

**FORM 51-102F3**

**MATERIAL CHANGE REPORT**

**ITEM 1. Name and Address of Company**

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

**ITEM 2. Date of Material Change**

November 29, 2018

**ITEM 3. News Release**

Chemesis disseminated a news release in respect of the material change on December 20, 2018 and January 2, 2019, such news releases were subsequently filed on SEDAR.

**ITEM 4. Summary of Material Change**

On December 20, 2018, Chemesis announced that it had entered in to an arrangement agreement with IMC International Mining Corp. (“**IMC**”) dated November 29, 2018 (the “**Arrangement Agreement**”) pursuant to which the Company intends to spin out its various interests in mineral claims located in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona (the “**Bullard Pass Property**”) into IMC through a Plan of Arrangement under the *Business Corporations Act* (British Columbia) (the “**Arrangement**”). Upon completion of the Arrangement, IMC will own the Bullard Pass Property.

**ITEM 5. Full Description of Material Change**

On December 20, 2018, Chemesis announced that it had entered into the Arrangement Agreement with IMC pursuant to which the Company intends to spin out its Bullard Pass Property into IMC an Arrangement. Upon completion of the Arrangement, IMC will own the Bullard Pass Property.

The Arrangement is designed to deliver greater value to the shareholders of Chemesis (the “**Chemesis Shareholders**”) by unlocking the value in the Company’s assets at the Bullard Pass Property by transferring such assets into a separate entity and managing accordingly.

Upon completion of the Arrangement, IMC will hold a 100% interest in the Bullard Pass Property and will focus on the advancement of this project, and Chemesis will concentrate its efforts on the advancement of its cannabis business.

The Arrangement will include a transfer of the Bullard Pass Property to IMC. Pursuant to the Arrangement, Chemesis intends to distribute 100% of the common shares of IMC it receives to Chemesis Shareholders on a pro rata basis. Chemesis Shareholders will be entitled to receive one common share of IMC for every twenty common shares of Chemesis held as of the date of the Arrangement Agreement. There will be no change in shareholders’ holdings in Chemesis as a result of the Arrangement.

Each outstanding stock option of Chemesis (a “**Chemesis Option**”) will be deemed to be exchanged for a fully-vested replacement stock option of Chemesis (a “**Chemesis**

Replacement Option”) and one twentieth of one fully-vested stock option of IMC (an “IMC Option”), with the same terms as the Chemesis Options.

Each outstanding common share purchase warrants of Chemesis (a “Chemesis Warrant”) will be deemed to be exchanged for one fully-vested common share purchase warrant of Chemesis (a “Chemesis Replacement Warrant”) and one twentieth of one fully-vested common share purchase warrant of IMC (an “IMC Warrant”), with the same terms as the Chemesis Warrants.

The Board of Directors of the Company unanimously approved the Arrangement and has recommended that shareholders approve same. Notwithstanding that the Arrangement is exempt from the minority approval requirements under Multilateral Instrument 61-101 (“MI 61-101”), given that the fair market value of the Bullard Pass Property is below 25% of the Company’s market capitalization, the Company has decided, in the interest of good governance, to seek minority approval for the Arrangement by excluding the Company’s directors, executive officers and shareholders holding over 10% of the Company’s issued and outstanding common shares from voting on the Arrangement Resolution.

*Purpose and Business Reasons for the Arrangement*

The purpose and business reason for the Arrangement is to deliver greater value to the Chemesis Shareholders by unlocking the value in the Company’s assets at the Bullard Pass Property by transferring such assets into a separate entity and managing accordingly.

*The Anticipated Effect of the Arrangement on the Issuer’s Business and Affairs*

The Company expects that it will benefit from the ability to concentrate its efforts on the advancement of its cannabis business.

*Related Party Interests in the Arrangement*

IMC has one common share issued and outstanding (the “Sole IMC Share”). Brian Thurston, a current officer of the Company, is the holder of the Sole IMC Share and therefore considered a “related party” of the Company, as defined in MI 61-101.

*Discussion of the Review and Approval Process Adopted by the Board of Directors*

All the terms and conditions of the Arrangement were reviewed and unanimously approved by the Board.

*Formal Valuation and Minority Approval Exemptions Relied Upon*

As noted above, the Arrangement is exempt from the requirements under MI 61-101 for Chemesis to obtain majority of minority shareholder approval from the Shareholders pursuant to Section 5.7(1)(a) of MI 61-101 as the fair market value of the Bullard Pass Property is below 25% of the Company’s market capitalization.

The Arrangement is also exempt from the requirements under MI 61-101 for Chemesis to obtain a formal valuation pursuant to Section 5.5(b) of MI 61-101 as the fair market value of the Bullard Pass Property is below 25% of the Company’s market capitalization.

The Arrangement is subject to final court approval, as well as approval by not less than two-thirds of the votes cast at the annual general and special meeting (the “Meeting”) of Chemesis Shareholders, scheduled for January 9, 2019. Full details of the Arrangement are included in the management information circular sent to Chemesis Shareholders on December 19, 2018 in connection with the Meeting and subsequently filed on SEDAR.

The board of directors of IMC will be comprised of Brian Thurston, Dave McMillan and Mike Aujla. Management of IMC will be comprised of Brian Thurston (CEO, President and Corporate Secretary) and Eli Dusenbury (CFO).

The Company intends to apply for a listing of the common shares of IMC on the Canadian Securities Exchange (“CSE”). Any such listing will be subject to IMC fulfilling all of the requirements of the CSE.

**ITEM 6. Reliance on Subsection 7.1(2) of National Instrument 51-102**

This report is not being filed on a confidential basis.

**ITEM 7. Omitted Information**

There are no significant facts required to be disclosed herein which have been omitted.

**ITEM 8. Executive Officer**

Edgar Montero, CEO and Director

ir@chemesis.com  
www.chemesis.com  
(604) 398-3378

**ITEM 9. Date of Report**

January 2, 2019

**Cautionary Note Regarding Forward-Looking Statements**

*Forward-Looking Information: This material change report contains “forward-looking information” within the meaning of applicable securities laws relating to statements with respect to completion of the Arrangement; benefits of the Arrangement, obtaining Chemesis Shareholder and final court approval of the Arrangement; the listing of common shares of IMC on the CSE; the composition of IMC’s management and board of directors; and the timing for holding the Meeting and completing the Arrangement. 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 such as the risk of the Company not obtaining court or Chemesis Shareholder approvals to proceed with the Arrangement; the risk of unexpected tax consequences to the Arrangement; risks of the market valuing the Company and IMC in a manner not anticipated by the Company; risks relating to the benefits of the Arrangement not being realized or as anticipated. 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 material change*

*report. 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 material change report are made as of the date of this report.*