EXMCEUTICALS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

EXMCEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Notes	December 31, 2019	June 30, 2019
ASSETS			
Current			
Cash		$ 621,007	$ 139,865
Prepaids		356,673	329,556
Receivables		202,527	129,639
Share subscriptions receivable	8	126,255	131,255
Total current assets		1,306,462	730,315
Non-current			
Property and equipment	5	1,317,785	935,546
Intangible assets		9,000	9,000
Due from related parties	9	111,749	111,749
Advances	6	671,760	671,760
Total assets		$ 3,416,756	$ 2,458,370
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,408,018	$ 933,567
Due to related parties	9	1,250,374	722,922
Loans payable	7	820,000	108,000
Loans payable to related parties	7, 9	2,083,403	307,540
Total liabilities		5,561,795	2,072,029
Shareholders' equity (deficiency)			
Share capital	8	11,930,601	11,491,843
Equity reserves	8	659,506	107,965
Shares subscribed	8	6,500	6,500
Accumulated other comprehensive loss		(3,671)	(4,453)
Deficit		(14,207,934)	(11,075,366)
Shareholders' equity (deficiency) before non-controlling interest		(1,614,998)	526,489
Non-controlling interest	10	(530,041)	(140,148)
Total shareholder's equity (deficiency)		(2,145,039)	386,341
Total liabilities and shareholders' equity (deficiency)		$ 3,416,756	$ 2,458,370

Nature and continuance of operations (Note 1)
Contingency (Note 13)
Subsequent events (Note 14)

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

EXMCEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Three Months Ended December 31, 2019	Three Months Ended December 31, 2018	Six months Ended December 31, 2019	Six months Ended December 31, 2018
EXPENSES					
Accounting and audit		$ 184,869	$ -	$ 221,383	$ -
Advertising and promotion		132,874	-	194,372	-
Consulting fees	9	556,685	356,972	1,321,125	721,638
Depreciation		64,216	-	64,216	-
Foreign exchange loss		7,910	-	18,691	-
Interest expense (recovery)		165,681	(7,158)	198,545	-
Office and administration		22,404	26,815	63,757	26,859
Operating expenses		98,292	265,170	600,542	329,327
Professional fees		85,929	107,564	197,981	135,916
Project development costs		39,594	-	39,594	-
Transfer agent and filing fees		10,435	-	14,562	-
Travel		87,268	27,030	125,745	27,030
Wages and benefits		405,587	-	569,948	-
Loss before other items		(1,861,744)	(776,393)	(3,630,461)	(1,240,770)
Other items					
Gain on settlement of loans payable (Note 7)		108,000	-	108,000	-
Net loss for the period		$ (1,753,744)	$ (776,393)	$ (3,522,461)	$ (1,240,770)
Other comprehensive loss					
Currency translation adjustment		2,891	-	782	-
Net comprehensive loss for the period		$ (1,750,853)	$ (776,393)	$ (3,521,679)	$ (1,240,770)
Net loss attributable to:					
Non-controlling interest	10	$ (166,113)	$ -	$ (389,893)	$ -
Shareholders of the Company		(1,587,631)	(776,393)	(3,132,568)	(1,240,770)
		$ (1,753,744)	$ (776,393)	$ (3,522,461)	$ (1,240,770)
Loss per common share – basic and diluted		$ (0.04)	$ (0.78)	$ (0.09)	$ (1.24)
Weighted average number of common shares outstanding – basic and diluted		36,669,310	1,000,000	36,600,042	1,000,000

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

EXMCEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Six months ended December 31, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (3,522,461)	$ (1,240,770)
Items not involving cash:		
Depreciation	64,216	-
Gain on settlement of loans payable	(108,000)	-
Interest expense	191,525	-
Changes in non-cash working capital:		
Receivables	(72,888)	(1,819)
Prepaids	(27,117)	(734,681)
Share subscriptions receivable	5,000	-
Due to related parties	567,453	-
Accounts payable and accrued liabilities	792,508	32,135
Net cash used in operating activities	(2,109,764)	(1,945,135)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(446,455)	(221,918)
Net cash used in investing activities	(446,455)	(221,918)
CASH FLOWS FROM FINANCING ACTIVITIES		
Warrants exercised	80,700	-
Proceeds from loan payable	820,000	-
Proceeds from related party loan payable	2,135,879	-
Advances received	-	2,020,327
Net cash provided by financing activities	3,036,579	2,020,327
Effect of currency translation adjustment	782	-
Change in cash	481,142	(146,726)
Cash, beginning of period	139,865	147,465
Cash, end of period	$ 621,007	$ 739

Supplemental disclosures:

During the period ended December 31, 2019, the Company issued 321,128 special warrants with a fair value of $551,541 and issued 75,554 common shares at a price of $1.35 per share and 200,000 common shares at a price of $1.2803 per share to its creditors for debt settlements in the aggregate amount of $358,058.

There were no supplemental disclosures for the period ended December 31, 2018.

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

EXMCEUTICALS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Share Capital							
	Number	Amount	Shares Subscribed	Equity Reserves	Accumulated Other Comprehensive Loss	Deficit	Non-controlling Interest	Total
Balance, June 30, 2018	1,000,000	$ 986,807	$ -	$ -	$ -	$ **(1,385,968)**	$ -	$ **(399,161)**
Loss and comprehensive loss	-	-	-	-	-	(1,240,770)	-	(1,240,770)
Balance, December 31, 2018	**1,000,000**	$ 986,807	**$ -**	**$ -**	**$ -**	**$ (2,626,738)**	**$ -**	**$ (1,639,931)**
Balance, June 30, 2019	**39,230,186**	$ **11,491,843**	$ **6,500**	$ **107,965**	$ **(4,453)**	$ **(11,075,366)**	$ **(140,148)**	$ **386,341**
Warrants exercised	163,570	80,700	-	-	-	-	-	80,700
Shares issued for debt	275,554	358,058	-	-	-	-	-	358,058
Fair value of special warrants	-	-	-	551,541	-	-	-	551,541
Loss and comprehensive loss	-	-	-	-	782	(3,132,568)	(389,893)	(3,521,679)
Balance, December 31, 2019	**39,669,310**	$ **11,930,601**	$ **6,500**	$ **659,506**	**$ (3,671)**	**$ (14,207,934)**	**$ (530,041)**	**$ (2,145,039)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

EXMceuticals Inc. (the "Company" or "EXMC") was incorporated on October 9, 2008 under the laws of British Columbia. The Company's common shares were listed on the TSX Venture Exchange ("TSX-V") under the symbol "ORR". During the year ended June 30, 2019, the Company announced that effective at the close of business on November 6, 2018 its common shares were delisted from the TSX-V at the request of the Company. The Company submitted a listing application to list its shares on the Canadian Securities Exchange (the "CSE") and the Company's shares commenced trading on the CSE on January 31, 2019 under the trading symbol "EXM".

The Company's head office and principal address is located at Suite 600, 1134 Grande Allee Ouest, Quebec, QC, Canada .

These condensed consolidated interim financial statements have been approved by the Board of Directors on March 2, 2020.

On June 5, 2018, the Company entered into a Share Exchange Agreement (the "Agreement") with EXM Holdings Inc. (formerly EXMceuticals Inc. and formerly "Afri-Can Cannabis Holdings Ltd.") ("EXM Holdings"), a private company incorporated under the Business Corporation Act (BC) and its wholly-owned subsidiary EXM Pharmaceutical and Therapeutical Farming Ltd. ("EXMP"), a company incorporated in Dominica. Pursuant to the Agreement, the Company consolidated its issued and outstanding common shares on a 1:7 basis and acquired all of the securities of EXM Holdings in consideration of 29,761,858 post-consolidated common shares of the Company. After the completion of the transaction, the Company changed its name to EXMceuticals Inc.

Upon completion of the transaction, the Company carries on the business of EXM Holdings which is to plan to operate cannabis and hemp farms and a Pharmaceutical grade refining facility in Portugal to produce cannabinoid ingredients for the international market. The transaction resulted in the shareholders of EXM Holdings acquiring control of the Company. Therefore, the transaction was accounted for as a reverse take-over ("RTO"). The closing of the transaction was subject to the terms set forth in the Agreement, the completion of a proposed financing and certain conditions being satisfied by both parties and approval by the CSE, which was all completed on January 31, 2019. As EXM Holdings is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the condensed consolidated interim financial statements at their historical carrying values.

These condensed consolidated interim financial statements have been prepared on the assumption that the Company will continue as a going concern, which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future.

As at December 31, 2019, the Company had no income generating assets and is not able to finance day-to-day activities through operations. During the period ended December 31, 2019, the Company incurred a net loss of $3,522,461 and as of this date had a working capital deficit of $4,255,333 and an accumulated deficit of $14,207,934. Management's view is that the success of the Company is dependent upon successfully being able to obtain licensing to produce cannabis based ingredients for the international market on a commercial basis which will allow it to finance its capital requirements and achieving profitable operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with cash on hand, issuance of common shares in private placements and loans from related parties as required.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

Basis of Preparation and Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared on a historical basis and have been prepared using the accrual basis of accounting, except cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

Significant accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the Company's most recent consolidated annual financial statements for the year ended June 30, 2019. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated annual financial statements for the year ended June 30, 2019.

Basis of Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, including EXM Holdings and EXMP; which were acquired on June 5, 2018 (Note 1). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The principal subsidiaries of the Company, their activities and their geographic locations as at December 31, 2019 were as follows:

Entity	Country of Incorporation	Ownership Interest	Principal Activity
EXMceuticals Inc.	Canada	100%	Holding company
EXM Holdings Inc.	Canada	100%	Holding company
EMX Pharmaceuticals and Therapeutical Farming Ltd.	Dominica	100%	Cannabis production
EMX Management Ltd.	England	100%	Dormant
EXM Ceuticals Financials B.V.	Sint Maarten	100%	Dormant
EXM Ceuticals Farming B.V.	Sint Maarten	100%	Dormant
EXMceuticals Holdings B.V.	Sint Maarten	100%	Holding company
Ceuticals Farming Limited	Malawi	100%	Dormant
EXMceuticals Portugal, LDA	Portugal	70%	Cannabis processing
Prime Ranchers Limited	Uganda	70%	Cannabis production

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Estimates and Assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, profit and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if it affects both current and future periods.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the fair value measurements for financial instruments, the useful life of property and equipment, the recoverability and measurement of deferred tax assets and provisions for contingent liabilities.

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's condensed consolidated interim financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- The classification/allocation of expenditures as assets or operating expenses;
- Identifying acquirer in transaction with EXM Holdings. Significant judgment is required in determining which party to the transaction was the acquirer. Refer to Note 3 for the factors management considered in reaching their conclusion that the acquirer was EXM Holdings.

Foreign Currency Translation

The functional currency of the Company is measured using the currency of the primary economic environment in which the Company operates. The condensed consolidated interim financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

(Expressed in Canadian Dollars)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency Translation (Continued)

The Company's subsidiary EXMceuticals Portugal LDA's functional currency is the Euro and its subsidiary Prime Ranchers Limited's functional currency is the US Dollar. The parent and the remaining subsidiaries' functional currency is the Canadian Dollar.

New accounting standards adopted during the period

IFRS 16 – Leases ("IFRS 16")

This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019. The Company assessed the impact of IFRS 16 and concluded that it has no affect on the condensed consolidated interim financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's condensed consolidated interim financial statements.

3. REVERSE TAKEOVER TRANSACTION

Upon completion of the transaction in Note 1, the shareholders of EXM Holdings acquired control of EXMC. Therefore, the transaction has been accounted for as an acquisition of EXMC by EXM Holdings. The transaction has been accounted for as a reverse take-over ("RTO"). The "Company" is defined as the consolidated entity, being the Resulting Issuer. As EXMC does not meet the definition of a business as defined by International Financial Reporting Standards ("IFRS") 3, it has been accounted for as a share-based payment transaction in accordance with IFRS 2. Although the consolidated statement of financial position and the number of shares issued are those of EXMC as a legal entity, the assets, liabilities and dollar amounts allocated to share capital are those of EXM Holdings.

In accordance with the Agreement (Note 1), EXMC issued 29,761,858 common shares for all of the issued and outstanding shares of EXM Holdings. The transaction is recognized in substance as if EXM Holdings had proceeded to the issuance of the Company's shares outstanding before the transaction in exchange for the net assets acquired. The following table provides details of the fair value of the consideration given and the fair value of the assets and liabilities acquired:

Consideration		
Fair value of 29,761,858 common shares issued	$	3,050,000
Fair value of outstanding stock options and warrants		1,650,545
Fair value of finders' shares issued		125,000
Total consideration value:	**$**	**4,825,545**

(Expressed in Canadian Dollars)

3. REVERSE TAKEOVER TRANSACTION (Continued)

Identifiable assets acquired and liabilities assumed		
Cash	$	2,381
Loan receivable		250,000
Advances to EXM Holdings		2,760,639
Accounts payable and accrued liabilities		(559,159)
Due to related parties		(1,803)
Loans payable		(173,770)
Shares subscribed		(2,328,251)
	$	**(49,963)**
Listing fee:	$	**4,875,508**

The fair value of the common shares acquired by the shareholders of EXM Holdings exceed the fair value of the assets acquired and liabilities assumed of EXMC. Because the Company cannot specifically identify any goods or services that relate to this excess, IFRS 2 requires that the difference is recognized in the determination of net loss as a listing fee.

The Company assumed 9,523 stock options exercisable at a price of $1.05 per share expiring on February 26, 2019. The fair value of the options was $2,284, estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions: risk-free interest rate - 1.91%; estimated life – 0.66 years; expected volatility - 112%; expected dividend yield - 0.00%; and forfeiture rate - 0.00%.

The Company assumed 1,114,286 warrants exercisable at a price of $0.35 per share expiring on June 16, 2020. The fair value of the warrants was $610,301, estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions: risk-free interest rate - 1.76%; estimated life – 1.38 years; expected volatility - 85%; expected dividend yield - 0.00%; and forfeiture rate - 0.00%.

The Company assumed 1,630,881 warrants exercisable at a price of $0.595 per share expiring on January 24, 2023. The fair value of the warrants was $1,037,960, estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions: risk-free interest rate - 1.77%; estimated life – 3.98 years; expected volatility - 104%; expected dividend yield - 0.00%; and forfeiture rate - 0.00%.

At June 30, 2018, the Company had received $250,000 in advances from EXMC, which was due at the earlier of February 21, 2019 or the date of the RTO. Interest was payable on the outstanding principal at a rate of 5% per annum and the advances were secured against the Company's present and subsequent acquired personal property and its ownership interest in EXMP. The fair value of the finders' shares was determined using the share price of the concurring private placement.

Pursuant to the RTO, the Company also issued 148,809 common shares of the Company with a fair value of $125,000 as finders' shares.

(Expressed in Canadian Dollars)

4. ACQUISITION OF PRIME RANCHERS LIMITED

On November 20, 2018, the Company entered into a Joint Venture Agreement (“Agreement”), through its wholly-owned subsidiary EXMceuticals Holdings B.V., to acquire 70% of Prime Ranchers Limited (“PRL”). The purpose of the joint venture is to legally grow and harvest cannabis plants for subsequent processing into products, as well as to import and/or process on cannabis raw ingredients from other supply sources for later resale and export of the products, as well as to carry out other related activities such as research and development, consultancy, etc. (“Project”). The Company has agreed to provide, in a timely and adequate manner and in the form of loans or of lease, all necessary funds required to implement the Project once the Licenses and Permits have been obtained, among others for the purpose of acquiring or leasing the related equipment, seeds, buildings as well as other material required to grow, harvest, extract, process and export the Products.

As per the Agreement, the Company shall be liable to pay PRL the sum of two hundred thousand American Dollars (USD$200,000) as follows: (i) USD$50,000 upon transfer of 70% of the shares of PRL to the Company, (ii) USD$50,000 when PRL will have been granted all licences and permits to enter into the test phase of the Project, including acceptance by the competent authorities of the buildings and processing plant, and (iii) USD$100,000 upon successful completion of the test phase and once PRL will have been granted all licences and permits for large scale operations in Uganda and full implementation of the Project. On July 18, 2018, pursuant to the agreement, the Company paid $66,835 (USD$50,000) to the shareholders of PRL in exchange for 70% of the issued and outstanding shares of PRL. This transaction was accounted for as an acquisition of an asset with the purchase price paid over the net assets acquired being recognized as a transaction cost:

	$
Total consideration paid	66,835
Transaction cost	66,835
Net assets acquired	-

5. PROPERTY AND EQUIPMENT

	Equipment $	Furniture and Fixtures $	Leasehold Improvements $	Total $
Cost:				
Balance, June 30, 2018	47,771	-	-	47,771
Reclassification of deposits	74,799	-	-	74,799
Additions	591,151	11,162	210,663	812,976
Balance, June 30, 2019	713,721	11,162	210,663	935,546
Additions	446,455	-	-	446,455
Balance, December 31, 2019	1,160,176	11,162	210,663	1,382,001
Accumulated Depreciation:				
Balance, June 30, 2019 and 2018	-	-	-	-
Additions	53,908	518	9,790	64,216
Balance, December 31, 2019	53,908	518	9,790	64,216
Net Book Value:				
As at June 30, 2018	47,771	-	-	47,771
As at June 30, 2019	713,721	11,162	210,663	935,546
As at December 31, 2019	1,106,268	10,644	200,873	1,317,785

5. PROPERTY AND EQUIPMENT (Continued)

During the period ended December 31, 2019, the Company purchased certain property and equipment for a total of $446,455 (June 30, 2019 - $812,976).

6. ADVANCES

a) During the year ended June 30, 2017, EXM Pharmaceutical and Therapeutical Farming Ltd. ("EXMFARMING"), a fully-owned subsidiary of the Company, entered into a first memorandum of understanding ("MOU 2017") for the purpose of jointly participating and collaborating into a project consisting in the cultivation for export of psychotropic and non-psychotropic medical cannabis in the Kuba Kingdom, Mweka Territory, DRC ("Project"), based on the principles set out in the MOU 2017 and under definitive terms and conditions to be recorded in a final agreement between EXMFARMING and COMEXAF Industries s.a.r.l. ("COMEXAF") and under a Joint Venture company to be owned by EXMFARMING and COMEXAF per the terms specified in the MOU 2017.

During the year ended June 30, 2018, EXMFARMING entered into a second memorandum of understanding ("MOU 2018") to extend the MOU 2017 for an additional year.

During the year ended June 30, 2019, EXMFARMING entered into an extension of the MOU 2018 to extend the MOU 2018 for an additional year and to replace EXMFARMING as the counterpart in the MOU 2018 with EXM Holdings Inc., another subsidiary of the Company. During the year ended June 30, 2019, the Company advanced $617,166 towards the Project which was recorded as project development costs on the statement of loss.

b) During the year ended June 30, 2019, the Company entered into a non-binding term sheet to acquire 100% of the shares in MM (Operations) Limited, an agro-processing business in Malawi. Pursuant to the terms of the term sheet, the Company agreed to pay USD$5,000,000 in cash and USD$25,000,000 in the form of a convertible note. As at December 31, 2019, the Company had advanced $671,760 (USD$500,000) as partial payment of the cash portion of the proposed transaction. On July 15, 2019, the Company entered into an amendment to the term sheet relating to the acquisition of MM (Operations) Limited. As the owner invested a further amount of USD$1,500,000 to fully fund operations until March 31, 2020, the Company has agreed to revise the terms of the term sheet as follows: USD$6,500,000 in cash and USD$25,000,000 in a convertible note.

7. LOANS PAYABLE

a) During the period ended December 31, 2019, the Company received loan proceeds from the Chairman totalling $267,599 (year ended June 30, 2019 - $332,401) as partial proceeds from a loan agreement signed on June 7, 2019 for total proceeds of $600,000. This loan bears interest of 10% per annum and matures six months from the date of the agreement.

As additional consideration, the Company also agreed to issue Special Warrants to the Lender to acquire up to 88,889 common shares equal in value to 20% of the principal amount at a conversion rate of $1.35 per Special Warrant Share. Conversion of the Special Warrants is subject to the Lender subscribing for securities of the Company at an aggregate subscription price of no less than the principal amount of the loan (the "Qualifying Financing"). Upon closing of a Qualifying Financing, the Special Warrants automatically convert into Special Warrant Shares. The Special Warrants are otherwise not convertible, and in the event the Lender does not participate in a Qualifying Financing on or prior to the Loan Facility Maturity Date, the Special Warrants will expire.

As at December 31, 2019, the Company had issued 88,889 Special Warrants (June 30, 2019 – 49,242). The fair value of the Special Warrants was based on a market rate of 20%. The Company recorded a discount of $38,947 which will be accreted over the term of the loan.

7. LOANS PAYABLE (Continued)

b) During the period ended December 31, 2019, the Company entered into loan facility agreement with the Chairman with a maturity date of January 5, 2021 (the "Loan Facility Maturity Date") with the Lender, pursuant to which the Lender provided to the Company a loan facility for the principal amount of $1,400,000 (the "Loan Facility") of which $1,400,000 was received at December 31, 2019. The Loan Facility bears an interest rate of 12% per annum up to the Loan Facility Maturity Date. The Company may elect to pay any outstanding principal amount and any interest accrued on the principal amount of the Loan Facility in cash or through the issuance of common shares of the Company.

As additional consideration for the Loan and Loan Facility, the Company agreed to issue special warrants (the "Special Warrants") to the Lender to acquire up to 207,407 common shares of the Company (the "Special Warrant Shares") equal to 20% of the principal amount of the Loan Facility at a conversion rate of $1.35 per Special Warrant Share. Conversion of the Special Warrants to Special Warrant Shares is subject to the closing of one or more private placements in which the Lender will have subscribed for securities of the Company at an aggregate subscription price of no less than the principal amount of the Loan Facility (the "Qualifying Financing"). Upon closing of a Qualifying Financing, the Special Warrants automatically convert into Special Warrant Shares. The Special Warrants are otherwise not convertible, and in the event the Lender does not participate in a Qualifying Financing on or prior to the Loan Facility Maturity Date, the Special Warrants will expire.

As at December 31, 2019, the Company had issued 207,407 Special Warrants (June 30, 2019 – nil). The fair value of the Special Warrants was based on a market rate of 20%. The Company recorded a discount of $421,918 (June 30, 2019 - $nil) which will be accreted over the term of the loan.

The Loan Facility also provides for the grant of performance-based warrants (the "Bonus Warrants"), entitling the Lender to acquire a percentage of the principal amount funded under the Loan Facility in common shares of the Company at a price of $1.35 per share. The percentage of Bonus Warrants the Lender will receive will be determined based on the Company's share price at the time the Loan Facility is fully repaid as follows:

(i) equal to 10% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $1.35 and $2.00 per share;

(ii) equal to 20% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $2.00 and $3.00 per share;

(iii) equal to 30% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $3.00 and $4.00 per share;

(iv) equal to 40% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $4.00 and $6.00 per share; and

(v) equal to 50% of the principal amount of the Loan Facility if the fair market value of the Company's shares is above $6.00 per share.

c) On October 21, 2019, the Company entered into an additional loan facility agreement (the "October Loan Facility Agreement") with the CEO with a maturity date of December 31, 2020 (the "October Loan Facility Maturity Date") with the Lender, pursuant to which the Lender provided to the Company a loan in the principal amount of $500,000 (the "October Loan Facility") of which $83,403 was received at December 31, 2019. The October Loan Facility bears an interest rate of 15% per annum up to the October Loan Facility Maturity Date. The October Loan Facility is repayable in cash, and the accrued interest is convertible into common shares of the Company at the option of the Lender.

7. LOANS PAYABLE (Continued)

As additional consideration for the October Loan Facility, the Company also agreed to issue special warrants (the "October Special Warrants") to the Lender to acquire up to 74,074 common shares of the Company (the "October Special Warrant Shares") equal to 20% of the principal amount under the October Loan Facility at a conversion rate of $1.35 per October Special Warrant Share. Conversion of the October Special Warrants is subject to the Lender participating in a Qualifying Financing, as described above, for an aggregate subscription price of no less than the principal amount of the October Loan Facility.

As at December 31, 2019, the Company had issued 74,074 Special Warrants (June 30, 2019 – nil). The fair value of the Special Warrants was based on a market rate of 20%. The Company recorded a discount of $119,726 (June 30, 2019 - $nil) which will be accreted over the term of the loan.

The October Loan Facility also provides for the grant of performance-based warrants (the "October Bonus Warrants"), entitling the Lender to acquire a percentage of the principal amount funded under the October Loan Facility in common shares of the Company at a price of $1.35 per share. The percentage of October Bonus Warrants the Lender will receive will be determined based on the Company's share price at the time the October Loan Facility is fully repaid as follows:

(i) equal to 15% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $1.35 and $2.00 per share;

(ii) equal to 25% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $2.00 and $3.00 per share;

(iii) equal to 35% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $3.00 and $4.00 per share;

(iv) equal to 45% of the principal amount of the Loan Facility if the fair market value of the Company's shares is between $4.00 and $6.00 per share; and

(v) equal to 60% of the principal amount of the Loan Facility if the fair market value of the Company's shares is above $6.00 per share.

d) During the year ended June 30, 2019, the Company received a loan from Palisade Global Investments Ltd. for $100,000. The loan bears an interest charge of 8% to be paid in cash on the payment date, in addition to the principal. During the year ended June 30, 2019, the Company accrued an interest charge of $8,000 on this loan.

On October 22, 2019, the Company entered into a settlement with Palisade Global Investments Ltd. to terminate the Consulting Agreement and Loan Agreement effective July 12, 2019.

e) During the period ended December 31, 2019, the Company received loans from four third parties for a total of $820,000. The loans bear an interest rate of 12% per annum. During the period ended December 31, 2019, the Company accrued interest of $2,320 on the loans.

8. SHARE CAPITAL

Authorized

100,000,000 common shares without par value.

Issued

During the period ended December 31, 2019 the Company:

a) Issued 95,713 common shares of the Company at $0.595 per share for proceeds of $56,949 and 67,857 common shares of the Company at $0.35 per share for proceeds of $23,750 pursuant to the exercise of warrants.

b) Issued 75,554 common shares of the Company at a price of $1.35 per share and 200,000 common shares of the Company at a price of $1.2803 per share to its creditors for debt settlements in the aggregate amount of $358,058.

On September 26, 2019, the Company's Board of Directors approved an equity compensation plan and on December 31, 2019, granted 500,000 restricted share units to the CEO subject to shareholder approval. Each restricted share unit entitles the holder to purchase one common share of the Company at $1.35 per share until December 31, 2022 and is subject to vesting in equal annual installments for three years.

During the year ended June 30, 2019 the Company:

a) The Company consolidated its shares on a 1:7 basis. All the references to shares issued have been retroactively restated to reflect the consolidation.

b) Issued 29,761,858 common shares to the shareholders of EXM Holdings in exchange for 100% of the issued and outstanding shares of EXM Holdings. The Company also issued 148,809 common shares as a finders' fee in connection with the RTO at a fair value of $125,000 recorded as a listing fee. Refer to Note 3.

c) Issued 3,011,220 common shares for gross proceeds of $2,529,445 (of which $126,255 is receivable at December 31, 2019 and was received subsequent to December 31, 2019). In connection with the financing, the Company paid an aggregate finders' fee of $62,471 and issued 69,416 finders' warrants (the "Finders' Warrants") at a fair value of $3,760. Each Finders' Warrant is exercisable into one common share in the capital of the Company at an exercise price of $1.26 per common share for a period of one year from the date of issuance.

d) Issued 2,606,325 common shares for gross proceeds of $3,518,537 (of which $1,255 is receivable at December 31, 2019). In connection with the financing, the Company paid an aggregate finders' fee of $269,604 and issued 159,690 finders' warrants (the "Finders' Warrants") at a fair value of $75,155. Each Finders' Warrant is exercisable into one common share in the capital of the Company at an exercise price of $1.35 per common share for a period of 18 months from the date of issuance.

e) Issued 71,427 common shares for gross proceeds of $42,499 from the exercise of warrants.

f) As at June 30, 2019, $6,500 of share subscriptions were received.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

Stock Options

The Company has adopted a stock option plan whereby the Company may grant, to directors, officers, employees and consultants, options to purchase common shares of the Company provided that the number of options granted, including all options granted by the Company to date, does not exceed 10% of the Company's common shares issued and outstanding at the time of granting stock options. Options may be exercised no later than 90 days following cessation of the optionee's position with the Company or 30 days following cessation of an optionee conducting investor relations activities. All options vest immediately as per the Company's stock option plan.

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2018	9,523	$ 1.05
Expired	(9,523)	1.05
Balance, June 30, 2019 and December 31, 2019	-	$ -

Warrants

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2018	2,745,167	$ 0.50
Granted	278,348	1.33
Exercised	(71,427)	0.595
Balance, June 30, 2019	2,952,088	0.57
Granted	321,128	1.35
Exercised	(163,570)	0.49
Expired	(158,305)	1.31
Balance, December 31, 2019	2,951,341	$ 0.62

The weighted average remaining contractual life of the outstanding warrants at December 31, 2019 was 1.82 years (2018 – 1.96 years).

Number of Warrants	Exercise Price ($)	Expiry Date
1,046,429	0.35	June 16, 2020
52,457*	1.35	September 15, 2020
107,233*	1.35	October 17, 2020
74,074**	1.35	December 31, 2020
207,407**	1.35	January 5, 2021
1,463,741	0.595	January 24, 2023
2,951,341		

*finders' warrants
**special warrants

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (Continued)

Warrants (continued)

The following weighted average assumptions were used for the Black-Scholes Option Pricing Model valuation of finder's warrants granted during the period ended December 31, 2019 and the year ended June 30, 2019:

	Period ended December 31, 2019	**Year ended June 30, 2019**
Risk-fee interest rate	-	1.71%
Expected life of options	-	1.2 years
Expected annualized volatility	-	97.05%
Expected dividend rate	-	-

Equity Reserves

The equity reserve account records items recognized as stock-based compensation expense until such time that the stock options and warrants are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired stock options are transferred to deficit in the year of forfeiture or expiry.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, key management personnel, close family members and enterprises that are controlled by these individuals. Key management personnel are those having authority and responsibility for planning and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

As at December 31, 2019, the Company owed $1,250,374 (June 30, 2019 – $722,922) to officers and directors of the Company.

As at December 31, 2019, the Company advanced $111,749 (June 30, 2019 – $111,749) to officers of the Company.

The amounts due to and from related parties are unsecured, non-interest bearing, and have no fixed terms of repayment.

On June 7, 2019, the Company entered into a loan agreement with a related party for $600,000. The loan bears interest at 10% per annum and is due on December 7, 2019. As at December 31, 2019, the Company had been advanced $600,000 of this loan.

On July 5, 2019, the Company entered into a loan agreement with a related party for $1,400,000. The loan bears interest at 12% per annum and is due on January 5, 2021. As at December 31, 2019, the Company had been advanced $1,400,000 of this loan.

On October 21, 2019, the Company entered into a loan agreement with a related party for $500,000. The loan bears interest at 15% per annum and is due on December 31, 2020. As at December 31, 2019, the Company had been advanced $83,403 of this loan.

(Expressed in Canadian Dollars)

9. RELATED PARTY TRANSACTIONS (Continued)

Key management personnel comprise the current and former President, Chief Executive Officer, Chief Financial Officer, and Directors and Officers of the Company. The remuneration of the key management personnel for the six months ended December 31, 2019 and 2018 consisted of consulting fees and management fees of $783,814 (2018 - $522,179).

10. NON-CONTROLLING INTEREST

The non-controlling interest represents the 30% equity interest in EXMceuticals Portugal, LDA (Portugal) and 30% interest in Prime Ranchers Limited (Uganda) held by other shareholders.

The following represents the summarized consolidated statement of financial position of EXMceuticals Portugal, LDA (Portugal):

At	**December 31, 2019**	June30, 2019
Current Assets	**$ 193,079**	$ 265,353
Current Liabilities	**(1,853,261)**	(751,816)
Total Current Net Assets	**(1,660,182)**	(486,463)
Non-Current Assets	**650,976**	267,081
Non-Current Liabilities	**-**	-
Total Non-Current Assets	**650,976**	267,081
Balance, end of period/year	**$ (1,009,206)**	$ (219,382)

The following represents the summarized statement of comprehensive loss of EXMceuticals Portugal, LDA (Portugal):

For the periods ended December 31	**2019**	2018
Revenue	**$ -**	$ -
Net loss before income tax	**(797,393)**	-
Income tax expense	**-**	-
Net and comprehensive loss	**$ (793,393)**	$ -

The following represents the summarized consolidated statement of financial position of Prime Ranchers Limited (Uganda):

At	**December 31, 2019**	June30, 2019
Current Assets	**$ 112,346**	$ 112,849
Current Liabilities	**(1,155,376)**	(663,442)
Total Current Net Assets	**(1,043,030)**	(550,593)
Non-Current Assets	**322,321**	323,977
Non-Current Liabilities	**-**	-
Total Non-Current Assets	**322,321**	323,977
Balance, end of period/year	**$ (720,709)**	$ (226,616)

10. NON-CONTROLLING INTEREST (Continued)

The following represents the summarized statement of comprehensive loss of Prime Ranchers Limited (Uganda):

For the periods ended December 31	**2019**	2018
Revenue	**$ -**	$ -
Net loss before income tax	**(502,250)**	-
Income tax expense	**-**	-
Net and comprehensive loss	**$ (502,250)**	$ -

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts and legal trust accounts, receivables and advances. Cash is deposited in bank accounts held with major banks in Canada and Portugal. As most of the Company's cash is held in trust there is a concentration of credit risk. As cash is held in legal trust, it receivable balance mainly consists of sale tax credits refundable from government bodies, and the advances expected to be applied towards investments, the credit risk has been assessed as low.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Foreign Exchange Risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share and working capital.

There was no change in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Cash is measured at Level 1 of the fair value hierarchy. The fair value of receivables, accounts payable, amounts due to/from related parties and loans payable approximates fair value due to the short-term nature of the financial instruments.

Fair Value

The fair value of the Company's financial assets and liabilities approximate the carrying amount.

12. SEGMENT REPORTING

Geographic information relating to the Company's activities are as follows:

	Canada	Portugal	Uganda	Dominica	Sint Maarten	Total
	$	$	$	$	$	$
December 31, 2019:						
Total assets	1,762,261	844,055	434,667	344,488	31,285	3,416,756
Total liabilities	3,493,317	1,344,156	543,448	151,048	29,826	5,561,795
Net loss	2,222,818	797,393	502,250	-	-	3,522,461

	Canada	Portugal	Uganda	Dominica	Sint Maarten	Total
	$	$	$	$	$	$
June 30, 2019:						
Total assets	1,113,337	532,434	436,826	344,488	31,285	2,458,370
Total liabilities	1,604,978	267,797	48,206	151,048	-	2,072,029
Net loss	8,851,371	236,208	230,951	444,166	66,850	9,829,546

13. CONTINGENT LIABILITY

During the year ended June 30, 2019, the Company received a Notice of Claim from a former consultant for $35,236 and the parties are scheduled to go to trial in May 2020. Management is disputing this claim as they are contending the services have not been provided. The Company's legal counsel has stated that the likelihood of any outcome cannot be assessed and, therefore, no amount has been accrued as at December 31, 2019.

14. SUBSEQUENT EVENTS

Subsequent to the period ended December 31, 2019, the Company:

- issued an aggregate of 10,966,931 stock options to directors, officers and consultants expiring between February 5, 2023 and January 22, 2030 with exercise prices ranging from $2.00 to $5.00;

- issued an aggregate of 2,250,000 restricted share units to executive officers of the Company. The restricted share units have a deemed price of $0.50 per unit and entitle the holder to receive one share of the Company per restricted share units, subject to vesting in equal annual instalments over a three-year period.