CHEMESIS INTERNATIONAL INC.
(Formerly Canadian Mining Corp.)

Condensed Consolidated Interim Financial Statements
For the nine months ended March 31, 2019

(Unaudited - Expressed in Canadian Dollars)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of Chemesis International Inc. (the "Company") have been prepared by and are the responsibility of management. These condensed consolidated interim financial statements for the nine months ended March 31, 2019 have not been reviewed or audited by the Company's independent auditors. All amounts are stated in Canadian Dollars.

Chemesis International Inc.
(formerly Canadian Mining Corp.)
Condensed Consolidated Interim Statement of Financial Position
As at March 31, 2019
(Expressed in Canadian dollars)

As at		March 31, 2019 (unaudited)		June 30, 2018 (audited)
ASSETS				
Current Assets				
Cash	$	1,733,386	$	1,030,284
Prepaids		1,188,653		50,598
Inventory (Note 5)		1,458,070		-
Biological assets (Note 6)		233,212		-
Promissory notes receivable (Note 7)		27,281		-
Amounts receivable (Note 8)		3,221,347		-
		7,861,949		1,080,882
Non-current assets				
Deposits		69,451		125,656
Equipment (Note 9)		2,083,186		657,752
Leasehold improvements (Note 9)		4,629,508		1,552,595
Intangible assets (Note 11)		1,398,005		-
Goodwill (Note 11 and 12)		17,956,274		-
Total non-current assets		26,136,424		2,336,003
TOTAL ASSETS	$	33,998,373	$	3,416,885
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	2,180,043	$	206,642
Acquisition payable		5,500,000		-
Excise tax payable		122,879		-
Convertible debt (Note 13)		3,134,830		-
		10,937,752		206,642
SHAREHOLDERS' EQUITY				
Share capital (Note 14)		53,207,743		3,800,000
Equity portion of convertible debt (Note 13 and 14)		244,000		-
Contributed surplus		4,291,855		-
Accumulated other comprehensive income		(62,859)		38,600
Deficit		(34,032,812)		(345,163)
Equity attributable to 1145411 B.C. Ltd.		23,647,927		3,493,437
Non-controlling interest		(587,306)		(283,194)
Total equity		23,060,621		3,210,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	33,998,373	$	3,416,885

Subsequent events (Note 22)
Going concern (Note 2)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2019.

Approved on behalf of the Board of Directors:

"Brian Thurston", Director *"Aman Parmar",* Director

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

Chemesis International Inc.
(formerly Canadian Mining Corp.)
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss
For the three and nine months ended March 31, 2019
(Unaudited - Expressed in Canadian dollars)

	For the three months ended March 31, 2019	For the three months ended March 31, 2018	For the nine months ended March 31, 2019	For the period from incorporation to March 31, 2018
REVENUES	$ 3,762,139	$ -	$ 8,501,274	$ -
COST OF GOODS SOLD	(2,878,780)	-	(6,995,783)	-
GROSS PROFIT BEFORE UNREALIZED GAINS FROM CHANGES IN BIOLOGICAL ASSETS	883,359	-	1,505,491	-
Unrealized gain from changes in fair value of biological assets	230,544	-	230,544	-
GROSS PROFIT	1,113,903	-	1,736,035	-
EXPENSES				
Advertising and marketing	350,575	-	1,339,385	-
Consulting (Note 16)	197,630	38,358	713,721	44,683
Depreciation	10,967	-	44,884	-
Office and miscellaneous	366,024	1,535	735,445	1,535
Payroll	432,649	-	928,586	-
Professional fees	329,855	-	989,903	-
Rent	341,144	78,646	827,352	91,293
Security	19,122	-	136,795	-
Share-based payments (Note 14 and 16)	1,518,496	-	4,085,798	-
Transfer agent and filing fees	75,100	-	159,647	-
Travel	90,890	3,338	230,217	3,338
TOTAL OPERATING EXPENSES	(3,732,452)	(121,877)	(10,191,733)	(140,849)
OTHER ITEMS:				
Interest expense	(97,281)	-	(109,147)	-
Interest income (write-off)	2,939	-	23,486	-
Listing acquisition expense (Note 14 and 15)	-	-	(25,278,174)	-
Inventory write-off	-	(114,515)	-	(114,515)
Foreign exchange loss	(65,239)	(388)	(53,600)	(10,730)
	(159,581)	(114,903)	(25,417,435)	(125,245)
NET LOSS FOR THE PERIOD	$ (2,778,130)	$ (236,780)	$ (33,873,133)	$ (266,094)
OTHER COMPREHENSIVE LOSS				
Items that may be subsequently reclassified to loss for the year				
Cumulative translation adjustment	(710,453)	30,517	(106,770)	30,517
COMPREHENSIVE LOSS	$ (3,488,583)	$ (206,263)	$ (33,979,903)	$ (235,577)
NET LOSS ATTRIBUTABLE TO:				
Chemesis International Inc.	$ (2,741,874)	$ (123,108)	$ (33,574,331)	$ (143,126)
Non-controlling interest	(36,256)	(113,672)	(298,802)	(122,968)
	(2,778,130)	(236,780)	(33,873,133)	(266,094)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Chemesis International Inc.	(3,461,706)	(88,271)	(33,675,791)	(108,289)
Non-controlling interest	(26,877)	(117,992)	(304,112)	(127,288)
	$ (3,488,583)	$ (206,263)	$ (33,979,903)	$ (235,577)
Loss per share, basic and diluted	$ (0.05)	$ (2,063)	$ (0.52)	$ (2,533)
Weighted average number of common shares outstanding	75,330,085	100	65,434,199	93

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

Chemesis International Inc.
(formerly Canadian Mining Corp.)
Condensed Consolidated Interim Statement of Changes in Equity
For the period from incorporation to March 31, 2018 and the nine months ending March 31, 2019
(Unaudited - Expressed in Canadian dollars)

	Share Capital							
	Number	**Amount**	**Equity portion of convertible debt**	**Contributed surplus**	**Accumulated other comprehensive income**	**Deficit**	**Non-Controlling Interest**	**Total Equity**
		$	$	$	$	$	$	$
December 15, 2017	-	-	-	-	-	-	-	-
Common shares issued for cash	100	3,800,000	-	-	-	-	-	3,800,000
March 31, 2018	100	3,800,000	-	-	-	-	-	3,800,000
Net loss for the year	-	-	-	-	-	(345,163)	(320,281)	(665,444)
Other comprehensive income	-	-	-	-	38,600	-	37,087	75,687
June 30, 2018	100	3,800,000	-	-	38,600	(345,163)	(283,194)	3,210,243
Cancelled shares	(100)	-	-	-	-	-	-	-
Chemesis opening balance Chemesis shares	16,040,076	-	-	-	-	-	-	-
Shares issued on reverse takeover (Note 14 and 15)	46,807,559	28,552,611	-	-	-	-	-	28,552,611
Business acquisitions (Note 12)	10,432,996	14,762,756	-	-	-	-	-	14,762,756
Asset acquisitions (Note 10)	1,221,933	1,166,984	-	-	-	-	-	1,166,984
Shares issued for consulting fees (Note 14)	369,982	372,124	-	-	-	-	-	372,124
Shares issued for cash:								
Private placement, net (Note 14)	2,197,115	3,306,768						3,306,768
Warrants exercised (Note 14)	452,000	904,000						904,000
Options exercised (Note 14)	332,500	342,500	-	-	-	-	-	342,500
Share-based payments (Note 14)	-	-	-	4,085,798	-	-	-	4,085,798
Subscriptions received (Note 14)	-	-	-	20,000	-	-	-	20,000
Convertible debt (Note 13)	-	-	244,000	186,057	-	-	-	430,057
Spin-out of exploration and evaluation assets (Note 1 and 10)	-	-	-	-	-	(113,319)	-	(113,319)
Net income	-	-	-	-	-	(33,574,330)	(298,803)	(33,873,113)
Other comprehensive income	-	-	-	-	(101,459)	-	(5,309)	(106,768)
March 31, 2019	77,854,161	53,207,743	244,000	4,291,855	(62,859)	(34,032,812)	(587,306)	23,060,621

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

Chemesis International Inc.
(formerly Canadian Mining Corp.)
Condensed Consolidated Interim Statement of Cash Flows
For the period from incorporation to March 31, 2018 and the nine months ended March 31, 2019
(Unaudited - Expressed in Canadian dollars)

	For the nine months ended March 31, 2019	For the period from incorporation to March 31, 2018
Cash (used in) provided by:		
OPERATING ACTIVITIES		
Net loss for the period	$ (33,873,133)	$ (266,094)
Items not involving cash:		
Listing acquisition expense	25,278,174	-
Unrealized gain from changes in fair value of biological assets	(233,212)	
Share-based payments	4,085,798	-
Shares issued for consulting fees	372,124	-
Accrued interest	64,545	-
Depreciation	44,884	-
Inventory write-off	-	114,515
Net changes in non-cash working capital items:		
Prepaids	(1,113,230)	-
Inventory	(1,076,409)	(114,515)
Amounts receivable	(2,933,945)	-
Amounts payable	1,105,705	-
Net cash used in operating activities	(8,278,699)	(266,094)
INVESTING ACTIVITIES:		
Deposits	97,936	-
Exploration and evaluation assets	(4,438)	-
Cash received on acquisition	5,073,817	126
Purchase of intangible assets	(253,674)	-
Cash paid on acquisition	(3,633,419)	-
Purchase of equipment and leasehold improvements	(997,396)	(473,673)
Net cash provided by investing activities	282,826	(473,547)
FINANCING ACTIVITIES:		
Proceeds from private placement, net	3,306,768	3,800,000
Proceeds from option and warrant exercise	1,246,500	-
Proceeds from subscriptions received	20,000	-
Proceeds from convertible debt	3,500,000	-
Net cash provided by financing activities	8,073,268	3,800,000
Effect of exchange rate changes	625,707	30,517
Net increase (decrease) in cash	703,102	3,090,876
Cash, beginning of period	1,030,284	-
Cash, end of period	$ 1,733,386	$ 3,090,876

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

1. NATURE OF OPERATIONS

Chemesis International Inc. (formerly Canadian Mining Corp.) ("Chemesis") was incorporated on April 26, 2013 and was a wholly-owned subsidiary of International Zeolite Corp. Chemesis' registered records office is 1212 Austin Avenue, Coquitlam, British Columbia V3K 3P5 and the corporate head office is at 2710 – 200 Granville Street, Vancouver, BC V6C 1S4. During fiscal 2017, Chemesis was spun out pursuant to a plan of arrangement as disclosed in Note 15. On June 5, 2017, Chemesis began trading on the TSX Venture Exchange under the symbol CNG.

On July 17, 2018, Chemesis completed a reverse takeover transaction ("RTO") with 1145411 BC Ltd. (the "Company" or "1145411"), pursuant to which Chemesis acquired all of the issued and outstanding shares of 1145411 in exchange for 46,807,559 common shares of Chemesis. These financial statements include the historical consolidated financial information of 1145411 up to the completion of the RTO. 1145411 was incorporated under the laws of British Columbia on December 15, 2017.

As the former shareholders of 1145411 owned a majority interest in Chemesis 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 1145411 being identified as the acquirer.

1145411 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 80% 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.

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.

The shares issued to 1145411 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".

Pursuant to the reverse acquisition transaction, Canadian Mining Corp., under the trading symbol, CNG changed its name to Chemesis International Inc. ('Chemesis') and has de-listed from TSX-V and listed its shares on the Canadian Stock Exchange ('CSE'). Chemesis has since change its business focus from mineral exploration to the continuation of 1145411's business of pursuing opportunities in the cannabis industry.

1. NATURE OF OPERATIONS (CONTINUED)

On February 1, 2019, The Company and IMC International Mining Corp. ("IMC") completed a reorganization transaction by way of a plan of arrangement ("Arrangement") whereby, the Company undertook a reorganization and spin-out of various interests in minerals located in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona (the "Bullard Pass Property") to IMC.

On February 1, 2019, Chemesis transferred all of the issued and outstanding common shares of its wholly owned subsidiary, Canadian Mining of Arizona Inc. ("CMAI"), to IMC in exchange, the shareholders of Chemesis received 3,246,621 common shares, 305,000 options and 229,014 warrants of IMC.

2. GOING CONCERN

The Company has begun to earn operating revenue, however, it is still dependent upon the receipt of equity and/or debt financing on terms which are acceptable to it.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

3.1. 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.

3. BASIS OF PRESENTATION (CONTINUED)

3.2. 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 consolidated 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.

Critical Accounting Judgments

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Business combinations

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to the entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which the entity operations and is re-evaluated when facts and circumstances indicate that conditions have changed.

Critical Accounting Estimates

Biological assets and inventory

Determination of the fair value of biological assets requires the Company to make a number of estimates, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales prices, wastage and expected yields of the cannabis plant. In determining final inventory values, the Company estimates spoiled or expired inventory in determining net realizable value.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected in the gain or loss on biological assets in future periods.

3. BASIS OF PRESENTATION (CONTINUED)

Estimated useful lives, impairment considerations and amortization of tangible and intangible assets

Amortization of tangible and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Impairment of tangible and intangible assets with limited lives is affected by judgments about impairment indicates and estimates used to measure impairment losses where necessary.

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

Share-based payments

Share-based payments, as measured with respect to stock options granted are estimated by reference to the Black-Scholes pricing model.

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

3.3 Basis of consolidation

These consolidated financials incorporate the financial statements of the Company and its wholly controlled subsidiaries, Chemesis Latin America, 1145411 BC Ltd., Dessert Zen LLC, Bonhomie Labs LLC, 10998451 Canada Inc. and La Finca Interacviva Arachna Inc. SAS. Bonhomie holds an 80% interest in SAP Global Inc. ("SAP"), the Company holds 80% interest in Natural Ventures PR LLC. Dessert Zen, Bonhomie Labs and SAP are incorporated in the State of California, USA, Natural Ventures PR LLC is incorporated in the USA territory of Puerto Rico and La Finca Interacviva Arachna Inc. SAS is incorporated in Columbia. Control exists when the parent 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 consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

3. BASIS OF PRESENTATION (CONTINUED)

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interests. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Impairment of non-financial assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. Licenced rights are amortized on a straight-line basis over 20 years.

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. If the useful life is determined to be finite, the intangible is tested for impairment and the carrying amount is amortized over the remaining useful life in accordance with intangibles subject to amortization. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired. The Company has not recognized any intangible assets with an indefinite useful life.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Goodwill

Goodwill represents the excess of the consideration transferred over the Company's interest in the fair value of the net identifiable assets, including intangible assets, and liabilities of the acquire at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units (CGU's) for the purpose of impairment testing. A CGU is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill is tested at least annually for impairment at the CGU level and is carried at cost less accumulated impairment losses.

4.3 Revenue recognition, accounts receivable and allowance for doubtful accounts

The Company's revenue consists solely of product sales and as such, the Company recognizes revenues when it a contract has been entered into and performance obligations are known, the price has been determined, the goods are received by the customers and the significant risks and benefits of ownership are transferred and performance obligations have been satisfied. Revenue is measured based on the price specified, net of sales commissions expenses, trade discounts and estimated returns at the time of sale. Historical experience is used to estimate allowances for returns.

The adoption of IFRS 15 resulting in no impact to the opening accumulated deficit on April 1, 2018.

Accounts receivable consist of amounts due from customers and are recorded upon the sale of product to customers. Credit terms are extended to customers in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on historical losses, the existing economic conditions and the financial stability of its customers. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

4.4 Inventory

Inventory of raw materials, merchandise and devices and finished goods are valued at the lower of cost and net realizable value. Cost is determined using the weighted average method, which under the circumstances, management believes will provide for the most practical basis for the measurement of periodic income. Harvested cannabis plants are transferred from biological assets into inventory at their fair value at harvest less costs to sell which is deemed to be their cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that cost is less than net realizable value. Management periodically reviews inventory for slow moving or obsolete items and considers realizability based on the Company's marketing strategies and sales forecasts to determine if an allowance is necessary. If net realizable value is below cost, then an allowance is created to adjust the carrying amount of inventory.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Biological assets

The Company's biological assets consist of cannabis clones, mother plants and flowering plants. All of the biological assets are presented as current assets on the statement of financial position. The Company measures biological assets at fair value less cost to sell up to the point of harvest which becomes the basis for the cost of finished goods inventories after harvest. Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

4.6 Impairment of tangible and intangible assets

At the end of each reporting period, the Company’s assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.7 Equipment and leasehold improvements

Equipment items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the declining balance method at the following annual rates:

Equipment	Declining-Balance	10%
Vehicles	Declining-Balance	10%
Leasehold Improvements	Declining-Balance	20%

Equipment that is withdrawn from use or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent expenditure relating to an item of equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance expense.

4.8 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.

4.9 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 consolidated 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

4.10 Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a 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 Company considers the fair value of common shares issued in private

placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as contributed surplus.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 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 contributed surplus. 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 contributed surplus 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 contributed surplus.

4.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.13 Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) (the 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4.14 Financial instruments - recognition and measurement

The following is the Company's new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at July 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	FVTPL	FVTPL
Accounts receivable	Loans and receivables	Amortized cost
Promissory notes receivable	Loans and receivables	Amortized cost
Deposits	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Loans and receivables	Amortized cost
Convertible debt	Loans and receivables	Amortized cost

The Company did not restate prior periods as it recognized the effects of retrospective application to shareholders' equity at the beginning of the 2019 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated other comprehensive income on July 1, 2018.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Measurement

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debentures that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Share Purchase Warrants issued in conjunction with a convertible debt are allocated a proportion value of the equity component and included within contributed surplus.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

4.15 Share issuance costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital. Share issue costs incurred from the issuance of flow-through shares are charged directly to share capital and expense in proportion to the value of the Company's shares at time of issue and any flow-through share premium.

4.16 Comprehensive income (loss)

Total comprehensive income comprises all components of profit or loss and other comprehensive income. Other comprehensive income includes items such as 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.

4.17 Foreign currency translation

Functional currency

Items included in the consolidated financial statements of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of loss.

Subsidiaries

The results and financial position of the Company's subsidiaries that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates for the period;
- Equity is translated using historical rates; and
- All resulting exchange differences are recognised in other comprehensive income as foreign currency translation adjustments.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to other comprehensive income (loss). When a foreign operation is sold, such exchange differences are recognised in the statement of loss as part of the gain or loss on sale.

4.18 Changes in significant accounting policies

Accounting standard anticipated to be effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2018, or later periods. New standards and updates, which are not applicable or are not consequential to the Company, have been excluded from the list below.

IFRS 16, *Leases*, specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 is effective for years beginning after January 1, 2019. The Company does not anticipate the adoption of this standard to have a significant impact on the Company's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting standard adopted during the period

IFRS 9, Financial Instruments, The Company adopted all of the requirements of IFRS 9 Financial Instruments ("IFRS 9") as of July 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

IFRS 15 Revenue from Contracts with Customers, The Company adopted the requirements of IFRS 15 as of April 1, 2018. This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

The main features introduced by this new standard compared with predecessor IFRSs are as follows:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contracts; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The adoption of this standard on January 1, 2018 did not have a significant impact on the Company's condensed consolidated interim financial statements.

5. INVENTORY

As at March 31, 2019, the Company's inventory balance consists of raw goods and supplies. During the nine months ended March 31, 2019, the Company expensed $6,995,783 of inventory included within cost of goods sold.

(Expressed in Canadian dollars)

6. BIOLOGICAL ASSETS

Biological assets consist of cannabis plants and are summarized as follows:

	March 31, 2019	June 30, 2018
Biological assets, begging of the period	$ -	$ -
Net increase in fair value less costs to sell due to biological transformation	230,544	-
Foreign exchange impact	2,668	
Biological assets, end of the period	$ 233,212	$ -

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily cannabis clones, mother plants and flowering plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The significant assumptions used in determining the fair value of biological assets include:

- Estimated selling price less cost to sell of $81.25 per ounce;
- Estimated yield of 3.5oz per cannabis flowering plant;
- Average selling price pro-rated based on the stage of growth of the biological assets at the reporting period, less wastage;
- Selling costs are estimated based on the salaries paid to marketing and inventory personnel.

7. PROMISSORY NOTES RECEIVABLE

During the year ended June 30, 2018, Chemesis entered into a memorandum of understanding (the "MOU") with Natural Ventures PR LLC ("Natural Ventures"). Natural Ventures holds various licenses that allow it to legally operate Cannabis business in the U.S. territory of Puerto Rico. The MOU states that, upon completion of the agreement, the Company will pay US$2,250,000 for 62.5% of all the issued and outstanding shares 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 Company will also loan up to US$750,000 to Natural Ventures as part of a secured promissory note. If the secured promissory note is not paid back within the first year, it will accrue interest at 5% per year, calculated annually. As at June 30, 2018, the Company had loaned US$550,000 in connection with the MOU. On November 9, 2018, the Company acquired Natural Ventures and this loan receivable has been eliminated on consolidation.

During the year ended June 30, 2018, Chemesis 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.

(Expressed in Canadian dollars)

7. PROMISSORY NOTES RECEIVABLE (CONTINUED)

	March 31, 2019	June 30, 2018
Crust Resources Corp.	$ 25,000	-
Accrued interest	2,281	
	$ 27,281	-

8. AMOUNTS RECEIVABLE

Amounts receivable as of March 31, 2019 consist of:

	March 31, 2019	June 30, 2018
Trade receivable	$ 3,179,179	-
GST	38,163	-
Other receivables	4,005	-
Balance at March 31, 2019	$ 3,221,347	-

9. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Equipment	Vehicles	Total	Leasehold improvements
Cost				
Balance, December 15, 2017	$ -	$ -	$ -	$ -
Additions	787,905	-	787,905	1,552,595
Write-down	(130,034)	-	(130,034)	-
Balance, June 30, 2018	$ 657,871	$ -	$ 657,871	$ 1,552,595
Additions	1,251,635	178,175	1,429,810	3,076,913
Balance, March 31, 2019	$ 1,909,506	$ 178,175	$ 2,087,681	$ 4,629,508
Depreciation				
Balance, December 15, 2017	$ -	$ -	$ -	$ -
Additions	119	-	-	-
Balance, June 30, 2018	$ 119	$ -	$ 119	$ -
Additions	726	3,650	4,376	-
Balance, March 31, 2019	$ 845	$ 3,650	$ 4,495	$
Net, June 30, 2018	$ **657,752**	$ **-**	$ **657,752**	$ **1,552,595**
Net, March 31, 2019	$ **1,908,661**	$ **174,525**	$ **2,083,186**	$ **4,629,508**

(Expressed in Canadian dollars)

9. EQUIPMENT AND LEASEHOLD IMPROVEMENTS (CONTINUED)

As at March 31, 2019, the Company's leasehold improvements were still under construction and modification and are not yet ready for operations. As such, depreciation expense has only been recorded on equipment and vehicles in use.

During the period ended June 30, 2018, the Company wrote-off equipment totalling $130,034 due to a change in regulations resulting in the equipment no longer usable in operations.

10. EXPLORATION AND EVALUATION ASSETS

Through its previously wholly owned subsidiary, Canadian Mining of Arizona Inc. ("CMAI"), the Company held 171 mineral claims in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona, United states.

On February 1, 2019 the Company completed plan of arrangement agreement with IMC International Mining Corp. ("IMC") pursuant to which the Company spun out its 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. Upon completion of the Arrangement, IMC now owns 100% of the Bullard Pass Property. As a result of the Arrangement, Chemesis Shareholders received one-twentieth of one IMC Common Share for every Chemesis Common Share held as of December 9, 2018 (the "Record Date"), and own all of the outstanding IMC Common Shares, post-Arrangement. The Shareholders will receive one-twentieth of one IMC option and warrant for every Chemesis option and warrant held as at the Record Date.

A summary of the capitalized exploration and evaluation assets for the nine months ending March 31, 2019, are as follows:

	Amount ($)
Balance at June 30, 2018	$ -
Balance at July 17, 2018, RTO date	108,881
Additions during the period:	
Claim fees	4,438
Completion of plan of arrangement	(113,319)
Balance at March 31, 2019	$ -

(Expressed in Canadian dollars)

11. INTANGIBLE ASSET AND GOODWILL

Intangible Asset

	License Rights
Cost	
Balance, June 30, 2018	$ -
Additions	1,438,641
Balance, March 31, 2019	1,438,641
Depreciation	
Balance, June 30, 2018	$ -
Additions	40,636
Balance, March 31, 2019	$ 40,636
Net, June 30, 2018	$ -
Net, March 31, 2019	$ **1,398,005**

The Company's license rights are summarized as follows:

On July 20, 2018, the Company issued 664,637 common shares measured at a fair value of $0.55 per common share pursuant to an acquisition of licensed rights from SAP. Such rights include, Assignor is the brand name, trade name, and trade marks together with all of the patents, patent applications, and inventions.

On October 12, 2018 the Company acquired the license rights from Rapid Dose Therapeutics Inc. ("RDT") a Canadian bio-technology company which provides proprietary drug delivery technologies. RDT's QuickStrip is an oral fast-dissolving drug delivery system. Under the terms, the Company receives rights to produce, distribute, and sell QuickStrip products, with rights for cannabis markets in California. The Company paid $130,570 and issued 173,556 shares to settle $300,000.

On November 14, 2018 Chemesis entered a multi-year licensing deal with Kevin Smith and Jason Mewes (Jay and Silent Bob) for the development and promotion of cannabis products in the US. The Company will pay an initial fee of USD$50,000 (Paid) on signing and three payments of USD$25,000 (Paid one of three) on each of the three-month anniversaries of signing. In Addition, the Company will issue common shares worth USD$400,000 on signing (Issued) and USD$150,000 in stock on each annual anniversary. Additional payments for up to a total of USD$600,000 in stock may be payable on the date certain states in the USA legalize marijuana. All shares are based on the 5-day volume-weighted average prices on the date the shares become payable. The Company will owe a 12% royalty on sales related to the Jay and Silent Bob brand with a minimum royalty of USD$120,000 each year of the license term. As of March 31, 2019, the Company has paid a cash total of CAD$180,687 and issued shares valued at CAD$461,534 capitalized as intangible assets.

(Expressed in Canadian dollars)

11. INTANGIBLE ASSET AND GOODWILL (CONTINUED)

The Company's goodwill arose on acquisitions and are summarized as follows for the nine months ended March 31, 2019:

Goodwill

	Dessert Zen	Natural Ventures	La Finca	Total
Cost	(Note 12)	(Note 12)	(Note 12)	
Balance, June 30, 2018	$ -	$ -	$ -	$ -
Additions	846,116	3,625,324	13,484,834	17,956,274
Balance, March 31, 2019	$ 846,116	$ 3,625,324	$ 13,484,834	$ 17,956,274

12. ACQUISITIONS

During the nine months ended March 31, 2019, goodwill arose over the acquisition of Natural Ventures, Dessert Zen and La Finca due to the benefit of expected revenue growth in North American and Latin America markets and future market developments. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were with arms-length parties.

Dessert Zen

On August 10, 2018, the Company acquired 100% of the shares of Desert Zen for USD$200,000 cash paid upon closing, as well as USD$500,000 in stock escrowed over 36 months. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired business was $846,116 and is recognized in goodwill, summarized as follows:

Cash	$ 5,690
Accounts receivable	84,719
Total assets	$ 90,409
Current liabilities	79,866
Net assets acquired	$ 10,543
Consideration	856,659
Goodwill (Note 11)	$ 846,116

Bonhomie

During the period ended June 30, 2018, the Company acquired 100% of the issued and outstanding shares of Bonhomie for $100.

At the time, Bonhomie held a 51% controlling interest in SAP. On July 19, 2018, the Company increased its ownership in SAP from 51% to 80%.

(Expressed in Canadian dollars)

12. ACQUISITIONS (CONTINUED)

At the date of the Company's acquisition of Bonhomie, the only assets and liabilities of SAP were related to the recent acquisition, by SAP, of interests in certain assets as to Leaseholds of $208,556 and Equipment of $365,472, based on the expectation that the liabilities incurred for these items would then be settled with subsequent advances from the Company (completed). Accordingly, at the date of the Company's acquisition of Bonhomie, SAP was considered to have net identifiable assets of $nil.

Natural Ventures

On November 9, 2018, the Company acquired 80% of Natural Ventures for cash payment of USD$2,250,000 (paid), as well as USD$1,682,085 in stock escrowed over 36 months. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired business was $3,625,324 and is recognized in goodwill, summarized as follows:

Cash	$	227,884
Accounts receivable		198,321
Inventory		364,035
Deposits		41,731
Fixed assets		3,460,787
Total assets	$	4,292,758
Current liabilities		700,966
Net assets acquired	$	3,591,793
Consideration		7,217,117
Goodwill (Note 11)	$	3,625,324

(Expressed in Canadian dollars)

12. ACQUISITIONS (CONTINUED)

La Finca

On January 11, 2019, the Company acquired 100% of La Finca Interacviva Arachna Inc. SAS for cash payment of $5,500,000 to settle outstanding debts of the Company and 7,480,000 common shares escrowed over 36 months. The shares were measured at the closing date of the agreement at $1.38 per share. Subsequent to period end, the Company settled the cash payment of $5,500,000 by issuing 4,104,474 common shares. This transaction was accounted for as a business combination. The consideration paid in excess of the net assets of the acquired business was $13,484,834 and is recognized in goodwill, summarized as follows:

Cash	$	2,348,179
Accounts receivable		3,113
Inventory		17,626
Fixed assets		66,395
Total assets	$	2,435,313
Current liabilities		97,747
Net assets acquired	$	2,337,566
Consideration		15,822,400
Goodwill (Note 11)	$	13,484,834

13. CONVERTIBLE DEBT

During December, the Company completed two tranches of convertible debt financing for proceeds of $2,000,000, closing December 4, 2018 and $1,500,000 closing December 20, 2018. The convertible debenture's bear interest at a rate of 8% per year, maturing two years from the closing date. The Convertible Debentures are unsecured and are convertible, at the option of the holder, into common shares ("Common Shares") of the Company at a price of $1.25 per Common Share.

The Company will have the right to repay and cancel the Convertible Debentures at any time prior to the Maturity Date at a price equal to 105% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon. In addition, the Company will have the right to compel the conversion of the Convertible 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.

In addition, the Company granted one Common Share purchase warrant ("Warrants") for each Common Share underlying the Convertible Debentures for a total of 2,800,000 warrants. Each Warrant will be exercisable into one Common Share at an exercise price of $1.50 for a period of 24 months.

(Expressed in Canadian dollars)

13. CONVERTIBLE DEBT (CONTINUED)

The convertible debentures are accounted for as compound financial instruments, consisting of a debt instrument, an equity conversion feature and warrant. The debt instrument was fair valued using a rate applicable to a non-compound debt instrument and is carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument was proportionately allocated to the equity component of the convertible debentures and the warrant. The following table summarizes the Company's convertible debentures as at March 31, 2019:

Balance, June 30, 2018	$	-
Proceeds on issuance of convertible debt		3,500,000
Allocation to equity component		(244,000)
Allocation to warrant component		(186,057)
Interest accrual		64,887
Balance, March 31, 2019	$	3,134,830
Equity component of convertible debt	$	**244,000**

14. EQUITY

14.1 Authorized share capital

Unlimited number of common shares with no par value.

14.2 Shares issued

Shares issued and outstanding as at March 31, 2019 are 77,854,161 Common Shares.

During the nine months ended March 31, 2019, the following non-cash share transactions occurred:

i. On July 17, 2018, the Company completed a reverse takeover transaction ("RTO") and issued 46,807,559 Chemesis common shares measured at a fair value of $0.61 per share for a total of $28,552,611. Pursuant to the RTO transaction, the opening balance of 1145411 BC Ltd.'s share capital, consisting of 63 Class A common shares and 37 Class B common shares were cancelled and replaced by the opening balance of Chemesis common shares of 16,040,076; and

ii. On July 20, 2018, the Company issued 664,637 common shares measured at a fair value of $0.55 per common share pursuant to an acquisition of licensed rights from SAP; and

iii. On August 21, 2018, the Company issued 717,750 common shares measured at a fair value of $0.83 per common share pursuant to the Dessert Zen acquisition; and

iv. On November 21, 2018, the Company issued 282,500 common shares measured at a fair value of $1.12 per common share pursuant to an acquisition of licensed rights from Degrassi High Inc;

v. On November 30, 2018, the Company issued 2,235,246 common shares measured at a fair value of $1.72 per common share pursuant to the Natural Ventures acquisition; and

vi. On January 8, 2019, the Company issued 89,286 common shares measured at a fair value of $1.68 per common share pursuant to an acquisition of licensed rights from Rapid Dose California; and

14. EQUITY (CONTINUED)

i. On January 8, 2019, the Company issued 84,270 common shares measured at a fair value of $1.78 per common share pursuant to an acquisition of licensed rights from Rapid Dose Puerto Rico; and
ii. On January 11, 2019, the Company issued 7,480,000 common shares measured at a fair value of $1.38 per common share pursuant to the La Finca acquisition; and
iii. On February 26, 2019, the Company issued 101,240 common shares measured at a fair value of $1.11 per common share pursuant to the terms of the license agreement with Degrassi High Inc.

The company issued shares pursuant to consulting agreements as follows:

- August 24, 2018, issued 300,000 common shares measured at a fair value of $0.84 per share;
- September 20, 2018, issued 22,022 common shares measured at a fair value of $1.74 per share;
- October 9, 2018, issued 32,934 common shares measured at a fair value of $1.67 per share;
- November 8, 2018, issued 15,026 common shares measured at a fair value of $1.74 per share.

The Company issued shares pursuant to options exercised as follows:

- October 2, 2018, issued 50,000 common shares with an exercise price of $1.10 per share;
- December 14, 2018, issued 27,500 common shares with an exercise price of $1.00 per share;
- December 20, 2018, issued 40,000 common shares with an exercise price of $1.00 per share;
- January 23, 2019, issued 65,000 common shares with an exercise price of $1.00 per share;
- February 19, 2019, issued 50,000 common shares with an exercise price of $1.10 per share;
- March 6, 2019, issued 100,000 common shares with an exercise price of $1.00 per share.

The Company issued shares pursuant to warrants exercised as follows:

- February 27, 2019, issued 100,000 common shares with an exercise price of $2.00 per share;
- March 6, 2019, issued 352,000 common shares with an exercise price of $2.00 per share.

The Company completed private placements as follows:

- On December 20, 2018, the Company received $250,000 from the $25,000,000 private placement equity facility with Alumina Partners Ltd. (Note 20). The company issued 312,500 common shares at a price of $0.80 and issued 312,000 warrants at an exercise price of $1.50, for a period of five years;
- On January 16, 2019, the Company received an additional $500,000 from the $25,000,000 private placement equity facility with Alumina Partners Ltd. (Note 20). The company issued 384,615 common shares at a price of $1.30 and issued 384,615 warrants at an exercise price of $2.45, for a period of five years;
- On March 1, 2019, the Company completed a non-brokered private placement, issuing 1,500,000 units at a price of $1.84 for gross proceeds of $2,760,000. Each unit consists of one common share and one share purchase warrant exercisable at an exercise price of $2.50 for a period of five years;

  Share issuance costs of $203,233, paid in cash, were incurred pursuant to the above private placements.

(Expressed in Canadian dollars)

14. EQUITY (CONTINUED)

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

i. On December 22, 2017, the Company completed a non-brokered private placement, issuing 63 Class A common shares at a price of $38,000 per Class A common share for gross proceeds of $2,394,000.
ii. On December 22, 2017, the Company completed a non-brokered private placement, issuing 37 Class B common shares at a price of $38,000 per Class B common share for gross proceeds of $1,406,000.

14.3 Warrants

During December 2018, the Company entered into convertible debt agreements. Pursuant to the convertible debt agreements, the Company issued one common share purchase warrant ("Warrants") for each common share underlying the Convertible Debentures for a total of 2,800,000 warrants. Each Warrant will be exercisable into one Common Share at an exercise price of $1.50 for a period of 24 months.

As of March 31, 2019, the following warrants were outstanding:

	Warrants	Exercise Price
June 30, 2018	-	-
Opening balance Chemesis warrants	4,580,282	1.00
Issued	4,684,614	1.90
Exercised	(452,000)	1.00
March 31, 2019	8,812,896	$ 1.48

Expiry date	Warrants	Exercise Price
August 3, 2019	4,128,282	$ 1.00
December 4, 2020	1,600,000	$ 1.50
December 21, 2020	1,200,000	$ 1.50
January 17, 2024	384,614	$ 2.45
March 1, 2024	1,500,000	$ 2.50
Balance, March 31, 2019	**8,812,896**	

At March 31, 2019, the weighted-average remaining life of the outstanding warrants was 1.75 years.

(Expressed in Canadian dollars)

14. EQUITY (CONTINUED)

14.4 Options and 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 CSE. 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 nine months ended March 31, 2019 were 6,550,000. Total share-based payments recognized for the fair value of share options granted, vested and approved by the shareholders during the nine months ended March 31, 2019 was $4,085,798.

The fair value of the share options granted during the period ended March 31, 2019 was estimated on the date of grant using the Black-Scholes Pricing Model with the following weighted average assumptions:

		Nine months ended March 31, 2019
Strike price		$0.89
Risk free interest rate		2.06%
Expected option life (years)		4.91 years
Expected stock price volatility		110%
Dividend payments during life of option		Nil
Expected forfeiture rate		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.

(Expressed in Canadian dollars)

14. EQUITY (CONTINUED)

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

	Options	Weighted average exercise price
June 30, 2018	-	-
Opening balance Chemesis options	650,000	0.78
Granted	6,550,000	1.23
Cancelled	(457,500)	1.02
Exercised	(332,500)	1.03
March 31, 2019	6,410,000	1.21

At March 31, 2019, the weighted average remaining life of the outstanding options was 4.34 years.

Outstanding and exercisable				
Expiry date	Number of Options		Exercise price	Remaining contractual life (years)
September 18, 2019	50,000	$	1.00	0.47
June 9, 2022	350,000		0.50	3.19
August 18, 2022	125,000		1.10	3.39
July 22, 2023	4,285,000		1.00	4.31
September 27, 2023	200,000		1.74	4.50
November 6, 2023	300,000		1.40	4.61
March 12, 2024	500,000		2.13	4.95
March 25, 2024	100,000		2.09	4.99
March 29, 2024	500,000		2.16	5.00
	6,410,000			

15. REVERSE TAKEOVER TRANSACTION

On July 17, 2018, the Chemesis completed a reverse takeover transaction (“RTO”) with 1145411 B.C. Ltd. (“1145411”), 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 Chemesis.

As the former shareholders of 1145411 owned a majority interest in Chemesis 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 1145411 being identified as the acquirer. 1145411 is the owner of 100% of the issued and outstanding capital stock of Bonhomie Labs Inc., a California corporation (“Bonhomie”). At the time of the RTO, Bonhomie was 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.

(Expressed in Canadian dollars)

15. REVERSE TAKEOVER TRANSACTION (CONTINUED)

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 $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 measured at a fair value of $0.55 per common share (Note 11).

The cost of the transaction in excess of the net assets of 1145411 has been reflected as an expense, being the cost of obtaining a listing of Chemesis shares on the CSE as follows:

Cost of transaction		
Fair value of 46,807,559 common shares issued	$	28,552,611
Fair value of consolidated Chemesis net assets		
Cash	$	2,492,065
Prepaid expense		24,825
Amounts receivable		1,248
Promissory notes receivable		759,413
Exploration and evaluation assets		108,881
Accounts payable and accrued liabilities		(111,996)
Net assets acquired		3,274,436
Excess recorded as listing acquisition expense	$	25,278,175

The fair value of the consideration paid of 46,807,559 common shares was measured using the closing price of Chemesis' common shares on the date of the acquisition, July 17, 2018 at $0.61 per common share.

(Expressed in Canadian dollars)

16. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the nine months ended March 31, 2019 is summarized as follows:

	March 31, 2019
Management fees	$ 322,591
Share-based payments	2,294,413
Total	$ 2,617,004

As of March 31, 2019, $139,964 (June 30, 2018 - $nil) is owed to a director and officer of the Company for unpaid fees.

During the nine months ended March 31, 2019, the Company paid $124,091 included in consulting fees to the CEO and Director of the Company pursuant to CEO and Director services provided.

During the nine months ended March 31, 2019, the Company paid $70,000 included in consulting fees to the CFO of the Company pursuant to CFO services provided.

During the nine months ended March 31, 2019, the Company paid $100,000 included in consulting fees to a Director of the Company pursuant to Director services provided.

During the nine months ended March 31, 2019, the Company paid $28,500 included in consulting fees to the corporate secretary of the Company pursuant to corporate secretary services provided.

On December 4, 2018, a Director loaned the Company $1,000,000 included within convertible debentures (Note 13).

17. COMMITMENTS

On November 1, 2017, SAP entered into a 36-month lease agreement to rent commercial space for the Company's production facility in Cathedral City, California, USA. The remaining lease obligation at March 31, 2019 is approximately $462,000.

Between March 1, 2018 and May 1, 2018, the Company entered into three commercial lease agreements for neighboring industrial buildings in Palm Springs, California, USA. The remaining lease obligation on these buildings totals approximately $1,371,000 at March 31, 2019.

18. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash 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; 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 has a draw-down equity financing agreement of up to $25,000,000 with Alumina Partners, LLC which may be converted into shares of the Company. As of March 31, 2019, the Company has drawn down $750,000 on the equity financing arrangement. The Company is not currently subject to any externally imposed capital requirements.

On March 1, 2019 the Company entered into a $10,000,000 share subscription agreement with Global Emerging Markets ("GEM"). The agreement provides that the Company may, at any time while the agreement is in effect, deliver a draw-down notice to GEM specify the number of common shares for which GEM will then have an obligation to subscribe up to a maximum of $10,000,000. As of March 31, 2019, the Company had not drawn down on this equity financing arrangement.

19. RISK MANAGEMENT

19.1 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.

a. Capital risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash 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.

19. RISK MANAGEMENT (CONTINUED)

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 March 31, 2019, the Company's working capital deficit is $3,075,803 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 March 31, 2019, the Company had cash of $1,733,386, accounts payable and accrued liabilities of $2,180,043 (due in 90 days), acquisition payable of $5,500,000 (due in 24 months), excise tax payable of $122,879 (due in 90 days) and convertible debt (due in two years) of $3,134,830. The acquisition payable was settled with 4,104,474 common shares subsequent to period end.

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 not exposed to these risks.

19.2 Fair values

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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)

20. EQUITY FUNDING FACILITIES

On August 8, 2018, the Company entered into an equity financing agreement for up to $25,000,000, with Alumina Partners, LLC, a New York-based private equity firm that has made substantial investments in the cannabis space.

The agreement details the purchase of up to $25,000,000 of units of the Company, consisting of one common share and one common share purchase warrant, at discounts ranging from 15% to 25% of the market price of the Company's shares, with each equity financing occurring exclusively at the option of the Company, throughout the 24-month term of the agreement. The exercise price of the warrants will be at a 50% premium over the market price of the shares at the date of any funding loaned. There are no upfront fees or interest associated with the use of this financing. As of March 31, 2019, the Company has drawn down $750,000 on the equity financing arrangement.

On March 1, 2019 the Company entered into a $10,000,000 share subscription agreement with Global Emerging Markets ("GEM"). The agreement provides that the Company may, at any time while the agreement is in effect, deliver a draw-down notice to GEM specify the number of common shares for which GEM will then have an obligation to subscribe up to a maximum of $10,000,000. As of March 31, 2019, the Company had not drawn down on this equity financing arrangement.

21. SEGMENTED REPORTING

The Company currently has four operating segments and generates external revenues from the sale of cannabis products. The operating segments have been disclosed by geographical region as follows:

	Assets	Revenue	Profit (loss)
Canada	$ 21,426,868	$ -	$ (32,650,047)
United States	6,381,809	7,642,116	(1,756,691)
Puerto Rico	5,894,614	855,702	629,886
Columbia	295,082	3,456	(96,281)
	$ 33,998,373	$ 8,501,274	$ (33,873,133)

As at March 31, 2019, the assets held in Canada include $17,956,274 of goodwill (note 11).

22. SUBSEQUENT EVENTS

i) On April 1, 2019 the Company entered into an agreement to acquire 19.9% equity stake in GSRX Industries Inc. which owns and operates 6 cannabis dispensaries and an online e-commerce site. Pursuant to the terms of the acquisition, GSRX Industries Inc. issued 11,666,998 common shares to Chemesis. GSRX has also granted a pre-emptive right to maintain such ownership percentage. In exchange, Chemesis issued 7,291,874 common shares to GSRX subject to a mutual 36-month leak-out schedule;

ii) On April 15, 2019, the Company issued 553,886 common shares to acquire USD $847,530 in manufacturing equipment;

iii) On April 16, 2019, the Company entered into debt settlement agreements with the holders of the $5,500,000 million promissory notes issued in connection with the Company's acquisition of La Finca Interacviva-Arachna Inc. SAP, to settle the full aggregate amount of the indebtedness in exchange for common shares. Pursuant to the settlement agreement, the Company issued 4,104,476 commons shares subject to a 24-month release/leak-out schedule;

iv) On April 25, 2019, the Company issued 22,000 common shares with an exercise price of $2.00 per warrant;

v) On April 26, 2019, the Company granted 100,000 options at an exercise price of $2.04 expiring April 26, 2021;

vi) On May 8, 2019, the Company issued 50,000 common shares with an exercise price of $1.00 per option;

vii) On May 6, 2019, the Company issued 10,000 common shares with an exercise price of $1.00 per warrant;

viii) On May 17, 2019, the Company issued 627,313 common shares pursuant to membership interest purchase agreement, whereby the Company has agreed to purchase, and the vendors have agreed to sell their Company interests;

ix) On May 23, 2019, the Company granted 200,000 options at an exercise price of $2.11 per option, expiring May 23, 2024. The options vest quarterly over the next twelve months;

The Company completed the following private placements pursuant to the GEM equity financing arrangement with GEM:

- On April 16, 2019, the Company raised $925,000 at a price of $1.85 per unit;
- On April 22, 2019, the Company raised $350,000 at a price of $1.85 per unit;
- On May 8, 2019, the Company issued $350,000 at a price of $1.85 per unit; and
- On May 30, 2019, the Company issued $350,000 at a price of $1.85 per unit;