CHEMESIS INTERNATIONAL INC.
(FORMERLY CANADIAN MINING CORP.)

Consolidated Financial Statements
For the years ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Independent Auditor's Report

To the Shareholders of Chemesis International Inc. (formerly Canadian Mining Corp.)

We have audited the accompanying consolidated financial statements of Chemesis International Inc. (formerly Canadian Mining Corp.), which comprise the consolidated statements of financial position as at June 30, 2018, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chemesis International Inc. (formerly Canadian Mining Corp.) as at June 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Chemesis International Inc. (formerly Canadian Mining Corp.) for the year ended June 30, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on October 31, 2017.

"D&H Group LLP"

Chartered Professional Accountants

Vancouver, B.C.
October 4, 2018

CHEMESIS INTERNATIONAL INC. (FORMERLY CANADIAN MINING CORP.)
Consolidated Statements of Financial Position
As at June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	$ 2,540,505	$ 1,016,593
Loans receivable (Note 10)	759,413	-
Prepaid expenses	16,173	389
Total current assets	3,316,091	1,016,982
Non-current asset		
Exploration and evaluation assets (Note 5)	78,357	16,243
Total assets	$ 3,394,448	$ 1,033,225
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 52,453	$ 246,059
Related party advances (Note 7)	-	108,308
Total liabilities	52,453	354,367
Shareholders' equity		
Share capital (Note 6)	4,602,596	1,019,927
Contributed surplus (Note 6)	1,369,330	410,854
Deficit	(2,629,931)	(751,923)
Total shareholders' equity	3,341,995	678,858
Total liabilities and shareholders' equity	$ 3,394,448	$ 1,033,225

Nature of operations and going concern (Note 1)

Subsequent events (Note 12)

Approved on behalf of the Board:

"Brian Thurston", Director

"Aman Parmar", Director

These consolidated financial statements are authorized for issue by the Board of Directors on October 4, 2018.

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

CHEMESIS INTERNATIONAL INC. (FORMERLY CANADIAN MINING CORP.)
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Interest income	$	12,915	$	-
Expenses				
Office and administrative		10,896		20
Exploration costs		5,140		-
Professional fees		185,770		22,140
Consulting fees (Note 7)		472,481		107,600
Exchange and filing fees		50,766		17,305
Advertising and promotion		239,301		-
Travel		23,756		-
Share-based payments (Note 6)		922,246		399,850
		(1,910,356)		(546,915)
Net loss before other income (expenses)	$	(1,897,441)	$	(546,915)
Other income (expense)				
Plan of arrangement costs		-		(206,525)
Gain on foreign exchange		19,433		1,517
Net and comprehensive loss for the year	$	(1,878,008)	$	(751,923)
Basic and diluted loss per share	$	(0.15)	$	(0.98)
Weighted average number of shares outstanding		12,772,765		763,850

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

CHEMESIS INTERNATIONAL INC. (FORMERLY CANADIAN MINING CORP.)
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Operating Activities				
Net loss for the year	$	(1,878,008)	$	(751,923)
Items not involving cash:				
Share-based payments		922,246		399,850
Changes in non-cash working capital items				
Loans receivable		(759,413)		-
Prepaid expenses		(15,784)		(389)
Accounts payable and accrued liabilities		(193,606)		246,059
		(1,924,565)		(106,403)
Investing Activity				
Expenditures on mineral properties		(62,114)		-
Financing Activities				
Net proceeds received on issuance of shares		3,618,899		1,014,688
Cash received (paid back to) related parties		(108,308)		108,308
		3,510,591		1,122,996
Increase in cash and cash equivalents		1,523,912		1,016,593
Cash and cash equivalents, beginning of year		1,016,593		-
Cash and cash equivalents, end of year	$	2,540,505	$	1,016,593
Cash and cash equivalents consist of:				
Cash	$	1,140,505	$	1,016,593
Short-term deposits		1,400,000		-
	$	2,540,505	$	1,016,593

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

CHEMESIS INTERNATIONAL INC. (FORMERLY CANADIAN MINING CORP.)
Consolidated Statements of Changes in Equity
For the Years Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	Common Shares		Contributed		Total
	Number	**Amount**	**Surplus**	**Deficit**	**Equity**
June 30, 2016	50	$ 100	$ -	$ -	$ 100
Shares issued pursuant to private placement	5,502,484	990,447	-	-	990,447
Share issuance costs	-	(59)	-	-	(59)
Shares issued pursuant to plan of arrangement	2,826,838	16,243	-	-	16,243
Shares cancelled pursuant to plan of arrangement	(50)	(100)	-	-	(100)
Fair value of warrants issued pursuant to private placement	-	(11,004)	11,004	-	-
Shares issued pursuant to warrants exercised	135,000	24,300	-	-	24,300
Fair value of stock options granted	-	-	399,850	-	399,850
Loss for the year	-	-	-	(751,923)	(751,923)
June 30, 2017	8,464,322	$ 1,019,927	$ 410,854	$ (751,923)	$ 678,858
Shares issued pursuant to private placement	4,399,472	2,199,736	-	-	2,199,736
Share issuance costs	-	(148,514)	-	-	(148,514)
Shares issued pursuant to warrants exercised	3,076,282	1,523,701	(6,024)	-	1,517,677
Shares issued pursuant to options exercised	100,000	116,642	(66,642)	-	50,000
Fair value of stock options granted	-	-	922,246	-	922,246
Fair value of warrants issued as finders' fees	-	(108,896)	108,896	-	-
Loss for the year	-	-	-	(1,878,008)	(1,878,008)
June 30, 2018	16,040,076	$4,602,596	$1,369,330	$(2,629,931)	$3,341,995

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

1. NATURE OF OPERATIONS

Chemesis International Inc. (formerly Canadian Mining Corp.) (the "Company" or "Chemesis") was incorporated on April 26, 2013 and was a wholly-owned subsidiary of International Zeolite Corp. During fiscal 2017, the Company was spun out pursuant to a plan of arrangement as disclosed in Note 4. On June 5, 2017, the Company's common shares began trading on the TSX Venture Exchange under the symbol CNG. The Company is an exploration stage public company whose principal business activities are the acquisition, exploration and evaluation of mineral properties.

At the date of these consolidated financial statements, the Company has not been able to identify a known body of commercial grade ore on its property and the ability of the Company to recover the costs it has incurred to date on the property is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no source of operating revenue and is dependent upon equity financing on terms that are acceptable to the Company, to maintain its current operations.

The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and on securing additional financing. There is, however, no assurance that any such initiatives will be sufficient and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

Effective July 17, 2018, the Company completed a share consolidation of its share capital on the basis of two existing common shares for one new common share. As a result of the share consolidation, the 32,080,152 common shares issued and outstanding were consolidated to 16,040,076 common shares. All information in these consolidated financial statements is presented on a post-share consolidation basis, including the number and exercise price of all share options and warrants.

See Note 12.

2. BASIS OF PRESENTATION

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2.1 Basis of Measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense. Certain items are stated at fair value.

2.2 Details of the Group

In addition to the Company, the consolidated financial statements include all subsidiaries. Subsidiaries are all corporations over which the Company is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Company ceases.

The subsidiaries of the Company are as follows:

Company	Location of Incorporation	Ownership Interest
Canadian Mining Company of Arizona, Inc.	USA	100%

2.3 Significant Judgments, Estimates and Assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

2. BASIS OF PRESENTATION - continued

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Going concern
The assessment of the Company's ongoing viability as an operating entity and determination of the related disclosures require significant judgment.

(ii) Exploration and evaluation properties and impairment
The Company is required to make significant judgments regarding the capitalization of the costs incurred in respect to its exploration and evaluation properties. The Company is also required to make significant judgments on the ongoing feasibility of mineral exploration, and whether there are indicators that the development of a specific area is unlikely and exploration and evaluation properties should be impaired. Management has assessed impairment indicators on the Company's exploration and evaluation properties and has concluded that no impairment indicators existed as of June 30, 2018 and 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase.

3.2 Exploration and Evaluation Assets

(i) Pre-license costs:

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred.

(ii) Exploration and evaluation costs:

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred, unless future economic benefit is not expected to be realized. The Company capitalizes, on a property by property basis, the costs of acquiring, maintaining its interest in, and exploring and evaluating mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Indirect administrative costs are expensed as incurred. Exploration and evaluation properties are not depreciated during the exploration and evaluation stage.

Recovery of capitalized costs is dependent on successful development of economic mining operations or the disposition of the related mineral property.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers, non-compliance with regulatory requirements or title may be affected by undetected defects.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.3 Decommissioning and Restoration

The Company is subject to various governmental laws and regulations relating to the protection of the environment. The environmental regulations are continually changing and are generally becoming more restrictive.

Decommissioning and restoration obligations encompass legal, statutory, contractual or constructive obligations associated with the retirement of a long-lived tangible asset (for example, mine reclamation costs) that results from the acquisition, construction, development and/or normal operation of a long-lived asset. The retirement of a long-lived asset is reflected by an other-than-temporary removal from service, including sale of the asset, abandonment or disposal in some other manner.

The fair value of a liability for decommissioning and restoration is recorded in the period in which the obligation first arises. The Company records the estimated present value of future cash flows associated with site closure and reclamation as a long-term liability and increases the carrying value of the related assets for that amount. Over time, the liability is increased to reflect an interest element in the estimated future cash flows (accretion expense) considered in the initial measurement of fair value. The capitalized cost is depreciated on either the unit-of-production basis or the straight-line basis, as appropriate. The Company's estimates of its provision for decommissioning and restoration obligations could change as a result of changes in regulations, changes to the current market-based discount rate, the extent of environmental remediation required, and the means of reclamation or cost estimates. Changes in estimates are accounted for in the period in which these estimates are revised.

As at June 30, 2018 and 2017, the Company has determined that it does not have any decommissioning and restoration obligations related to current or former operations.

3.4 Impairment of Non-Financial Assets

For the purposes of assessing impairment, the recoverable amount of an asset, which is the higher of its fair value less costs to sell and its value in use, is estimated.

3.5 Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.6 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.7 Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and certain non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged either to profit or loss or exploration and evaluation properties, with the offsetting credit to share option reserve. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in share option reserve are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in share option reserve.

3.8 Valuation of Equity Units Issued in Private Placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The fair value of common shares issued in private placement was determined to be the more easily measurable component and are valued at their fair value, as determined by the closing bid price on the announcement date. The balance, if any, is allocated to attached warrants. Any fair value attributed to warrants is recorded to contributed surplus.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.9 Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company’s common shares for the period will be dilutive.

During the years ended June 30, 2018 and 2017, all the outstanding share options and warrants were anti-dilutive.

3.10 Financial Instruments - Recognition and Measurement

Non-derivative financial assets and financial liabilities
The Company classifies financial assets as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Available-for-sale financial assets are those financial assets that are not classified as any of the above. Financial liabilities are either classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial assets and financial liabilities are recognized initially at fair value.

Financial assets and financial liabilities at fair value through profit or loss are subsequently measured at fair value with changes in fair values recognized in profit or loss.

Financial assets classified as available for sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income.

Loans and receivables, held-to-maturity investments and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Company’s financial instruments consist of cash and cash equivalents, loans receivable, and accounts payable and accrued liabilities.

Cash and cash equivalents are classified as fair value through profit or loss, and loans receivable are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

Transaction costs, other than those related to financial instruments classified as financial assets and financial liabilities at fair value through profit or loss, are added to the fair value of the financial asset and financial liability on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

3.11 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

3.12 Comprehensive Income (Loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income (loss). Other comprehensive income (loss) includes items such as gains and losses from translating the financial statements of a foreign operation, gains and losses on re-measuring available-for-sale financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

3.13 New Standards Not Yet Adopted

IFRS 9: Financial Instruments was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company notes that there will be no significant impact on the Company’s consolidated financial statements as a result of adopting IFRS 9.

IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company notes that there will be no significant impact on the Company’s consolidated financial statements as a result of adopting IFRS 15.

IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. The Company is continuing to assess the impact of this new standard on its financial position and financial performance.

(Expressed in Canadian Dollars)

4. PLAN OF ARRANGEMENT

On February 17, 2017, the Company's then parent company, International Zeolite Corp. ("CNZ"), a publicly traded entity entered into Vend-In and Arrangement Agreements with the Company. Pursuant to the Vend-In agreement, CNZ transferred all of the issued and outstanding shares of Canadian Mining Company of Arizona, Inc. ("CMCA"), which holds the claims to the Bullard Pass Property, to the Company. Pursuant to the Arrangement Agreement, the Company and its wholly-owned subsidiary, CMCA, were spun out of CNZ whereby the existing shareholders of CNZ received one share of the Company for every five shares of CNZ held at the record date. CNZ's shareholders also received one warrant of the Company for every five warrants of CNZ held at the record date. As a result, the Company issued CNZ shareholders 2,826,838 common shares at an estimated fair market value ("FMV") of $0.0064 per share and 227,500 share purchase warrants having a fair value of $nil.

The fair value of the consideration given for the identifiable assets of CMCA that were acquired has been allocated as follows:

		June 30, 2017
Net assets acquired:		
Exploration and evaluation asset	$	16,243
Consideration given:		
Fair value of common shares issued	$	16,243

During the year ended June 30, 2017, the Company incurred $206,525 in costs relating to the plan of arrangement which have been expensed in the consolidated statements of operations and comprehensive loss.

(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

The Company has 171 mineral claims in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona, United States.

A summary of the capitalized acquisition and exploration expenditures and accumulated totals for the years ending June 30, 2018 and 2017 are as follows:

	Amount ($)
Balance at June 30, 2016	**11,533**
Additions during the year:	
Claim fees	4,710
Balance at June 30, 2017	**16,243**
Additions during the year	
Claim fees	62,114
Balance at June 30, 2018	**78,357**

6. SHARE CAPITAL

6.1 Authorized Share Capital

Unlimited number of common shares with no par value.

6.2 Shares Issued

Shares issued and outstanding as at June 30, 2018 are 16,040,076 (2017 – 8,464,322).

During the year ended June 30, 2018, the following share transactions occurred:

a. The Company issued 4,399,472 units at $0.50 per unit for gross proceeds of $2,199,736. Each unit was comprised of one common share and one common share purchase warrant exercisable at $2.00 per common share for a period of two years from the date of closing. The Company incurred $257,410 in share issuance costs in connection with the financing. Included in share issuance costs is the fair value allocation of $108,896 due to the fair value of 182,910 warrants issued as finders' fees.

b. The Company issued 3,076,282 common shares for gross proceeds $1,517,677 pursuant to the exercise of warrants.

c. The Company issued 100,000 common shares for gross proceeds of $50,000 pursuant to the exercise of options.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL - continued

During the year ended June 30, 2017, the following share transactions occurred:

d. The Company issued 5,502,484 units at $0.18 per unit for gross proceeds of $990,447. Each unit was comprised of one common share and one common share purchase warrant exercisable at $0.50 per common share for a period of one year from the date of closing. The shares and warrants have an escrow provision whereby 25% are released every four months from the date of issuance.

e. The Company issued 2,826,838 common shares having an estimated fair market value of $16,243 pursuant to the plan of arrangement with Canadian Zeolite Corp.

f. The Company issued 135,000 common shares for gross proceeds of $24,300 pursuant to the exercise of warrants.

g. The Company has 528,644 common shares held in escrow subject to a 36-month staged release escrow agreement.

6.3 Warrants

The following warrants were outstanding:

	Warrants	Weighted average exercise price
June 30, 2016	-	$ -
Issued on private placement	5,502,484	0.50
Issued on plan of arrangement	227,500	0.18
Exercised	(135,000)	0.18
June 30, 2017	5,594,984	0.50
Issued on private placement	4,399,472	2.00
Exercised	(3,076,283)	0.18
Expired	(2,518,701)	0.18
June 30, 2018	4,399,472	$ 2.00

Expiry date	Warrants	Weighted average exercise price
August 3, 2019	4,399,472	$ 2.00

At June 30, 2018, the weighted-average remaining life of the outstanding warrants was 1.1 years (2017 – 0.89).

(Expressed in Canadian Dollars)

6. SHARE CAPITAL - continued

The fair value of the share purchase warrants issued as finder's fees during the year ended June 30, 2018 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Risk free interest rate	1.11%	-
Expected warrant life (years)	2.00 years	-
Expected stock price volatility	126%	-
Dividend payments during life of option	Nil	-
Expected forfeiture rate	Nil	-

6.4 Share-based Compensation

The Company has adopted a stock option plan whereby up to 10% of the outstanding shares of the Company as of the date of grant have been reserved for the grant and issuance to its employees, officers, directors and consultants. Under the plan, the exercise price of an option may not be set at less than the minimum price permitted by the TSX Venture Exchange. The aggregate number of options granted to any one individual during any 12-month period may not exceed 5% of the issued shares of the Company, or 2% in the case of consultants and investor relations representatives. The stock option plan provides for full vesting of the stock options on the date of approval of the options by the appropriate regulatory authority. Stock options granted to any person engaged in investor relations activities will vest over a period of not less than 12 months with no more than 25% of the stock options vesting in any three-month period. The exercise price of any stock options granted under the plan shall be determined by the Board but may not be less than the market price of the common shares on the Exchange on the date of grant (less any discount permissible under Exchange rules). The term of any stock options granted under the plan shall be determined by the Board at the time of grant but may not exceed ten years.

Total share options granted during the year ended June 30, 2018 were 800,000 (2017 – 600,000). Total share-based payments recognized for the fair value of share options granted, vested and approved by the shareholders during the year ended June 30, 2018 was $922,246 (2017 - $399,850). Of those share options, 500,000 were cancelled subsequent to issuance.

(Expressed in Canadian Dollars)

6. SHARE CAPITAL - continued

The fair value of the share options granted during the years ended June 30, 2018 and 2017 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

	Year Ended June 30, 2018	Year Ended June 30, 2017
Risk free interest rate	1.11%	1.11%
Expected option life (years)	5.00 years	5.00 years
Expected stock price volatility	126%	126%
Dividend payments during life of option	Nil	Nil
Expected forfeiture rate	Nil	Nil

Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a company's shares. Expected volatility has been estimated based on historical volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's share options.

The following stock options issued under the employee stock option plan were outstanding:

	Options	Exercise price
June 30, 2016	-	$ -
Issued	600,000	0.50
June 30, 2017	600,000	0.50
Issued	800,000	1.10
Forfeited	(150,000)	0.50
Exercised	(100,000)	0.50
Cancelled	(500,000)	1.10
June 30, 2018	650,000	0.78

At June 30, 2018, the weighted average remaining life of the outstanding options was 4.03 years (2017 – 4.95 years).

Outstanding			Exercisable		
Number of Options	Exercise price	Remaining contractual life (years)	Number of Options	Exercise price	Remaining contractual life (years)
350,000	$ 0.50	3.95	350,000	$ 0.50	3.95
300,000	1.10	4.14	300,000	1.10	4.14
650,000			650,000		

(Expressed in Canadian Dollars)

7. RELATED PARTY DISCLOSURES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

a) During fiscal 2018 and 2017 the following compensation was incurred:

		2018		2017
Consulting fees	$	247,396	$	45,525
Share-based payments		403,483		199,925
	$	650,879	$	245,450

b) During the year ended June 30, 2018, the Company repaid $ 108,308 (2017 - $nil) to Canadian Zeolite Corp., a corporation with directors in common.

c) As at June 30, 2018, amounts totaling $20,247 (2017 - $43,807) owing to related parties are included in accounts payable and accrued liabilities.

8. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its cash and cash equivalents and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions, to perform mineral exploration activities on the Company's exploration projects, and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

There have not been any changes to the Company's capital management policy during the year.

9. RISK MANAGEMENT

9.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

9. RISK MANAGEMENT - continued

a. Capital Risk
The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties. The capital structure of the Company consists of cash and cash equivalents and share capital.

b. Credit Risk
Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

c. Liquidity Risk
Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at June 30, 2018, the Company's working capital is $3,263,638 and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2018, the Company had cash and cash equivalents of $2,540,505 to settle current liabilities of $52,453.

d. Market Risk
Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals such as copper, molybdenum, tungsten, gold and silver.

9.2 Fair Values

The carrying values of cash and cash equivalents, loans receivable and accounts payable and accrued liabilities approximate fair values due to their short-term to maturity nature or the ability to readily convert to cash.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. All financial instruments are classified as Level 1 items.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(Expressed in Canadian Dollars)

10. LOANS RECEIVABLE

During the year ended June 30, 2018, the Company entered into a memorandum of understanding ("MOU") with Natural Ventures PR LLC ("Natural Ventures"). The MOU states that the Company will pay US$2,250,000 for 62.5% of all the issued and outstanding membership units of Natural Ventures, and will issue common shares equal to US$1,682,085 for a further 17.5% bringing the total ownership to 80%. The MOU also states that Company will loan up to US$750,000 to Natural Ventures. The loan accrues interest at 5% per year, calculated annually. As at June 30, 2018, the Company had loaned US$550,000 (CDN$724,240) in connection with the MOU.

During the year ended June 30, 2018, the Company entered into a letter of intent ("LOI") with Crust Resources Corp. ("Crust"). In connection with the LOI, the Company loaned Crust $25,000. The loan accrues interest at 5% per year, calculated annually.

	June 30, 2018
Natural Ventures PR LLC	$ 724,240
Crust Resources Corp.	25,000
	749,240
Accrued interest	10,173
Balance, June 30, 2018	$ 759,413

(Expressed in Canadian Dollars)

11. INCOME TAXES

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2018 **$**	**2017** **$**
Canadian statutory income tax rate	27.00%	26.00%
Income tax recovery at statutory rate	(508,000)	(196,000)
Tax effect of:		
Stock-based compensation	250,000	104,000
Share issuance cost	(9,000)	-
Change in valuation allowance	267,000	92,000
Income tax provision	-	-

The significant components of deferred income tax assets are as follows:

	2018 **$**	**2017** **$**
Deferred income tax assets		
Non-capital losses carried forward	276,000	49,000
Plan of arrangement costs	45,000	43,000
Share issue costs	32,000	-
Total gross deferred income tax assets	353,000	92,000
Valuation allowance	(353,000)	(92,000)
Net deferred income tax assets	-	-

As at June 30, 2018, the Company has non-capital losses carried forward of approximately $1,024,000 which are available to offset future years' taxable income and will expire at varying dates up to 2038 if not utilized.

The Company also has available mineral resource related expenditure pools totalling approximately $78,357 which may be deducted against future taxable income on a discretionary basis.

12. SUBSEQUENT EVENTS

i) On July 17, 2018, the Company completed a reverse takeover transaction ("RTO") with 1145411 B.C. Ltd. ("B.C. Ltd."), pursuant to which the Company acquired all of the issued and outstanding shares of B.C. Ltd. in exchange for 46,807,559 common shares of the Company.

   As the former shareholders of B.C. Ltd. owned a majority interest in the Company immediately after closing, the substance of the transaction, for accounting purpose, is a reverse merger. The transaction does not constitute a business combination as the Company does not meet the definition of a business as defined under IFRS. As a result, the transaction will be accounted for as a capital transaction in substance, with B.C. Ltd. being identified as the acquirer.

   B.C. Ltd. is the owner of 100% of the issued and outstanding capital stock of Bonhomie Labs Inc., a California corporation ("Bonhomie"). Bonhomie is the owner of 51% of the issued and outstanding capital stock of SAP Global, a California corporation ("SAP"). SAP is the holder of various licenses and permits that allow it to legally operate cannabis businesses in the State of California.

   a) The shares issued to B.C. Ltd. were issued on a post-consolidation basis. Concurrent with the transaction, the Company changed its name to Chemesis International Inc. and started trading on the Canadian Securities Exchange ("CSE") under the symbol "C.CSI".

   b) On July 18, 2018, the Company increased its ownership in SAP from 51% to 80% by agreeing to incur CDN $700,000 of capital expenditures.

   c) On July 18, 2018, the Company acquired the rights to intellectual property comprised of a trade name, domain name, and product technology by issuing a total of 664,637 common shares.

ii) On July 27, 2018 the Company issued 4,800,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at $1.00 for a period of 5 years.

iii) On August 21, 2018, the Company acquired a license related to the manufacture, distribution, and sale of cannabis products by issuing a total of 717,750 common shares.

iv) On August 24, 2018, the Company issued 300,000 common shares for consulting services.