

**FORM 10-Q**

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

For the quarterly period ended **March 31, 2019**

OR

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.**

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

27-4029386

(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)

**(212) 332-1677**

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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  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

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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if smaller reporting company)	Smaller reporting Company <input checked="" type="checkbox"/>	Emerging growth Company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant filed all documents and reports required to be filed by Section 12, 13, or 15(d) of the Exchange Act of 1934 after the distribution of securities under a plan confirmed by a court. Yes [ ] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 61,572,411 of common stock, par value \$0.0001 per share, outstanding as of May 13, 2019.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

AXIM BIOTECHNOLOGIES, INC.

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

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 2,662,390	\$ 1,805,627
Inventory	78,473	9,797
Prepaid expenses	26,337	52,105
Accounts receivable	13,000	-
Loan receivable	5,000	5,000
Marketable securities	175,000	150,000
Total current assets	<u>2,960,200</u>	<u>2,022,529</u>
Property and equipment, net of accumulated depreciation of \$12,026 and \$11,187, respectively.	4,754	5,593
Other Assets:		
Acquired intangible asset - intellectual property licensing agreement, net	50,534	53,692
Security deposits	2,488	7,440
Total other assets	<u>53,022</u>	<u>61,132</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,017,976</b>	<b>\$ 2,089,254</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 708,540	\$ 217,728
Due to shareholder	5,000	412,500
Due to First Insurance Funding	-	23,280
Due to related party	1,649,832	1,649,832
Promissory note - related party (including accrued interest of \$147,036 and \$140,526 respectively)	1,027,036	1,020,526
Total current liabilities	<u>3,390,408</u>	<u>3,323,866</u>
Long-term liabilities:		
Convertible note payable (including accrued interest of \$181,116 and \$132,733 respectively) net of unamortized debt discount of \$796,341 and \$815,004, respectively (see note 12)	4,914,252	4,847,207
Total long-term liabilities	<u>4,914,252</u>	<u>4,847,207</u>
<b>TOTAL LIABILITIES</b>	<b>8,304,660</b>	<b>8,171,073</b>
<b>STOCKHOLDERS' DEFICIT</b>		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized:		
Series B Convertible Preferred Stock, \$0.0001 par value 500,000 shares designated, 500,000 and 500,000 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	50	50
Series C Convertible Preferred Stock, \$0.0001 par value 500,000 shares designated, 500,000 and 500,000 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	50	50
Common stock, \$0.0001 par value, 300,000,000 shares authorized		
61,072,411 and 59,582,890 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively;	6,107	5,958
Additional paid in capital	25,993,771	22,863,608
Common stock to be issued	48,500	41,000
Accumulated deficit	(31,335,162)	(28,992,485)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>	<b>(5,286,684)</b>	<b>(6,081,819)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 3,017,976</b>	<b>\$ 2,089,254</b>

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

**AXIM BIOTECHNOLOGIES, INC.**  
**Condensed Consolidated Statement of Operations**  
(Unaudited)

	For the Three months ended March 31, 2019	For the Three months ended March 31, 2018
Revenues	\$ 17,061	\$ 14,248
Cost of goods sold	4,381	1,708
Gross profit (loss)	<u>12,680</u>	<u>12,540</u>
Operating Expenses:		
Research and development expenses	532,679	678,655
Selling, general and administrative	1,772,831	1,369,243
Depreciation	839	839
Total operating expenses	<u>2,306,349</u>	<u>2,048,737</u>
Loss from operations	(2,293,669)	(2,036,197)
Other (Income) expenses:		
Unrealized gain on marketable securities	(25,000)	-
Amortization of Debt Discount	18,662	580,663
Interest expense	55,346	146,632
Total other (income) expenses	<u>49,008</u>	<u>727,295</u>
Loss before provision of income tax	(2,342,677)	(2,763,492)
Provision for income tax	-	-
NET LOSS	<u>\$ (2,342,677)</u>	<u>\$ (2,763,492)</u>
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ (2,342,677)</u>	<u>\$ (2,763,492)</u>
Loss per common share - basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>
Weighted average common shares outstanding - basic and diluted	<u>60,252,001</u>	<u>55,020,430</u>

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

**ANIM BIOTECHNOLOGIES, INC.**  
**Unaudited Condensed Consolidated Statement of Stockholders' Deficit**

Changes in shareholders' equity for the three months ended March 31, 2018 was as follows:

	Common Stock		Preferred Stock		Series A Convertible Preferred Stock		Series B Convertible Preferred Stock		Series C Convertible Preferred Stock		Additional Paid In Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2017	54,564,441	5,457	-	-	-	-	500,000	50	500,000	50	15,923,789	(22,237,839)	(6,284,493)
Common stock issued against common stock to be issued	2,179	-	-	-	-	-	-	-	-	-	15,000	-	-
Common shares issued in redemption of note	1,925,830	193	-	-	-	-	-	-	-	-	403,289	-	403,482
Common stock issued for consulting services	174,000	17	-	-	-	-	-	-	-	-	817,783	-	817,800
Common stock to be issued for consulting services	-	-	-	-	-	-	-	-	-	-	-	-	9,500
Net loss	-	-	-	-	-	-	-	-	-	-	-	(2,763,492)	(2,763,492)
Balance at March 31, 2018	56,666,450	5,667	-	-	-	-	500,000	50	500,000	50	17,159,861	(25,001,331)	(7,817,203)

Changes in shareholders' equity for the three months ended March 31, 2019 was as follows:

Balance at December 31, 2018	59,582,890	5,958	-	-	-	-	500,000	50	500,000	50	22,863,608	(28,992,485)	(6,081,819)
Common stock issued against common stock to be issued	-	-	-	-	-	-	-	-	-	-	-	-	7,500
Fair value of stock options	-	-	-	-	-	-	-	-	-	-	1,137,500	-	1,137,500
Common stock issued under registration statement on Form S-3	1,250,000	125	-	-	-	-	-	-	-	-	1,592,687	-	1,592,812
Common stock issued per stock purchase agreement	239,521	24	-	-	-	-	-	-	-	-	399,976	-	400,000
Net loss	-	-	-	-	-	-	-	-	-	-	-	(2,342,677)	(2,342,677)
Balance at March 31, 2019	61,072,411	6,107	-	-	-	-	500,000	50	500,000	50	25,993,771	(31,335,162)	(5,286,684)

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

**AXIM BIOTECHNOLOGIES, INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(Unaudited)

	<b>For the Three Months Ended March 31, 2019</b>	<b>For the Three Months Ended March 31, 2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (2,342,677)	\$ (2,763,492)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation	839	839
Stock based compensation	1,145,000	827,300
Amortization of prepaid insurance	25,768	20,959
Amortization of debt discount	18,662	580,663
Amortization of intangible assets	3,158	9,476
Unrealized gain on marketable securities	(25,000)	-
Change in operating assets and liabilities:		
Increase in accounts receivable	(13,000)	-
Increase in prepaid expenses	-	(6,742)
Increase in inventory	(68,676)	987
Increase in due to First Insurance Funding	(23,280)	(22,807)
Increase in accounts payable and accrued expenses	545,705	189,455
Decrease in security deposits	4,952	-
Net cash used in operating activities	<u>(728,549)</u>	<u>(1,163,362)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>	<u>-</u>	<u>-</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Repayment of convertible notes	-	(168,888)
Common stock issued under registration statement on Form S-3	1,592,812	-
Repayment of shareholders loans	(7,500)	-
Net cash provided by (used in) financing activities	<u>1,585,312</u>	<u>(168,888)</u>
Net increase (decrease) in cash and cash equivalents	856,763	(1,332,250)
Cash and cash equivalents at beginning of period	1,805,627	2,057,843
Cash and cash equivalents at end of period	<u>\$ 2,662,390</u>	<u>\$ 725,593</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
<b>CASH PAID DURING THE PERIOD FOR:</b>		
Interest	\$ -	\$ 164,890
Income taxes - net of tax refund	\$ -	\$ -
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Common stock issued against CS subscription	\$ 400,000	\$ -
Common stock issued against common stock to be issued	\$ -	\$ 15,000
Common stock issued against conversion of debt and interest	\$ -	\$ 403,482

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

**AXIM BIOTECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

**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.

**NOTE 2: BASIS OF PRESENTATION:**

The unaudited condensed consolidated financial statements of AXIM Biotechnologies, Inc. (formerly Axim International, Inc.) as of March 31, 2019, and for the three months period ended March 31, 2019 and 2018 have been prepared in accordance with United States generally accepted accounting principles ("US GAAP").

The following (a) balance sheets as of March 31, 2019 (unaudited) and December 31, 2018, which have been derived from audited financial statements, and (b) the unaudited interim statements of operations and cash flows of AXIM Biotechnologies, Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2019 are not necessarily indicative of results that may be expected for the year ending December 31, 2019. These unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2018 included in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission ("SEC") on April 8, 2019.

**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 \$430,208 and has an accumulated deficit of \$31,335,162 has cash used in operating activities of continuing operations \$728,549. 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 3,195,000 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. This includes sales for the three months ended March 31, 2019, during which the Company sold 1,250,000 shares and raised additional capital of \$1,592,812 through this 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 the unaudited condensed consolidated 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. Significant estimates are assumptions about collection of accounts receivable, useful life of intangible assets and assumptions used in Black-Scholes-Merton, or BSM, valuation methods, such as expected volatility, risk-free interest rate and expected dividend rate.



AXIM BIOTECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2019 and 2018

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

**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. As of March 31, 2019, the Company had no 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 March 31, 2019 the finished goods inventory totaled \$126 and raw materials in production totaled \$78,347.

**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 three months ended March 31, 2019 and 2018 the Company recorded \$839 of depreciation expense for each of these periods.

**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. Intangible assets as of March 31, 2019 amounted to \$50,534 net of accumulated impairment losses of \$664,898.

**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 are 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.

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.

On February 8, 2019 the Company received orders for 7,500 boxes (225,000 individual units, or 22,500 blisters) of its chewing gums. The first shipment was received by customer and company recorded an income of \$13,000 related to this sale of product as of March 31, 2019.

AXIM BIOTECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2019 and 2018

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

**Revenue Recognition (continued)**

Revenues from continuing operations recognized for the three months ended March 31, 2019 and 2018 amounted to \$17,061 and \$14,248, 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, Marina Street LLC, and Axim Biotechnologies (the Netherland Company) as of March 31, 2019. All significant intercompany transactions and balances have been eliminated in consolidation.

**Derivative Liabilities**

The Company assessed the classification of its derivative financial instruments as of March 31, 2019, 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 recorded a change in FMV of trading securities as unrealized gain of \$25,000 for the three months ended March 31, 2019. These securities are classified as trading.

The Company did not have any Level 2 or Level 3 assets or liabilities as of March 31, 2019, except for its convertible notes payable and derivative liability. The carrying amounts of these liabilities at March 31, 2019 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 March 31, 2019 and therefore classified as Level 1 within our fair value hierarchy.

AXIM BIOTECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2019 and 2018

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

**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.

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:

**Fair Value**

**Hierarchy Inputs to Fair Value Methodology**

<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
<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 March 31, 2019**

	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Internal Models with Significant Observable Market Parameters (Level 2)</b>	<b>Internal Models with Significant Unobservable Market Parameters (Level 3)</b>	<b>Total Fair Value Reported in Financial Statements</b>
Marketable Securities	\$ 175,000	\$ -	\$ -	\$ 175,000

**As of December 31, 2018**

	<b>Quoted Market Prices in Active Markets (Level 1)</b>	<b>Internal Models with Significant Observable Market Parameters (Level 2)</b>	<b>Internal Models with Significant Unobservable Market Parameters (Level 3)</b>	<b>Total Fair Value Reported in Financial Statements</b>
Marketable Securities	\$ 150,000	\$ -	\$ -	\$ 150,000

AXIM BIOTECHNOLOGIES, INC.  
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2019 and 2018

**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.

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**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 allowance for doubtful accounts at March 31, 2019 and December 31, 2018. The Company had \$13,000 accounts receivable at March 31, 2019 and -0- at December 31, 2018.

**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 15,964,787 common share equivalents at March 31, 2019 and 15,843,037 common shares at December 31, 2018. For the three months ended March 31, 2019 and 2018 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 \$532,679 and \$678,655 for the three months ended March 31, 2019 and 2018 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.

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

**Recently Issued Accounting Standards**

In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which provides clarification on implementation issues associated with adopting ASU 2016-02. The implementation issues noted in ASU 2019-01 include determining the fair value of the underlying asset by lessors that are not manufacturers or dealers, presentation on the statement of cash flows for sales-type and direct financing leases, and transition disclosures related to Topic 250, Accounting Changes and Error Corrections. We will apply the guidance, if applicable, as of January 1, 2019, the date we adopted ASU 2016-02. Refer to the discussion of ASU 2016-02 below for the impact on our financial position, results of operations, cash flows, or presentation thereof. 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 Company has no long-term operating leases and thus the adoption of ASC 842 had no impact on the condensed consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 818): Clarifying the Interaction Between Topic 808 and Topic 606*, which clarifies when transactions between participants in a collaborative arrangement are within the scope of the FASB's revenue standard, Topic 606. The standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In October 2018, the FASB issued ASU 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*, that changes the guidance for determining whether a decision-making fee paid to a decision makers and service providers are variable interests. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We are currently evaluating the impact of this ASU on our financial position, results of operations, cash flows, or presentation thereof.

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.

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

**Recently Issued Accounting Standards (continued)**

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 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 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.

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.

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.

**AXIM BIOTECHNOLOGIES, INC.**  
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**NOTE 5: PREPAID EXPENSES**

Prepaid expenses consist of the following as of March 31, 2019 and December 31, 2018:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Prepaid insurance	\$ 26,338	\$ 52,105
	\$ 26,338	\$ 52,105

For the three months ended March 31, 2019 and 2018, the Company recognized amortization of prepaid expense of \$25,767, \$20,959, respectively.

**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 AS0.02 per share and exchange rate of \$0.74 AUD/USD valued \$150,000. On March 29, 2019 the stock price was AS 0.024 per share as quoted on [www.asx.com.au](http://www.asx.com.au) and exchange rate of \$0.71 AUD/USD as quoted on [www.oanda.com](http://www.oanda.com) and had FMV \$175,000 as of March 31, 2019. The change to the FMV in marketable securities for the period resulted in unrealized gain of \$25,000 which Company recorded on March 31, 2019.

**NOTE 7: RESERVATION FEE DEPOSIT**

The Company does not have active reservation fee deposit as of March 31, 2019.

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

On August 8, 2014 the Company entered into a Promissory Note Agreement with Can Chew 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 March 31, 2019 and December 31, 2018:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Promissory note payable, due on demand, interest at 3% p.a.	\$ 880,000	\$ 880,000
Accrued Interest	147,036	140,526
	\$ 1,027,036	\$ 1,020,526

For the three months ended March 31, 2019 and 2018 the Company recognized interest expense of \$6,510 and \$6,510, respectively on this note.



**AXIM BIOTECHNOLOGIES, INC.**  
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**NOTE 9: RELATED PARTY TRANSACTIONS**

The Company has received working capital advances from Can Chew Biotechnologies totaling \$1,649,832 as of March 31, 2019, which includes \$0 received during the three months ended March 31, 2019. The advances are payable on demand. The Company is in discussions to have the advances reduced to a longer term, fixed maturity note. The advance are classified as due in current liabilities.

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.

Effective January 1, 2019 the company entered into a thirty month consulting agreement with the chairman of the board which pays a monthly consulting fee of \$20,000. As of March 31, 2019, the total outstanding balance was \$35,000 for consulting fees.

**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 balance was paid off as of March 31, 2019. It is expected that this policy will be renewed in June 2019.

**NOTE 11: CONVERTIBLE NOTES PAYABLE**

The following table summarizes convertible note payable- shareholder as of March 31, 2019 and December 31, 2018

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Convertible note payable, due on July 1, 2028, interest at 3.5% p.a.	\$ 45,000	\$ 45,000
Accrued interest	4,375	3,981
	<u>\$ 49,375</u>	<u>\$ 48,981</u>

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 year-end 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 March 31, 2019 is \$49,375, including interest accrued thereon of \$4,375.

**AXIM BIOTECHNOLOGIES, INC.**  
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**NOTE 11: CONVERTIBLE NOTES PAYABLE (CONTINUED)**

The following table summarizes convertible note payable as of March 31, 2019 and December 31, 2018:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Convertible note payable, due on October 1, 2029, interest at 3.5% p.a.	\$ 484,478	\$ 484,478
Convertible note payable, due on October 1, 2029, interest at 3.5% p.a.	1,000,000	1,000,000
Convertible note payable, due on November 1, 2021, interest at 3.5% p.a.	4,000,000	4,000,000
Accrued interest	176,741	128,752
Total	5,661,219	5,613,230
Less: unamortized debt discount/finance premium costs	(796,341)	(815,004)
Convertible note payable, net	4,864,878	4,798,226
Less: current portion	-	-
Long term portion	<u>\$ 4,864,878</u>	<u>\$ 4,798,226</u>

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 matures 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 a 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 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 March 31, 2019, the balance of secured convertible notes was \$526,274 which included \$41,796 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 March 31, 2019, this note has not been converted and the balance of secured convertible notes was \$1,086,722 which included \$86,722 accrued interest.

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

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 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.

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.

As of March 31, 2019, the balance of secured convertible note was \$4,048,222 which included \$48,222 accrued interest.

During the three months ended March 31, 2019 and 2018 the Company amortized the debt discount on all the notes of \$18,662 and \$580,663, respectively, to other expenses.

**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 March 31, 2019. On January 2, 2019, John Huemoller the CEO was granted the option to purchase 2 million shares of Axim Common stock under the plan at a purchase price of \$0.75 per share. 1 million shares vested immediately and 1 million shares vest at the end of 2019.

**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 March 31, 2019, and December 31, 2018 there are -0- and -0- shares of undesignated preferred shares 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 March 31, 2019, and 2018 there are -0- and -0- Series A Convertible Preferred shares issued and outstanding, respectively.

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

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 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 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 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 in exchange for cash of \$50,000. As the holders of the Series B Preferred Stock, Sanammad has designated the current directors, Dr. George E. Anastassov, Dr. Phillip A. Van Damme and Mr. Lekhrum Changoer as their three Series B Directors.

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 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 is convertible into one share of the Company's common stock. The Series C 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 C Preferred 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 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.

On February 20, 2019, MJNA Investment Holdings LLC ("Seller") sold its 500,000 shares of AXIM Biotechnologies, Inc.'s, a Nevada corporation (the "Company") Series C Preferred Stock to Juniper & Ivy Corporation, a Nevada corporation ("Purchaser") for a purchase price of \$500,000 (the "Purchase Price") pursuant to a Preferred Stock Purchase Agreement (the "Purchase Agreement"). Payment of the Purchase Price was made as follows (i) a \$65,000 payment made by check payable to Seller, which Purchaser borrowed from an unrelated third-party and which has no recourse against the Series C Preferred Stock or assets of Purchaser (the "Loan"), and (ii) the issuance by Purchaser to Seller of a promissory note, face value, \$435,000, which has no recourse against the Series C Preferred Stock or assets of Purchaser (the "Note"). The Company's Chief Executive Officer John W. Huemoeller II is the President of Purchaser. Mr. Huemoeller provided a personal guaranty for the Loan and the Note.

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. As a result of this transaction, a change in control has occurred.

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.

**AXIM BIOTECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

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

Common Stock

The Company has authorized 300,000,000 shares of common stock, with a par value of \$0.0001 per share. As of March 31, 2019, and December 31, 2018, the Company had 61,072,411 and 59,582,890 shares of common stock issued and outstanding, respectively.

During the period between January 1, 2019 and March 31, 2019 the Company issued total 1,250,000 shares valued \$1,592,813 pursuant to the Company's Registration Statement on Form S-3. The Company received \$1,592,813 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. The cash was received in 2018.

**NOTE 14: STOCK OPTIONS**

On January 02, 2019, the Company granted 2,000,000 options with an exercise price of \$0.75 per share to the Company owned by Mr. John Huemoeller, Chief Executive Officer of the Company.

The following table summarizes the changes in options outstanding, option exercisability and the related prices for the shares of the Company's common stock issued to employees and consultants under a stock option plan at March 31, 2019:

Options Outstanding			Options Exercisable		
Exercise Prices (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (\$)	Number Exercisable	Weighted Average Exercise Price (\$)
		10			0.75

The stock option activity for the year ended March 31, 2019 is as follows:

	Options Outstanding	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2018	-	-
Granted	2,000,000	0.75
Exercised	-	-
Expired or canceled	-	-
Outstanding at March 31, 2019	<u>2,000,000</u>	<u>0.75</u>

Stock-based compensation expense related to vested options was \$1,137,500 during the three months ended March 31, 2019 which includes \$227,500 compensation expenses for unvested options. The Company determined the value of share-based compensation for options vesting during the three months ended March 31, 2019 using the Black-Scholes fair value option-pricing model with the following weighted average assumptions: estimated fair value of Company's common stock of \$0.91, risk-free interest rate of 2.66%, volatility of 318%, expected lives of 10 years, and dividend yield of 0%.

**AXIM BIOTECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

**NOTE 15: 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 January 2, 2019 Dr. George Anastassov resigned as the Chief Executive Officer 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.

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 January 2, 2019 the Company recorded \$910,000 of compensation expenses for vested stock options. On March 31, 2019 recorded \$227,500 compensation expenses for unvested options.

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. 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.

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.

**AXIM BIOTECHNOLOGIES, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2019 and 2018**

**NOTE 15: COMMITMENT AND CONTINGENCIES (CONTINUED)**

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. On March 31, 2019 the Company valued the change on FMV of marketable securities and recorded unrealized gain of \$25,000.

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 \$295. A balance of security deposit was \$2,488 as of March 31, 2019.

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 approximately \$2,000.

Litigation

As of March 31, 2019, 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.

**NOTE 16: SUBSEQUENT EVENTS**

Between April 1, 2019 and May 7, 2019, the Company issued total 500,000 S-3 shares of its common stock valued \$467,875 pursuant to the Company's Registration Statement on Form S-3.

On April 23, 2019, the Company announced that its nutraceutical division entered into a purchase order agreement for the purchase of 50,000 boxes (1.5 million individual pieces) of its proprietary cannabidiol (CBD)-based chewing gum with a leading direct-to-consumer company for distribution throughout the United States. The payment in advance of \$275,000 received for this order.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

### 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-Q, 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", "continue", "ongoing", "expect", "believe", "intend", "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.

### Overview

Axim Biotechnologies, Inc., a Nevada corporation, is an innovative biotechnology company focusing on research, development and production of pharmaceutical, nutraceutical and cosmetic products, genetically controlled botanical 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.

On October 16, 2018, the Company formed a wholly owned disregarded entity Marina Street, LLC as part of improvement of internal control over cash management and bank activities.

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:

- ① 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.
- ① 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.
- ① Private label sales of our patented functional chewing gum formulations that comprises the inclusion of cannabinoids.
- ① Private label sales of our patented toothpaste that comprises the inclusion of cannabinoids.
- ① Private label sales of our patented topical creams that comprises the inclusion of various cannabinoids.
- ① Importation from Italy, and the Netherlands of pharmaceutical grade hemp oil to Europe. Some of these products will be converted by AXIM from lipophilic to hydrophilic forms based on proprietary process (patent pending) in a cGMP process.

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.

#### **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.

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**

Currently, our intellectual property includes patents, trademarks and other proprietary, confidential and/or trade secret information. Our patent applications include thirteen (13) patent application families for oral care compositions, ophthalmic solutions, sugar alcohol kneading method, cosmetics, antimicrobial compositions, THC extraction method, 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. Eleven (11) of our patent applications are in non-provisional stage in the U.S., and thirteen (13) are currently in national stage in foreign jurisdictions. Our patents include seven (7) patents for ophthalmic solutions, method to use the ophthalmic solution to treat glaucoma and conjunctivitis, two patents on process to extract THC, suppositories, oral care compositions, and method to treat atopic dermatitis; and one (1) licensed patent (chewing gum containing cannabinoids, covering all cannabinoids, including THC). We are in the process of developing and filing more patent applications.

We have twenty six (26) trademark applications some of which are registered trademarks, received Notices of Allowance, or are pending in front of the United States Patent and Trademark Office: Axim, A Axim Biotech, Cannanimals, CanQuit, CanaCoal, CanChui, CanShu, Oraximax, ReneCann, OphoCann, Cannonich, Cannocyn, HempChew, SuppoCann, CanChew, CanChew Hemp CBD Gum, CanChew Rx, MedChew, CanChew Plus, CanQuit OC, MedChew GP, MedChew RL, CanChew +, CanChew +10, CanChew +50, CanChew +100. Corresponding trademark applications have been filed in other jurisdictions have received registration or are pending. Certain additional trademark applications have been filed in other jurisdictions for some of the marks and have either 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 May 7, 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.

#### **Results of Operations**

*The following discussion of our financial condition and results of operations for the period ended March 31, 2019 should be read in conjunction with the financial statements and the notes to those statements that are included elsewhere in this Report on Form 10-Q. 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", "continue", "ongoing", "expect", "believe", "intend", "may", "will", "should", "could", and similar expressions to identify forward-looking statements.*

**Comparison of the three months ended March 31, 2019 to March 31, 2018.**

For the three months periods ended March 31, 2019 and 2018, our revenues from continuing operations totaled \$17,061 and \$14,248 respectively, unrealized gain on change in FMV of trading securities \$25,000 and -0-, respectively for the same periods.

	<b>Three Months Period Ended Mach 31, 2019</b>	<b>Three Months Period Ended Mach 31, 2018</b>	<b>\$ Change</b>	<b>% Change</b>
Research and development	\$ 532,679	\$ 678,655	\$ (145,976)	(21.51%)
Depreciation	839	839	-	0.00%
Advertising and promotions	48,740	88,639	(39,899)	(45.01%)
Travel and entertainment expenses	30,874	26,858	4,016	14.95%
Office/Other expenses	42,872	33,150	9,722	29.33%
Impairment	3,158	9,475	(6,317)	(66.67%)
Licenses and permits	2,400	5,727	(3,327)	(58.09%)
Legal and other fees	120,794	95,830	24,964	26.05%
Officer's salary	45,000	60,000	(15,000)	(25.00%)
Consulting fees	233,024	126,746	106,278	83.85%
Compensation costs	1,137,500	817,800	319,700	39.09%
Audit fees	57,500	52,500	5,000	9.52%
Filing fees	1,321	1,806	(485)	(26.85%)
Insurance expense	25,290	20,959	4,331	20.66%
Taxes	4,358	4,753	(395)	(8.31%)
Directors fees	20,000	25,000	(5,000)	(20.00%)
<b>Total</b>	<b>\$ 2,306,349</b>	<b>\$ 2,048,737</b>	<b>\$ 257,612</b>	<b>12.57%</b>

Our operating expenses for the three month periods ended March 31, 2019 and 2018, were \$2,306,349 and \$2,048,737 respectively. The changes for the three month period ended March 31, 2019, was primarily due to a compensation costs recorded in March 2019. Research has become more focused and spending will probably ramp up in coming quarters. Advertising costs have been reduced by eliminating one vendor.

**Other (Income) expenses:**

Our interest expense for the three months ended March 31, 2019 and 2018, was \$55,346, and \$146,632 respectively. The Company incurred \$18,662 and \$80,663 amortization expense on debt discount during the three months ended March 31, 2019 and 2018 respectively. The \$4,000,000 note retired in 2018.

**Going concern**

The Company's unaudited condensed consolidated 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 \$430,208 and has an accumulated deficit of \$31,335,162, has cash used in operating activities of \$728,549 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.

Three months ended March 31, 2019 and 2018

Net Cash Provided by/Used in Operating Activities

Net cash used in operating activities was \$728,549 for the three months ended March 31, 2019, as compared to net cash used of \$1,163,362 for the three months ended March 31, 2018. The cash used in operating activities is primarily attributable to our net loss from operations of \$2,342,677 and offset by net changes in the balances of operating assets and liabilities and non-cash expenses. For the three months ended March 31, 2019 these non-cash expenses were stock-based compensation of 1,137,500 and amortization of \$18,662. For the three months ended March 31, 2018 stock-based compensation was \$827,800 and amortization was \$580,663. For three months ended March 31, 2019 and March 31, 2018 the Company recorded increase to accounts payable and accrued expenses \$545,705 and \$189,455 respectively.

Net Cash Used in Investing Activities

Net cash used by investing activities during the period ended March 31, 2019 was \$-0- compared to \$-0- for the same period in 2018.

Net Cash Provided by Financing Activities

Net cash provided (used) by financing activities during the three months period ended March 31, 2019, was \$1,585,312 compared to (\$168,888) for the same period in 2018. The company has successfully raised significant capital in exchange for its common stock for the three months ended March 31, 2019.

**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.

**Contractual Obligations**

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide this information.

**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 unaudited condensed consolidated financial statements.

**Recently issued accounting standards**

In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which provides clarification on implementation issues associated with adopting ASU 2016-02. The implementation issues noted in ASU 2019-01 include determining the fair value of the underlying asset by lessors that are not manufacturers or dealers, presentation on the statement of cash flows for sales-type and direct financing leases, and transition disclosures related to Topic 250, Accounting Changes and Error Corrections. We will apply the guidance, if applicable, as of January 1, 2019, the date we adopted ASU 2016-02. Refer to the discussion of ASU 2016-02 below for the impact on our financial position, results of operations, cash flows, or presentation thereof.

In November 2018, the FASB issued ASU 2018-18, *Collaborative Arrangements (Topic 818): Clarifying the Interaction Between Topic 808 and Topic 606*, which clarifies when transactions between participants in a collaborative arrangement are within the scope of the FASB's revenue standard, Topic 606. The standard is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In October 2018, the FASB issued ASU 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*, that changes the guidance for determining whether a decision-making fee paid to a decision makers and service providers are variable interests. The guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We do not expect the adoption of this ASU to have a material impact on our consolidated financial position, results of operations, cash flows, or presentation thereof.

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We will adopt this standard on its effective date of January 1, 2020. We are currently evaluating the impact of this ASU on our financial position, results of operations, cash flows, or presentation thereof.

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 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 I 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.

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 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.

#### **Foreign Currency Transactions**

Our Foreign currency expenses were \$382 for the three months ended in March 31, 2019, and \$4,717 for the same period in 2018.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

### Item 4. 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 March 31, 2019. 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 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, cash management and banking activities, 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.

**PART II — OTHER INFORMATION**

**Item 1. 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 of any material pending, threatened or unasserted claims.

**Item 1A. Risk Factors.**

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

During the period between January 1, 2019 and March 31, 2019 the Company issued total 1,250,000 shares valued \$1,592,812 pursuant to the Company’s Registration Statement on Form S-3. The Company received \$1,592,812 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.

The issuance of securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act of 1933 and Regulation D as transactions by an issuer not involving any public offering. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. The sales of these securities were made without general solicitation or advertising.

The Company intends to use the proceeds from sale of the securities, if any, for the operations, research and development and clinical trials, and working capital.

There were no underwritten offerings employed in connection with any of the transactions set forth above.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable

**Item 5. Other Information.**

On January 2, 2019 Dr. George Anastassov resigned as the Chief Executive Officer (CEO) of AXIM Biotechnologies, Inc. Dr. Anastassov’s resignation was not because of any disagreements with the Company on matters relating to its operations, policies and practices. 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 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.

#### Employment Agreements

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. Huemoller 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. Lekhran 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 direction to grant additional equity awards to Mr. Changoer.

On August 3, 2016, all AXIM affiliates, as such term is defined by the Securities Act of 1933, as amended (the "Act"), entered into an agreement whereby each affiliate agreed to be prohibited from selling any Company securities pursuant to Rule 144 of the Act until the later of: (i) twelve (12) months from the date of the agreement; or (ii) twelve (12) months from the date of acquisition of the securities.

On or about June 29, 2016, Robert Malasek was appointed as the Company's Chief Financial Officer and Secretary. In April, 2017 the Company entered in employment agreement with Robert Malasek its, Chief Financial Officer and Secretary. The agreement does not have a set term and may be terminated by any time by the Company or Mr. Robert Malasek with proper notice. Under the agreement Mr. Malasek receives a monthly base compensation of \$1,000 and on March 20, 2018 issued unrestricted 50,000 shares of the Company's common stock.

#### Financing

On September 16, 2016, the Company entered into a convertible note purchase agreement (the "Convertible Note Purchase Agreement" or "Agreement") with a third-party investor. Under the terms of 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 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 \$0.2201. As of March 31, 2019, the principal balance of this note was \$484,478 and \$41,796 in 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 \$0.2201. 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. The Company received \$250,000 on February 1, 2017 and \$250,000 on March 2, 2017 against the note receivable of \$500,000.

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 March 31, 2019, this note has not been converted, the principal balance of this note was \$1,000,000 and \$86,722 in accrued interest.

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 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.

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. The principal amount of \$4,000,000 together with interest computed on the basis of 360-day year and compounded semi-annual basis at the rate equal to 3.5% per annum. The interest shall be payable on a semi-annual basis beginning on May 1, 2019 and thereafter on the first day of each May and November until the Maturity Date - November 1, 2021, at which time all principal and interest accrued hereon shall be due and payable. As of March 31, 2019, the principal of secured convertible notes was \$4,000,000 and \$48,222 accrued interest.

#### 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.

#### **Item 6. Exhibits.**

##### Statements

Condensed Consolidated Balance Sheets as of March 31, 2019 (unaudited) and December 31, 2018.

Condensed Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018 (unaudited)

Condensed Consolidated Statements of Changes in Shareholders' Deficit for the three months ended March 31, 2019 and 2018 (unaudited)

Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018 (unaudited)

Notes to Condensed Consolidated Financial Statements (unaudited)

##### Schedules

All schedules are omitted because they are not applicable, or the required information is shown in the Financial Statements or notes thereto.

Item 15. Exhibits.

Exhibits	Exhibit #	Incorporated by Reference (Form Type)	Filing Date	Filed with This Report
Articles of Incorporation, as filed with the Nevada Secretary of State on November 18, 2010.	<a href="#">3.1</a>	10-Q	11/14/2014	
Certificate of Amendment, as filed with the Nevada Secretary of State on July 24, 2014.	<a href="#">3.2</a>	10-Q	11/14/2014	
Amended and Restated (As of August 17, 2016) Bylaws of AXIM Biotechnologies, Inc.	<a href="#">3.3</a>	10-Q	8/22/2016	
Certificate of Designation of Series B Preferred Stock	<a href="#">3.4</a>	10-Q	8/22/2016	
Certificate of Designation of Series C Preferred Stock	<a href="#">3.5</a>	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	<a href="#">10.1</a>	10-Q	11/21/2016	
Amended and Restated Employment Agreement effective September 1, 2016, by and between AXIM International, Inc. and Lekhram Changoer	<a href="#">10.2</a>	10-Q	11/21/2016	
Employment Agreement effective September 1, 2016, by and between AXIM International, Inc. and Dr. Philip A. Van Damme.	<a href="#">10.3</a>	10-Q	11/21/2016	
Code of Business Conduct and Ethics	<a href="#">14.1</a>	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.	<a href="#">31.1</a>			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.	<a href="#">31.2</a>			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.	<a href="#">32.1</a>			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.	<a href="#">32.2</a>			X
Nominating and Governance Committee Charter	<a href="#">99.1</a>	10-Q	11/20/2017	
Compensation Committee Charter	<a href="#">99.2</a>	10-Q	11/20/2017	
Audit Committee Charter	<a href="#">99.3</a>	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

**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.

**AXIM BIOTECHNOLOGIES, INC.**

Dated: May 15, 2019

By: /s/ John W. Huemoeller II  
John W. Huemoeller II  
President and Director  
Principal Executive Officer

Dated: May 15, 2019

By: /s/ Robert Malasek  
Robert Malasek  
Principal Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John W. Huemoeller II, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for AXIM Biotechnologies, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2019

By: /s/ John W. Huemoeller II  
John W. Huemoeller II  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13a-14(a) AND 15(d)-14(a), AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Malasek, Chief Financial Officer of Axim Biotechnologies, Inc. (the "Company") certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15,  
2019

By: /s/ Robert Malasek  
Robert Malasek  
Chief Financial Officer  
(Principal Financial Officer)



**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**

In connection with the Quarterly Report of Axim Biotechnologies, Inc., a Nevada corporation, (the "Registrant") on Form 10-Q for the period ended March 31, 2019 (the "Report"), I, John W. Huemoeller II, Chief Executive Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report, as filed with the Securities and Exchange Commission, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: May 15, 2019

By: /s/ John W. Huemoeller II  
John W. Huemoeller II  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Axim Biotechnologies, Inc., a Nevada corporation, (the "Registrant") on Form 10-Q for the period ended March 31, 2019 (the "Report"), I, Robert Malasek, Chief Financial Officer of the Registrant, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 15, 2019

/s/ Robert Malasek

Robert Malasek  
Chief Financial Officer  
Principal Financial Officer