



EXMceuticals Inc. provides an update on operations and announces first closing of loan agreement

VANCOUVER, British Columbia, March 25, 2020 -- [EXMceuticals Inc. \(CSE: EXM\) \(FSE: A2PAW2\)](#) (the "Company" or "EXM"), a producer of refined cannabis ingredients for the pharmaceutical, medical, nutraceutical, and cosmetic industries, provides an update on our operations, the first closing of a loan agreement and the measures we have taken in response to the current COVID-19 global pandemic. First and foremost, the health of our team members and their families is of the utmost importance to our Company. Our operation has moved quickly to protect our staff and make sure their families are safe. We have also taken several proactive measures to preserve and maximize working capital while keeping operations as active as possible by having our teams work from home. We are committed to managing working capital and will adjust our plans as necessary.

As a result of the world situation and the strategic review that has been conducted over the last few months, the board of EXM has determined to focus on the further establishment and expansion of its Portuguese and European operations, in particular, the planned refinery south of Lisbon. EXM will devote all of the Company's management time, attention and resources to actively develop this opportunity.

Portuguese operations will continue to focus on the life sciences aspect of EXM's business by developing, testing and commercializing high-grade medical cannabis ingredients for the global market. EXM will leverage its existing Portuguese research and development competence into its planned refining and manufacturing unit and capabilities. EXM has a clear path to produce and distribute the highest quality medical cannabis ingredients under license from the Portuguese authorities. The Company will produce cannabinoid distillates, isolates and active pharmaceuticals ingredients (API's) for distribution on a B2B basis throughout Europe and beyond inside the next 12 months.

With ~750mn people Europe is twice the population size of the USA and Canada combined and has the clear potential to be the world's largest and most lucrative cannabis market. The Company expects the EU market to expand exponentially in the coming years as more European countries legalize cannabis for medical purposes, and medical use becomes more established. Regulation and consumer tastes will both increasingly require the highest standard of cannabis ingredients. With EU-GMP certification becoming a standard, there is a clear need for highly certified and pure medical production. The Company's approach to innovation through research, its capacity to produce high-quality ingredients at scale, and its extraction and refining capacity will allow the targeting of the largest medical and wellness markets in the world. Demand for very high quality, standardised, consistent, and completely safe API's is particularly increasing, while supply is currently extremely scarce and highly valued.

EXM has a compelling opportunity to build an industrial-scale commercial refining business targeting the high margin pharmaceutical, medicinal and nutraceuticals markets. The Company is in the final stages of the very detailed planning for this industrial-scale EU-GMP extraction and refinery operation, which it plans to have in commercial production before the end of 2020. This 1400 sqm facility will be operated to pharmaceutical standards. The refinery will be able to process cannabis raw material in all forms (biomass, extract and distillate) produced by compliant domestic or international suppliers. All infrastructures and processes inside the facility will meet the stringent regulatory requirements of INFARMED, the Portuguese medicine's regulator. This facility, once licensed, will produce a full range of medical ingredients from pure individual API's to distillates on a B2B basis globally. EXM management believes this planned facility will currently be unique in continental Europe in terms of scale. Negotiations are well advanced for securing the most advantageous sources of cannabis supply for the refinery, both in terms of pricing and logistics, but particularly the essential quality and certification. The Company welcomes the opportunity to hear from incremental third-party cultivators and suppliers of EU-GMP grade flowers or distillate to supply the refinery.

The Company has already obtained the licence for its Portuguese science subsidiary to perform cannabis research, science and development from INFARMED in October 2019. This license enables the Company to import, research and refine cannabinoids and cannabis by-products in Europe for R&D purposes. EXM already has a fully operational R&D laboratory in Lisbon, which contains a pilot-scale refinery for the transformation of cannabis-based ingredients, and which is now optimizing the refining processes to be used in the industrial-scale facility. EXM has already applied for funding for two new research projects under the Portugal 2020 initiative, a development program with the European Commission, and continues collaboration with Nova University Lisbon, Lusófona University. Discussions are well underway with leading Portuguese cosmetics company, and a prominent Portuguese Food & Beverage companies. The R&D unit will now begin to translate its research and science works into creating real-life wellness products within a focused go-to-market strategy.

While focusing all resources on its Portuguese operations, EXM board will delay the further development of its EXM Farming

operations in Uganda at this time. Operations at Prime Ranchers, EXM's majority-owned cultivation and extraction company in Uganda, will be impacted by this delay pending a review of financing and strategic alternatives, including the possible involvement of new financial and operating partners. Comexaf, EXM's existing joint-venture Company in the DRC, has an annual renewal requirement which will not be pursued in April 2020.

"These strategic developments means EXM will focus primarily on its existing science and refining operations, inside Portugal, creating product formulations and cannabis molecules for end buyers. EXM is seeking funds or partners in order to build a sizeable state-of-the-art pharmaceutical-grade factory, and every aspect of the project has been exhaustively detailed. The business opportunity this refinery facility represents is immense and the modelled financial outcomes for the refinery are extremely attractive. EXM also has a fantastic local management team already in place in Portugal, which can really deliver this facility," said Jonathan Summers, EXM's CEO. "We feel this focus is clearly the best future path for the Company to proceed along. Building multiple businesses simultaneously is extremely difficult, so we are focusing on what we think is clearly the biggest and most compelling economic opportunity that we can see available to the Company."

Loan Agreement

EXM announces that it has entered into loan agreements with various arms-length parties (the "**Lenders**") for the aggregate principal amount of \$2,356,000 (the "**Loan**"). The Loan is repayable within eighteen months and bears an interest rate of 12% per annum. Any interest that has accrued on the principal amount of the Loan will be payable in common shares of the Company. The price per common share will be the market price on the Canadian Securities Exchange (the "**CSE**") as at the date such Interest is payable, less the maximum available discount permitted pursuant to the rules of the CSE. The Company will use the proceeds from the Loan for general working capital purposes.

As additional consideration for the Loan, the Company has agreed to issue to the Lenders common shares equal in value to 20% of the principal amount at a deemed price of \$0.50 per common share (the "**Bonus Shares**"). The issuance of the Bonus Shares is subject to the closing of a private placement financing by the Company in which the Lenders will have subscribed for and acquired common shares of the Company at an aggregate subscription price of no less than the principal amount of the Loan (the "**Qualifying Financing**"). In the event the Lenders do not participate in a Qualifying Financing the Bonus Shares will not be issued.

ON BEHALF OF THE BOARD OF DIRECTORS OF EXMCEUTICALS INC.

Jonathan Summers, Chairman and Chief Executive Officer

For further information contact:

Investor Relations

Email: investors@exmceuticals.com

Media Enquiries:

Email: media@exmceuticals.com

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ABOUT EXMCEUTICALS

EXM is targeting the medical applications of cannabis. EXM's activities are focused on the production of high-grade cannabis and hemp ingredients for the pharmaceutical, medical, nutraceutical and cosmetic industries. The Company proposes to sell the produced ingredients to international markets. EXM was recently granted the required authorizations and permits in Portugal for its existing laboratory and pilot refinery for cannabis research. EXM has previously completed research projects with its university partners, Universidade Nova de Lisboa and Universidade Lusofona as well as applying for P2020 research grants. Following receipt of these unique Portuguese cannabis authorizations and permits, EXM is proceeding with its planned R&D program, lab work and testing. In addition to this more scientific mandate, EXM is now projecting and building a significantly larger refining facility in Portugal which once complete and licensed will be used by EXM as its base for distribution for the international legal cannabis ingredients. In addition EXM holds and interest in a cannabis farming operation in Uganda.

CSE: EXM | FSE: A2PAW2

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regulations governing the sale of our products in Europe and elsewhere, and the potential to generate sales, and completion of a Qualifying Financing, are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of EXM to be materially different from those expressed or implied by such forward-looking statements or forward-looking information. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information. EXM will not update any forward-looking statements or forward-looking information that is incorporated by reference herein, except as required by applicable securities laws.