II of this update do not require any transition guidance because those amendments do not have an accounting effect. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 4: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This new standard is effective for the Company as of January 1, 2018.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350)* that will eliminate the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, impairment charge will be based on the excess of a reporting unit's carrying amount over its fair value. The guidance is effective for the Company in the first quarter of fiscal 2023. Early adoption is permitted. The Company does not anticipate the adoption of this guidance to have a material impact on its consolidated financial statements, absent any goodwill impairment.

In October 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-16-Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 will require the tax effects of intercompany transactions, other than sales of inventory, to be recognized currently, eliminating an exception under current GAAP in which the tax effects of intra-entity asset transfer are deferred until the transferred asset is sold to a third party or otherwise recovered through use. The guidance will be effective for the first interim period of our 2019 fiscal year, with early adoption permitted.

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) ASU N. 2016-15, “Classification of Certain Cash Receipts a Cash Payments” (“ASU 2016-15”). ASU 2016-15 provides guidance regarding the classification of certain items within the statement of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017 and was adopted by the Company.

In February 2016, FASB issued an update 2016-02 and created Topic 842, Leases. Topic 842 effects any entity that enters into a lease arrangement with another person. The guidance in this update supersedes Topic 840. The main

difference between previous GAAP and Topic 842 is the recognition of accounting policies for leases classified as operating leases under previous GAAP. The amendments in this update for public business entities that file with the Securities and Exchange Commission are effective for fiscal years beginning after Dec. 15, 2018 and the interim periods within that year with early application permitted for all entities. The Company is adopting the lease accounting model as described in Topic 842 for the fiscal year begins on January 1, 2019.

The amendments also clarify that the guidance in Topic 275, Risks and Uncertainties, is applicable to entities that have not commenced planned principal operations.

Other recent accounting pronouncements issued by the FASB and the SEC did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements

**NOTE 5: PREPAID EXPENSES**

Prepaid expenses consist of the following as of December 31, 2018 and 2017:

|                            | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|----------------------------|------------------------------|------------------------------|
| Prepaid insurance contract | 52,105                       | 40,986                       |
|                            | \$ 52,105                    | \$ 40,986                    |

For the year ended December 31, 2018 and 2017 the Company recognized amortization of prepaid expense of \$91,207 and \$84,767, respectively.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 6: MARKETABLE SECURITIES**

The Company utilizes FAS 115 “Accounting for Certain Investments in Debt and Equity Securities”. The Company received marketable securities, 10,300,000 fully paid ordinary unrestricted shares in Impression Healthcare Limited (Australian Company), traded on Australian Security Exchange by the code IHL as part of the agreement and letter of intent (LOI). The Company categorize these securities as trading securities and report them at fair value, with unrealized gains and losses included in earnings. The Company recorded securities at FMV at the price of A\$0.02 per share and exchange rate of \$0.74 AUD/USD valued \$150,000. On December 31, 2018 the stock price was A\$ 0.02 per share as quoted on asx.com.au and exchange rate of \$0.71 AUD/USD as quoted on olanda.com. The FMV change in marketable security was immaterial for the year ended December 31, 2018.

**NOTE 7: RESERVATION FEE DEPOSIT**

The Company does not have active reservation fee deposit as of December 31, 2018.

**NOTE 8: PROMISSORY NOTE - RELATED PARTY**

On August 8, 2014 the Company entered into a Promissory Note Agreement with CanChew Biotechnologies, LLC (CCB), a related party (the owners of CCB also own a majority of the outstanding shares of the Company), under which it borrowed \$1,000,000 to fund working capital. The original loan was a demand note bearing interest at the rate of 7% per annum, which amount, along with principal, was payable upon demand. The demand note was amended effective January 1, 2015 to reduce the annual interest rate to 3%. All other terms and conditions shall remain in full force and effect. The Company is in discussions to have the demand note modified or exchanged for a longer term, fixed maturity note.

The following table summarizes promissory note payable as of December 31, 2018 and 2017:

|   | <b>December 31,</b> | <b>December 31,</b> |
|---|---------------------|---------------------|
|   | <b>2018</b>         | <b>2017</b>         |
| Promissory note payable, due on demand, interest at 3%. | \$ 880,000          | \$ 880,000          |
| Accrued interest  | 140,526             | 114,126             |
|   | \$ 1,020,526        | \$ 994,126          |

For the year ended December 31, 2018 and 2017 the Company recognized interest expense of \$26,400 and \$25,562, respectively.

#### **NOTE 9: RELATED PARTY TRANSACTIONS**

The Company has received working capital advances from CanChew totaling \$1,649,832 as of December 31, 2018, which includes \$44,312 imputed interest accrued as of December 31, 2018. The advances are payable on demand. The Company is in discussions to have the advances reduced to a longer term, fixed maturity note.

The Company owes \$5,000 to the president of the Company for a working capital advance of \$5,000 made in May of 2014.

On August 15, 2016, the Company issued 1,000,000 shares of its Series A Convertible Preferred Stock in exchange for 1,000,000 shares of its Undesignated Preferred Stock (see Footnote 12 - "Preferred Stock" for a discussion of the Company's preferred stock). The Undesignated Preferred Stock was held by Sanammad Foundation and MJNA Investment Holdings, LLC (500,000 shares each), which parties together own a majority of the common stock of the Company. Under the terms of the exchange, the 1,000,000 shares of Series A Convertible Preferred received in the exchange were immediately converted into 5,000,000 restricted shares of the Company's common stock (2,500,000 shares for each of Sanammad Foundation and MJNA Investment Holdings, LLC). As a result, the Series A Convertible Preferred Stock is retired and no longer available for future issuance. The three members of the Sanammad Foundation also serve as the current three directors of the Company and Sanammad, along with MJNA Investment Holdings, LLC, hold a majority of the outstanding stock of the Company.

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series B Convertible Preferred Stock to Sanammad Foundation in exchange for cash of \$50,000. As the holders of the Series B Preferred Stock, Sanammad has designated Dr. George E. Anastassov, Dr. Philip A. Van Damme and Mr. Lekhram Changoer as their three Series B Directors.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 9: RELATED PARTY TRANSACTIONS (CONTINUED)**

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series C Convertible Preferred Stock to MJNA Investment Holdings, LLC in exchange for cash of \$65,000. As the holders of the Series C Preferred Stock, MJNA Investment Holdings, LLC has designated Dr. Timothy R. Scott, John W. Huemoeller II, Robert Cunningham and Blake Schroeder as their four Series C Directors.

**NOTE 10: DUE TO FIRST INSURANCE FUNDING**

On June 25, 2018, the Company renewed its D&O insurance policy with total premiums, taxes, and fees for \$85,000. A cash down payment of \$17,000 was paid on June 25, 2018. Under the terms of the insurance financing, payments of \$7,760, which include interest at the rate of 6.45% per annum, are due each month for nine months commencing on July 25, 2018.

The total outstanding due to First Insurance Funding as of December 31, 2018 and 2017 is \$23,280 and \$22,807; respectively.

**NOTE 11: CONVERTIBLE NOTES PAYABLE**

The following table summarizes convertible note payable- shareholder as of December 31, 2018 and 2017:

|  | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|------------------------------|------------------------------|
| Convertible note payable, due on July 1, 2028, interest at 3.5%. | \$ 45,000                    | \$ 45,000                    |

|                  |           |           |
|------------------|-----------|-----------|
| Accrued interest | 3,981     | 2,384     |
|                  | \$ 48,981 | \$ 47,384 |

On November 26, 2012, the Company entered into an interest free \$50,000 convertible loan payable maturing on December 31, 2014. The note was convertible into the Company's common stock at a conversion price of \$0.10 per share. The Company was unable to repay the loan as of December 31, 2014 and obtained multiple extensions until December 31, 2015. The Company had paid no interest or other consideration in return for the extensions of the loan. Unable to obtain further extension of the maturity date, on June 29, 2016, the Company entered into a Debt Exchange Agreement with the note holder whereby the Company exchange the note having a balance due of \$50,000 as of December 31, 2015, for a long-term convertible note in the amount of \$50,000. The new Convertible Note ("Note") bears interest at the rate of 3.5% per annum, payable annually beginning on July 1, 2017, and matures on July 1, 2028. The Note is convertible, in whole or in part at any time at the option of the holder, into the Company's common stock at a conversion price of \$0.01, provided however, the holder of the Note is not permitted to convert an amount of the Note that would result in the holder and its affiliates owning more than 4.9% of the Company's outstanding common stock. The Company determined fair value of new debt \$1,435,000 and as result was recorded \$1,385,000 as a loss on debt extinguishment at the fiscal year ended December 31, 2016. On June 30, 2016, the holder of the Note converted \$5,000 face value into 500,000 shares of the Company's common stock. The balance on the Note as of December 31, 2018 is \$48,981, including interest accrued thereon of \$3,981.

The following table summarizes convertible note payable as of December 31, 2018 and 2017:

|  | <b>December 31,<br/>2018</b> | <b>December<br/>31,<br/>2017</b> |
|--|------------------------------|----------------------------------|
| Convertible note payable, due on April 21, 2025, interest at 4%.     | \$ -                         | \$ 16,600                        |
| Convertible note payable, due on October 1, 2029, interest at 3.5%.  | 484,478                      | 850,000                          |
| Convertible note payable, due on October 1, 2029, interest at 3.5%.  | 1,000,000                    | 1,000,000                        |
| Convertible note payable, due on December 12, 2018, interest at 8%.  | -                            | 5,260,000                        |
| Convertible note payable, due on November 1, 2021, interest at 3.5%. | 4,000,000                    | -                                |
| Accrued interest   | 128,752                      | 172,143                          |
| Total  | 5,613,230                    | 7,298,743                        |
| Less unamortized debt discount                                       | (815,004)                    | (1,938,690)                      |
| Convertible note payable, net  | 4,798,226                    | 5,360,053                        |
| Less current portion   | -                            | (4,635,914)                      |
| Long term portion  | \$ 4,798,226                 | \$ 724,139                       |

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 11: CONVERTIBLE NOTES PAYABLE (CONTINUED)**

The Company has outstanding convertible note payable having a balance due of \$-0- and \$16,600, as of December 31, 2018 and December 31, 2017; respectively. The Note bears interest at the rate of 4% per annum which accrues until maturity at April 21, 2025. The Note was issued in April of 2015 to a third-party as a non-refundable payment for consultancy services to be provided to the Company for a period of at least one year. The Note is convertible, in whole or in part at any time at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.10, provided however, the holder of the Note is not permitted to convert an amount of the Note that would result in the holder and its affiliates owning more than 4.9% of the Company's outstanding common stock. On September 30, 2016 the holder of the Note converted \$154,000 due under the Note, including interest of \$19,490, into 1,540,000 shares of the Company's common stock. On December 29, 2016 the holder of the Note converted \$29,900 due under the Note including interest of 20,100 into 500,000 shares of the Company's common stock. On August 18, 2017 the holder of the Note converted \$199,500 due under the Note, including interest of \$0, into 1,995,000 shares of the Company's common stock. On March 8, 2018, the holder of the note converted \$16,980 due under the Note, including interest of \$380 into 169,800 shares of the Company's common stock. The balance on the Note as of December 31, 2018 is \$-0-, including interest accrued thereon of \$-0-.

On September 16, 2016, we entered into a convertible note purchase agreement (the "Convertible Note Purchase Agreement" or "Agreement") with a third-party investor. Under the terms of the Convertible Note Purchase Agreement the investor may acquire up to \$5,000,000 of convertible notes from the Company. With various closings, under terms acceptable to the Company and the investor as of the time of each closing. Pursuant to the Agreement, on September 16, 2016 the investor provided the Company with \$850,000 secured convertible note financing pursuant to four (4) Secured Convertible Promissory Notes (the "Notes"). Each of the Notes mature on October 1, 2029 and pay 3.5% compounded interest paid bi-annually. The Note are secured by the assets of the Company, may not be pre-paid without the consent of the holder, and are convertible at the option of the holder into shares of the Company common stock at a conversion price equal to (i) \$0.2201 or (ii) 80% of closing price of the Company's common stock as of the date of conversion. At the inception of the Convertible Promissory Note, the Company determined a fair value of \$1,062,500 of the embedded derivative. On October 20, 2016, the terms of the above Convertible note was modified into convertible note with fixed conversion price of \$0.2201. The derivative liability balance on the Note as of modified date is \$1,274,422 which was re-classified into additional paid in capital.

On March 8, 2018, the holder converted \$210,422 note, which included \$10,422 interest into 956,030 restricted shares of the Company's common stock. On March 13, 2018 the holder converted \$176,080 of convertible note, which



included \$10,558 interest, into 800,000 shares of the Company's common stock. As of December 31, 2018, the balance of secured convertible notes was \$522,035 which included \$37,557 accrued interest.

On October 20, 2016 a third-party investor provided the Company with \$1,000,000 secured convertible note financing pursuant to three (3) Secured Convertible Promissory Notes (the "Notes"). Each of the Notes mature on October 1, 2029 and pay 3.5% compounded interest paid bi-annually. The Notes are secured by the assets of the Company, may not be pre-paid without the consent of the holder, and are convertible at the option of the holder into shares of the Company's common stock at a fixed conversion price equal to (i) \$0.2201 or (ii) 80% of closing price of the Company's common stock as of the date of conversion. The investor paid cash of \$500,000 for one of the Notes and issued to the Company two (2) secured promissory notes of \$250,000 each for two (2) Convertible Notes of \$250,000 each. The two secured promissory notes issued by the investor (totaling \$500,000) as payment for two (2) secured Notes totaling \$500,000 mature on February 1, 2017 (\$250,000) and March 1, 2017 (\$250,000), bear interest at the rate of 1% per annum, are full recourse and additionally secured by 10,486,303 shares of Medical Marijuana, Inc. (Pink Sheets symbol: MJNA) and were valued at \$858,828 based upon the closing price of MJNA on October 20, 2016. On October 20, 2016, the terms of a above Convertible note was modified into convertible note with fixed conversion price of \$0.2201. Since the modification happened on the same day, the note was treated to have fixed conversion price and accordingly debt discount was recorded related to beneficial conversion feature.

In connection with this convertible note, the Company recorded a \$499,318 discount on debt, related to the beneficial conversion feature of the note to be amortized over the life of the note or until the note is converted or repaid. As of December 31, 2018, this note has not been converted. As of December 31, 2018, the balance of secured convertible notes was \$1,077,972 which included \$77,972 accrued interest.

On June 12, 2017 (the "Closing Date"), the Company entered into a Securities Purchase Agreement ("SPA") with an institutional accredited investor ("Investor") pursuant to which Investor invested \$4,000,000 (the "Financing").

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 11: CONVERTIBLE NOTES PAYABLE (CONTINUED)**

On the Closing Date, the Company issued to Investor an unsecured Convertible Promissory Note (the “Note”) in the principal amount of \$4,210,000, in exchange for payment by Investor of \$4,000,000. The principal sum of the Note reflects the amount invested, plus a \$200,000 “Original Issue Discount” (“OID”) and a \$10,000 reimbursement of Investor’s legal fees. The Company also paid a placement fee of \$60,000 to a third-party broker-dealer. The SPA and the Note are collectively referred to herein as the “Transaction Documents.” The Note matures in 18 months. So long as the Company is not in receipt of redemption notice (discussed below), the Note may be prepaid at any time, in whole or in part in minimum increments of \$50,000, by making payment to Investor in an amount of cash equal to 125% of the amount being prepaid, plus accrued and unpaid interest.

There are no payments of principal or interest due under the Note for the first six months following its issuance. Commencing on the date that is six (6) months from the issuance of the Note, Investor may redeem a portion of the Note in monthly amounts not to exceed \$350,000 in any calendar month. Provided the Company has not suffered an “Event of Default” and is in compliance with certain “Equity Conditions” (unless waived by Investor in either case), the Company, in its sole discretion, may make redemption payments in cash or by the issuance of common stock. If the Company chooses to make redemption payment in cash, the cash payment is subject to a 25% premium. If the Company chooses to make the redemption payment in stock, the number of shares issuable shall be 70% (reduced to 65% if the conversion shares are not DTC eligible for a period of at least 5 days) multiplied by the average of the three (3) lowest closing bid prices in the previous twenty (20) trading days. Payments may be made in a combination of cash and stock.

Events of Default include the events set forth in Section 4.1 of the Note, and include, but are not limited to, failure to make timely payments, failure to deliver conversion shares, bankruptcy, receivership, insolvency, failure to reserve required shares for issuance upon conversion, and failure to be DTC eligible.

Upon an Event of Default under the Note, Investor may accelerate the outstanding principal amount of the Note, plus accrued and unpaid interest, and other amounts owing through the date of acceleration. In the event of such acceleration, the interest rate on the Note shall accrue at the lesser of 22% per annum or the maximum rate permitted under applicable law. The company has recorded the 25% premium on cash payment as a liability and is amortizing it over the term of the note utilizing the effective interest method.

On November 27, 2018 the Company extinguished debt with Investor. Investor had proposed a financing transaction pursuant to which the Company will satisfy and retire the Original Note and Original Note current balance in simultaneous exchange for and upon delivery by the Company of a (1) new Convertible Promissory Note in the principal amount of \$4,000,000 (the "Exchange Note"), and (2) 250,000 shares of the Company's restricted common stock (the "Origination Shares").

On November 27, 2018, simultaneously, Investor and the Company entered in Debt Exchange Agreement with Medical Marijuana Inc. As part of this agreement Investor will exchange and deliver the AXIM note to Medical Marijuana in exchange for a Convertible Promissory note. Axim consented to the transfer and assignment of the Axim Note in exchange for the issuance by the Medical Marijuana of the Exchange Note.

On December 19, 2018 the Company entered into Amendment to Securities Purchase Agreement with Investor. Pursuant to amendments, the amount of Origination Shares increased from 250,000 to 400,000 shares of Company's Common Stock.

Pursuant to the terms of the SPA the Company is required to reserve and keep available out of its authorized and unissued shares of common stock, a minimum of 2,250,000 shares of common stock increased by additional 250,000 shares to total reserves of 2,500,000 shares. The Company used 748,662 shares in redemption of notices. There were 1,751,338 shares available for issuance under the SPA as of December 19, 2018.

A transaction involving the issuance of a new term loan or debt security to one lender (or investor) and the concurrent satisfaction of an existing term loan or debt security to another unrelated lender (or investor) is always accounted for as an extinguishment of the existing debt and issuance of new debt. The old debt was derecognized, and new debt was recorded at fair value; interest expense - based on the effective interest. The Company recorded additional paid in capital of \$191,003 for the difference between carrying value of the original debt and issuance of 400,000 shares of the Company common stock.

As of December 31, 2018, the balance of this financial premium costs was \$-0-, and the balance of secured convertible notes was \$4,013,222 which included \$13,222 accrued interest.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 11: CONVERTIBLE NOTES PAYABLE (CONTINUED)**

During the year ended December 31, 2018 and 2017 the Company amortized the debt discount on all the notes of \$1,122,903 and \$705,700 respectively to operations as expense.

**NOTE 12: STOCK INCENTIVE PLAN**

On May 29, 2015 the Company adopted its 2015 Stock Incentive Plan. Under the Plan the Company may issue up to 10,000,000 S-8 shares to officers, employees, directors or consultants for services rendered to the Company or its affiliates or to incentivize such parties to continue to render services. S-8 shares are registered immediately upon the filing of the Plan and are unrestricted shares that are free-trading upon issuance. There were 9,806,000 shares available for issuance under the Plan as of December 31, 2018.

**NOTE 13: STOCKHOLDERS' DEFICIT**

Preferred Stock

The Company has authorized 5,000,000 shares of preferred stock, with a par value of \$0.0001 per share. Of the 5,000,000 authorized preferred shares, 4,000,000 are undesignated "blank check" preferred stock. The Company may issue such preferred shares and designate the rights, privileges and preferences of such shares at the time of designation and issuance. As of December 31, 2018, and 2017 there are -0- and -0- shares of Series A Preferred Stock outstanding and 500,000 and 500,000 shares of Series B Preferred Stock and 500,000 and 500,000 shares of Series C Preferred Stock issued and outstanding, respectively.

Series A Convertible Preferred Stock

The Company also has authorized 1,000,000 shares of Series A Convertible Preferred Stock, which had been previously issued to Sanammad Foundation and subsequently assigned and transferred by Sanammad to Treo Holdings, LLC (“Treo”). On June 28, 2016 the Company, Sanammad and Treo agreed that the issuance of the Series A Convertible Preferred be rescinded and that such share issuance be cancelled. The Company accounted for this cancellation of preferred stock as equity transaction and accordingly the par value of preferred stock adjusted against additional paid in capital account.

Each share of the Series A Convertible Preferred Stock is convertible into five (5) shares of the Company’s common stock at any time at the discretion of the holder. The Series A Convertible Preferred Stock provides for a liquidation preference as follows; In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (a “Liquidation”), the assets of the Company available for distribution to its shareholders shall be distributed as follows. The holders of the Series A Convertible Preferred Stock shall be entitled to receive, prior to the holders of the other series of preferred stock, if any, and prior and in preference to any distribution of the assets or surplus funds of the Company to the holders of any other shares of stock of the Company by reason of their ownership of such stock: (i) all shares of common stock of any subsidiary of the Company which are held by the Company; and (ii) an amount equal to \$1.00 per share with respect to each share of Series A Convertible Preferred stock, plus all declared but unpaid dividends with respect to such share. The Series A Convertible Preferred Stock also contains super-majority voting rights and a number of protective covenants. As of December 31, 2018, and 2017 there are -0- and -0- Series A Convertible Preferred shares issued and outstanding; respectively.

#### Series B Convertible Preferred Stock

On August 17, 2016 the Company designated up to 500,000 shares of a new Series B Convertible Preferred Stock (Series B Preferred Stock). The holders of the Series B Preferred Stock are entitled to elect three members to the Company’s board of directors and are entitled to cast 100 votes per share on all other matters presented to the shareholders for a vote. Each share of Series B Convertible Preferred Stock is convertible into one share of the Company’s common stock. The Series B Convertible Preferred designation contains a number of protective and restrictive covenants that restrict the Company from taking a number of actions without the prior approval of the holders of the Series B Preferred Stock or the unanimous vote of all three Series B Directors.

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series B Preferred Stock to Sanammad Foundation (The Netherlands) in exchange for cash of \$50,000. As the holders of the Series B Preferred Stock, Sanammad has designated Dr. George E. Anastassov, Dr. Phillip A. Van Damme and Mr. Lekhram Changoer as their three Series B Directors.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 13: STOCKHOLDERS' DEFICIT (CONTINUED)**

Series C Convertible Preferred Stock

On August 17, 2016 the Company designated up to 500,000 shares of a new Series C Convertible Preferred Stock (Series C Preferred Stock). The holders of the Series C Preferred Stock are entitled to elect four members to the Company's board of directors and are entitled to cast 100 votes per share on all other matters presented to the shareholders for a vote. Each share of Series C Convertible Preferred Stock is convertible into one share of the Company's common stock. The Series C Convertible Preferred Stock designation contains a number of protective and restrictive covenants that restrict the Company from taking a number of actions without the prior approval of the holders of the Series C Preferred Stock or the unanimous vote of all four Series C Directors. If at any time there are four Series C Directors, one such director must be independent as that term is defined in the Series C designation. Any challenge to the independence of a Series C Director is a right conferred only upon the holders of the Series B Convertible Preferred Stock and may only be made by the holders of the Series B Convertible Preferred Stock.

On August 18, 2016 the Company issued all 500,000 shares of its newly designated Series C Preferred Stock to MJNA Investment Holdings, LLC in exchange for cash of \$65,000. As the holder of the Series C Preferred Stock, on May 18, 2017 MJNA Investment Holdings, LLC designated Dr. Timothy R. Scott, John W. Huemoeller II, Robert Cunningham and Blake Schroeder as their four Series C Directors.

Common Stock

The Company has authorized 300,000,000 shares of common stock, with a par value of \$0.0001 per share. As of December 31, 2018, and 2017, the Company had 59,582,890 and 54,564,441 shares of common stock issued and outstanding, respectively.

On March 20, 2018 the Company issued 50,000 shares of its restricted common stock to Dr. George Anastassov. At the year ended December 31, 2018 and 2017 the Company recorded \$235,000 and \$-0- compensation expense, respectively, in the accompanying consolidated financial statements to account for the required issuance of the incentive shares.

On March 20, 2018 the Company issued 50,000 shares of its restricted common stock to Mr. Changoer and recorded \$235,000 compensation expense. At the year ended December 31, 2018 and 2017 the Company recorded \$235,000 and \$-0- compensation expense, respectively, in the accompanying consolidated financial statements to account for the required issuance of the incentive shares.

#### 2018 Issuances:

On March 8, 2018, the Company issued 956,030 restricted shares of its common stock in exchange for the conversion of \$210,422 of a convertible note payable, which included \$10,422 in interest.

On March 12, 2018, the Company issued 169,800 restricted shares of its common stock in exchange for the conversion of \$16,980 of a convertible note payable, which included \$380 in interest.

On March 13, 2018, the Company issued 800,000 restricted shares of its common stock in exchange for the conversion of \$176,080 of a convertible note payable, which included \$10,558 in interest.

On March 20, 2018 the Company has issued 2,179 shares of common stock valued at \$15,000 which were shown as stock to be issued for consultancy service.

On March 20, 2018, the Company issued 174,000 shares of common stock for certain services and recorded consulting expenses of \$817,800. Closing price of the shares on March 20, 2018 was \$4.7 as quoted on [finance.yahoo.com](http://finance.yahoo.com).

On May 15, 2018, the Company issued 204,778 restricted shares of its common stock to third party valued at \$600,000 pursuant to the stock purchase agreement.

On August 24, 2018 The Company issued 124,782 restricted shares of common stock to Investor as a redemption notice #13 to note payable at a conversion price of \$1.40 valued at \$175,000. The market value of the stock on August

23, 2018 was \$2.46 as advertised on [finance.yahoo.com](http://finance.yahoo.com). The Company recorded loss of \$91,618 on the difference between conversion price and market value.

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**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 13: STOCKHOLDERS' DEFICIT (CONTINUED)**

On September 11, 2018 the Company has issued 18,000 shares of common stock for \$2.03 per share valued at \$36,540 as consulting services.

On September 17, 2018 The Company issued 106,433 restricted shares of common stock to Investor as a redemption notice #14 to note payable at a conversion price of \$1.41 valued at \$150,000. The market value of the stock on September 17, 2018 was \$1.95 as advertised on finance.yahoo.com. The Company recorded loss of \$23,105 on the difference between conversion price and market value.

On September 25, 2018 the Company amended Independent Director Compensation agreement. Under the agreement in lieu of the share compensation due to independent directors of the Company for their annual service ending May 23, 2018, each of the independent members of the Board shall receive cash compensation of \$20,000. The Company resulting gain on settlement of liabilities due the members of the board of directors of \$25,000 was treated as a component of equity for the year ended December 31, 2018.

On October 2, 2018 the Company issued 117,447 restricted shares of common stock to Investor as a redemption notice #16 to note payable valued at \$150,000. The market value of the stock on October 2, 2018 was \$1.80 as quoted on finance.yahoo.com. The Company recorded loss of \$24,814 on the difference between conversion price and market value.

On December 3, 2018 the Company issued 250,000 shares of common stock to investor upon extinguishment of the debt per agreement valued at \$250,000. The market value of stock on November 30, 2018 was \$1.00 as quoted on finance.yahoo.com.

On December 18, 2018 the Company issued 150,000 shares of common stock to investor to satisfy amended extinguishment of the debt per agreement valued at \$106,500. The market value of stock on December 18, 2018 was

\$0.71 as quoted on finance.yahoo.com.

Between May 2, 2018 and December 31, 2018, the Company issued total 1,945,000 shares of common stock valued at \$3,769,082 pursuant to the Company's Registration Statement on Form S-3.

#### 2017 Issuances:

On March 17, 2017 the Company issued 60,000 shares of common stock valued \$20,064, which was earlier recorded under common stock to be issued.

On May 9, 2017 the Company issued 3,000 shares of common stock valued \$31,800 in exchange for consulting services.

On August 23, 2017 the Company issued 1,995,000 shares of common stock valued \$199,500 in exchange for the conversion of \$199,500 of a convertible note.

#### **NOTE 14: COMMITMENT AND CONTINGENCIES**

On September 1, 2016, the Company entered into an amended and restated employment agreement with Dr. George Anastassov, its Chief Executive Officer, Chief Financial Officer and Secretary. The agreement does not have a set term and may be terminated at any time by the Company or Dr. Anastassov with proper notice. Under the agreement, Dr. Anastassov receives an annual base compensation of \$240,000 and an incentive payment of 2,000,000 shares of the Company's common stock due upon execution of the agreement. On March 20, 2018 the Company issued 50,000 restrictive shares of its common stock and recorded \$235,000 of compensation expenses in the accompanying consolidated financial statements to account for the issuance of the incentive shares. In addition, Dr. Anastassov is currently receiving an additional \$15,000 per month as bonus compensation.

On September 1, 2016, the Company entered into an amended and restated employment agreement with Mr. Lekharm Changoer, its Chief Technology Officer. The agreement does not have a set term and may be terminated at any time by the Company or Mr. Changoer with proper notice. Under the agreement Mr. Changoer receives an annual base compensation of \$240,000 and an incentive payment of 2,000,000 shares of the Company's common stock due upon execution of the agreement. On March 20, 2018 the Company issued 50,000 restrictive shares of its common stock and recorded \$235,000 of compensation expenses in the accompanying consolidated financial statements to account for the issuance of the incentive shares.



**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 14: COMMITMENT AND CONTINGENCIES (CONTINUED)**

On April 24, 2017 the company entered into an employment agreement with Robert Malasek, its Chief Financial Officer and Secretary. The agreement does not have a set term and may be terminated at any time by the Company or Mr. Malasek with proper notice. The shares were issued in the 1<sup>st</sup> quarter 2018. At the three months ended March 31, 2018 the Company recorded \$235,000 of compensation expense in the accompanying consolidated financial statements to account for the issuance of the incentive shares.

On May 7, 2018, AXIM Biotechnologies, Inc. (the “Company”) entered into a Supply Agreement with Noramco, Inc. for the long-term purchase of pharmaceutical grade dronabinol. The agreement outlines an initial purchase of the Active Pharmaceutical Ingredient (“API”) dronabinol, which is a synthetic form of tetrahydrocannabinol (THC), to be used in the Company’s clinical trials for treatment of chemotherapy-induced nausea/vomiting and anorexia associated with weight loss in patients with cancer or AIDS. The Company intends to microencapsulate the API and formulate it into its proprietary controlled-release chewing gum delivery system, which will go through an open-label bioequivalence study comparing the bioavailability and therapeutic equivalence of the Company’s product to the FDA-approved reference listed drug Marinol®.

On August 21, 2018, AXIM Biotechnologies, Inc. (the “Company”) entered into an agreement with Revive Therapeutics Ltd. (“Revive”) to begin selling the Company’s flagship nutraceutical product throughout the rapidly expanding Canadian cannabis market.

The agreement defines a relationship where Revive will seek regulatory approval for AXIM’s proprietary, controlled-release functional chewing gum which contains hemp oil and cannabidiol (CBD). Under the terms of the agreement, Revive will have a minimum purchase amount annually, which increases each year for the term of the agreement.

On September 10, 2018, AXIM Biotechnologies, Inc. (the “Company”) entered into a Letter of Intent (“LOI”) with Impression Healthcare Limited (“Impression”), Australia’s largest home dental impression company, for exclusive distribution of all AXIM® Biotech products throughout Australia and New Zealand.

Pursuant to the LOI, both parties will endeavor to enter into a definitive agreement whereby the parties will co-develop new products, initially for pre-clinical and phase 1 trials (among other clinical trials), including an oral rinse liquid targeted for the treatment of oral mucositis, strep throat, oral infections and gum disease. Pending initial discussions and an internal review of AXIM® Biotech and its product offerings, Impression will collaborate with AXIM® Biotech for the licensing and distribution of its current and future medicinal cannabis products for distribution in Australia and New Zealand. On December 20, 2018 the Company signed Exclusivity Agreement on terms that include Exclusivity period of 90 days after the date on which this agreement is executed with Impression in exchange for 10,300,000 ordinary fully paid shares in Impression at the price of A\$0.02 per share and exchange rate of \$0.74 AUD/USD valued \$150,000 which the Company recognized as a revenue in 4<sup>th</sup> quarter of 2018.

### **Operating lease**

The Company is renting an office at 45 Rockefeller Plaza 20<sup>th</sup> Floor Suite 83, New York, NY 10111 on a month to month basis the monthly rent is \$3,720. A security deposit of \$7,440 has been paid.

The Company is renting a warehouse at Boelewerf 32, 2987 VD, Ridderkerk, Netherlands on a month to month basis, monthly rent is EUR 1,731 or approx. \$2,040.

### **Litigation**

As of December 31, 2018, and this report issuing date, the Company is not a party to any pending material legal proceeding. To the knowledge of management, no federal, state or local governmental agency is presently contemplating any proceeding against the Company. To the knowledge of management, no director, executive officer or affiliate of the Company, any owner of record or beneficially of more than five percent of the Company's Common Stock is a party adverse to the Company or has a material interest adverse to the Company in any proceeding.

**AXIM BIOTECHNOLOGIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2018 and 2017****NOTE 15: INCOME TAXES**

The Company utilizes ASC 740 “Income Taxes”, which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The U.S. tax reform bill that Congress voted to approve December 20, 2017, also known as the “Tax Cuts and Jobs Act”, made sweeping modification to the Internal Revenue Code, including a much lower corporate tax rate, changes to credits and deductions, and a move to a territorial system for corporations that have overseas earnings. The Act replaced the prior law graduated corporate tax rate, which taxed income over \$10 million at 35%, with a flat rate of 21%.

For the year ended December 31, 2018, the Company had available for U.S. federal income tax purposes net operating loss carryovers of approximately \$6,560,000, which will expire on various dates in the next twenty (20) years. The net operating loss carryovers may be subject to limitations under Internal Revenue Code section 382, due to significant changes in the Company’s ownership. If a change of ownership has occurred the net operating loss carryovers would be limited or might be eliminated.

The provision for income taxes differ from the amount of income tax determined by applying the applicable U.S. statutory rate to losses before income tax expense for the period ended December 31, 2018 and 2017 as follows:

|   | <b>2018</b> | <b>2017</b> |
|---|-------------|-------------|
| Statutory federal income tax rate   | 21.00%      | 34.00%      |
| Statutory state and local income tax rate (8.25%), net of federal benefit | 5.40%       | 5.40%       |
| Change in valuation allowance   | (26.40%)    | (26.40%)    |
| Effective tax rate  | 0.00%       | 0.00%       |

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax asset result principally from the following:

|                                  | <b>2018</b>  | <b>2017</b>  |
|----------------------------------|--------------|--------------|
| Deferred tax assets:             |              |              |
| Net operating loss carry forward | \$ 3,177,346 | \$ 2,485,629 |
| Less: valuation allowance        | (3,177,346)  | (2,485,629)  |
| Net deferred tax asset           | \$ -         | -            |

The valuation allowance for deferred tax assets as of December 31, 2018 and 2017 was \$3,177,346 and \$2,485,629, respectively. In assessing the recovery of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in the periods in which those temporary differences become deductible. Management considers the scheduled reversals of future deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Company will continue to monitor the potential utilization of this asset. Should factors and evidence change to aid in this assessment, a potential adjustment to the valuation allowance in future periods may occur. Management believes it is more likely than not that the Differed tax asset will not be realized, so a 100% Valuation Reserve has been established at December 31, 2018.

**AXIM BIOTECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2018 and 2017**

**NOTE 16: SUBSEQUENT EVENTS**

On January 2, 2019 Dr. George Anastassov resigned as the Chief Executive Officer (CEO) of AXIM Biotechnologies, Inc. Dr. Anastassov will remain a member and Chairman of the Board of Directors and will retain the title of Founder in a consulting role with the Company. The Board of Directors of the Company appointed Mr. John W. Huemoeller II as the Company's Chief Executive Officer.

Effective January 2, 2019, the Company entered into an Employment Agreement with Mr. Huemoeller. The agreement does not have a set term and may be terminated at any time by the Company or Mr. Huemoeller with proper notice. Pursuant to the Employment Agreement, Mr. Huemoeller will receive an annual base salary of \$120,000 and incentive stock options to purchase 2,000,000 shares of the Company's common stock under the Company's 2015 Stock Incentive Plan. The closing traded price of the Company was \$0.75 as advertised on the OTCQB Marketplace on December 31, 2018 (FMV). The stock options will have a strike price based on the closing price of the Company's common stock the day prior to grant and shall vest 50% on the date of grant and the remaining 50% shall vest on the 12-month anniversary of the grant date, subject to continued employment. If Mr. Huemoeller is terminated without cause or terminates the agreement for good reason, he shall be entitled to severance consisting of base salary for 12 months and continued insurance coverage.

On January 8, 2019 the Company issued 250,000 S-3 shares to Investor for \$1.243 per share, which represented a discount of 12.5% from the Stock's closing price and true-up adjustment of \$53,000 on that date for a total purchase price of \$257,750. The Company received \$257,750 in cash.

On February 5, 2019 the Company issued 250,000 S-3 shares to Investor for \$1.453 per share, which represents a discount of 12.5% from the stock's closing price and true-up adjustment of \$86,437 on that date for a total purchase price of \$276,813. The Company received \$276,813 in cash.

On February 12, 2019 the Company issued 250,000 S-3 shares to Investor for \$1.663 per share, which represents a discount of 12.5% from the stock's closing price and true-up adjustment of \$0 on that date for a total purchase price of \$415,750. The Company received \$415,750 in cash.



On March 4, 2019 the Company issued 250,000 S-3 shares to Investor for \$1.61 per share, which represents a discount of 12.5% from the stock's closing price and true-up adjustment of \$75,750 on that date for a total purchase price of \$326,750. The Company received \$326,750 in cash.

On March 12, 2019 the Company issued 239,521 restricted shares of its common stock to third party valued at \$400,000 pursuant to the stock purchase agreement.

On March 19, 2019 the Company issued 250,000 S-3 shares to Investor for \$1.689 per share, which represents a discount of 12.5% from the stock's closing price and true-up adjustment of \$106,500 on that date for a total purchase price of \$315,750. The Company received \$315,750 in cash.

Effective April 2, 2019, Blake N. Schroeder resigned as a member of the Company's Board of Directors. Mr. Schroeder's resignation was not because of any disagreements with the Company on matters relating to its operations, policies and practices.

On April 3, 2019, pursuant to the Company's Amended and Restated Bylaws, the holder of the Company's Series C Preferred Stock appointed Mauricio Javier Gatto-Bellora to fill the director seat vacated by the resignation of Mr. Schroeder.

On April 3, 2019, the Company's Board of Directors appointed Mauricio Javier Gatto-Bellora as a member of the Company's Audit, Compensation and Nominating and Governance Committees.