

Form 51-102F3

MATERIAL CHANGE REPORT

1. Name and Address of the Issuer

Chemesis International Inc. (the “**Company**”)
Suite 2710, 200 Granville Street
Vancouver, BC V6C 1S4

2. Date of Material Change

December 4, 2018

3. News Release

A press release disclosing the material change was issued by the Company through Stockwatch on December 5, 2018 and filed on www.sedar.com.

4. Summary of Material Change

On December 4, 2018, the Company completed a private placement financing of 2000 debentures units (“**Units**”) at CAD\$1000 per Unit for gross aggregate proceeds of CDN\$2,000,000 (the “**Private Placement**”). Each Unit consists of: (a) one (1) unsecured, CDN\$1,000 principal value convertible debenture of the Company, bearing interest at 8.0% per annum and having a two year maturity date (“**Debenture**”); and (b) 800 warrants (“**Warrants**”), each Warrant exercisable for one (1) common share of the Company (“**Common Share**”) at an exercise price of CDN\$1.50 per Common Share. The Debentures are convertible into Common Shares at a conversion price of \$1.25 per Common Share.

The Company has the right to repay and cancel the Debentures at any time prior to their maturity date at a price equal to 105% of the principal amount of the Debentures then outstanding, plus accrued and unpaid interest thereon. In addition, the Company has the right to compel the conversion of the Debentures in the event that the daily volume weighted average trading price of the Common Shares exceeds \$2.50 per Common Share for 10 consecutive trading days.

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), two of the subscribers are considered “related parties” and each issuance of Units to them was considered to be a “related party transaction”. The Private Placement was exempt from the valuation requirement of MI 61-101 by virtue of the exemption contained in section 5.5(c) of MI 61-101 and from the minority shareholder approval requirements of MI 61-101 by virtue of the exemption contained in section 5.7(1)(b) of MI 61-101.

No finder’s fees were issued in connection with the Private Placement.

5. Full Description of Material Change

On December 4, 2018, the Company completed a private placement financing of Units for gross aggregate proceeds of CDN\$2,000,000. See news release attached as Schedule “A” hereto for a full description of the material change.

The Private Placement constitutes a “related party transaction” for the purpose of MI 61-101. The following supplementary information is provided in accordance with Section 5.2 of MI 61-101.

a) Description of the Transaction and its Material Terms

See Item 4 for a description of the Private Placement.

b) The Purpose and Business Reasons for the Transaction

The proceeds derived from the Private Placement will be used to: (a) fund the cash portion of consideration to Colombia-based La Finca Interactiva-Arachna Med SAS; (b) to expand operations in California and Puerto Rico; (c) for strategic acquisition opportunities; and (d) and for general working capital purposes.

c) The Anticipated Effect of the Transaction on the Company’s Business and Affairs

The Private Placement is expected to provide the Company with the necessary funding required for it to continue to pursue its business objectives.

d) Interests of Interested Parties and Related Parties and Associated Entities of Interested Parties in the Transaction

Insiders of the Company beneficially or indirectly acquired a total of 1,904 Units in connection with the Private Placement as follows:

Subscriber	Number of Units
Rae Ventures Inc.	904
1428 Investment Inc.	1,000

e) Anticipated Effect of Transaction on Percentage of Securities of the Issuer Beneficially Owned or Controlled by Each Person Referred to Above for Which There Would Be a Material Change in That Percentage

Prior to the closing of the Private Placement, Amandeep Parmar, a Director of the Company, owned 7,365,133 Common Shares representing approximately 11% of the Company’s issued and outstanding Common Shares and following closing, Mr. Parmar owns the same number of Common Shares. Assuming the conversion of Mr. Parmar’s Debentures and the exercise in full of the Warrants issued to Mr. Parmar, Mr. Parmar will own approximately 13% of the Company’s issued and outstanding Common Shares.

Prior to the closing of the Private Placement, Kyle Boyko, an insider of the Company, owned 8,050,633 Common Shares representing approximately 12% of the Company’s issued and outstanding Common Shares and following closing, Mr. Boyko owns the same number of Common Shares. Assuming the conversion of Mr. Boyco’s Debentures and the exercise in full of the Warrants issued to Mr. Boyko, Mr. Boyko will own approximately 14% of the Company’s issued and outstanding Common Shares.

f) Approval Process for the Transaction

The independent directors of the Company reviewed and unanimously approved the Private Placement to related parties on November 30, 2018. Amandeep Parman, a conflicted director, abstained from voting on the authorizing resolution as required by Section 149(2) of the *Business Corporations Act* (British Columbia). A special committee was not established in connection with the approval of the Private Placement, and no materially contrary view or abstention was expressed or made by any director.

g) Exclusion from Formal Valuation

Not applicable.

h) Disclosure of Prior Valuations

Not applicable.

i) Material Agreements Entered into with Certain Parties in Connection with the Transaction

Other than the subscription agreements necessary to complete the Private Placement, there are no agreements entered into by the Company, or a related party of the Company, with “interested parties” or “joint actors” of such parties in connection with this transaction.

j) Exemptions Relied Upon

The Private Placement constitutes a “related party transaction” for the Company under MI 61-101. No formal valuation on the part of the Company is required under MI 61-101 in respect of the participation of the insiders in the Private Placement. The Company relied on the exemption set forth in section 5.5(c) (Distribution of Securities for Cash) of MI 61-101 which allows an issuer to forego receiving a formal valuation in respect of a related party transaction if the transaction consists of a distribution of securities of the issuer in return for cash as consideration. All subscribers to the Private Placement provided cash as consideration for their securities. Neither the Company nor any of the related parties who participated in the Private Placement have knowledge of any material information concerning the Corporation or its securities that has not been generally disclosed.

Additionally, the Company is exempt from obtaining minority shareholder approval in connection with the Private Placement by relying on section 5.7(1)(b) of MI 61-101 as, in addition to the foregoing: (a) no securities of the issuer are listed or quoted on the Toronto Stock Exchange, Aequis NEO Exchange Inc., the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc; (b) neither the fair market value of the Units nor the consideration received in respect thereof from “interested parties” as defined by MI 61-101 exceeds \$2,500,000; (c) the Company has one or more independent directors in respect of the Private Placement who are not employees of the Company; and (d) all of the independent directors approved the Private Placement.

6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

7. Omitted Information

No significant facts have been omitted from this report.

8. Executive Officer

For further information, please contact Edgar Montero, Chief Executive Officer.

Tel: 604 398-3378

Email: edgarmontero@chemesis.com

9. Date of Report

December 13, 2018.

SCHEDULE "A"
December 5, 2018 News Release

(attached)



CHEMESIS INTERNATIONAL INC. ANNOUNCES CLOSING OF \$2,000,000 CONVERTIBLE DEBENTURE

December 5, 2018

Vancouver, BC – Chemesis International Inc. (CSE: [CSI](#)) (OTC: [CADMF](#)) (FRA: [CWAA](#)) (the “Company” or “Chemesis”), is pleased to announce that it has closed the previously announced debenture unit offering with strategic investors for aggregate gross proceeds to the Company of CDN \$2,000,000 (the “Offering”).

At the completion of the Offering, the Company issued 2000 debenture units, each consisting of (a) one, unsecured, CDN \$1,000 principal value convertible debenture of the Company, bearing interest at 8.0% per annum and having a two year maturity date (“Debentures”), and (b) 800 warrants (“Warrants”), each Warrant exercisable for one (1) common share of the Company (“Common Share”) at an exercise price of CDN \$1.50 for a period of two years. The Debentures are convertible into Common Shares at a conversion price of CDN \$1.25 per Common Share.

The Company has the right to repay and cancel the Debentures at any time prior to their maturity date at a price equal to 105% of the principal amount of the Debentures then outstanding, plus accrued and unpaid interest thereon. In addition, the Company has the right to compel the conversion of the Debentures in the event that the daily volume weighted average trading price of the Common Shares exceeds \$2.50 per Common Share for 10 consecutive trading days.

The Company notes that two of the placees are insiders of the Company.

On Behalf of The Board of Directors

Edgar Montero
CEO and Director

About Chemesis International Inc.

Chemesis International Inc. is a vertically integrated global leader in the cannabis industry, currently operating within California, Puerto Rico, and finalizing an acquisition in Colombia.

Chemesis is developing a strong foothold in key markets, from cultivation, to manufacturing, distribution and retail. Chemesis has facilities in both Puerto Rico and California, allowing for cost effective production and distribution of its products. In addition, Chemesis leverages exclusive brands and partnerships and uses the highest quality extraction methods to provide consumers with quality cannabis products.

Chemesis will add shareholder value by exploring opportunities in emerging markets while consistently delivering quality product to its consumers from seed to sale.





INVESTOR RELATIONS:

ir@chemesis.com

[1 \(604\) 398-3378](tel:16043983378)

Social Media:

[Chemesis.facebook](#)

[Chemesis.twitter](#)

[Chemesis.instagram](#)

[DesertZen.instagram](#)

[CaliforniaSap.instagram](#)

[Jay&SB.instagram](#)

Forward-Looking Information: *This news release contains "forward-looking information" within the meaning of applicable securities laws relating to statements regarding the Company's business, products and future of the Company's business, its product offerings and plans for sales and marketing. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking information. Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance and developments to differ materially from those contemplated by these statements depending on, among other things, the risks that the Company's products and plan will vary from those stated in this news release and the Company may not be able to carry out its business plans as expected. Except as required by law, the Company expressly disclaims any obligation and does not intend to update any forward-looking statements or forward-looking information in this news release. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct and makes no reference to profitability based on sales reported. The statements in this news release are made as of the date of this release.*

The CSE has not reviewed, approved or disapproved the content of this press release

