

CHEMESIS INTERNATIONAL INC.
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FORM 51-102F6V
STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS

Dated: December 27, 2019

OBJECTIVE: The objective of this disclosure is to communicate the compensation Chemesis International Inc. paid, made payable, awarded, granted, gave or otherwise provided to each named executive officer and director for the financial year, and the decision-making process relating to compensation. This disclosure will provide insight into executive compensation as a key aspect of the overall stewardship and governance of the Company and will help investors understand how decisions about executive compensation are made.

DEFINITIONS:

For the purpose of this Statement of Executive Compensation, in this form:

- (a) **“Company”** means Chemesis International Inc.;
- (b) **“company”** includes other types of business organizations such as partnerships, trusts and other unincorporated business entities;
- (c) **“compensation securities”** includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the Company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the Company or any of its subsidiaries;
- (d) **“Deferred Share Unit”** means the agreement by the Company to pay, and the right of the Participant to receive, a Deferred Share Unit Payment for each Deferred Share Unit held, evidenced by way of book-keeping entry in the books of the Company and administered pursuant to the Equity Incentive Plan;
- (e) **“Deferred Share Unit Payment”** means, subject to any adjustment in accordance with the Equity Incentive Plan, the issuance to a Participant of one previously unissued common share of the Company for each whole Deferred Share Unit credited to such Participant;
- (f) **“Designated Affiliate”** means subsidiaries of the Company designated by the Board from time to time for purposes of the Equity Incentive Plan”
- (g) **“Director”** means an individual who acted as a director of the Company, or acted in a similar capacity, for any part of the most recently completed financial year;
- (h) **“Eligible Directors”** means the directors of the Company or any Designated Affiliate who are, as such, eligible for participation in the Equity Incentive Plan;
- (i) **“Eligible Employees”** means employees (including employees who are not officers and directors) and Service Providers of the Company or any Designated Affiliate thereof, whether or not they have a written employment contract with the Company, determined by the Board, as employees eligible for participation in the Equity Incentive Plan;
- (j) **“Equity Incentive Plan”** means the equity incentive plan, originally dated May 2, 2019, as it may be amended and restated from time to time, of the Company;
- (k) **“named executive officer”** or **“NEO”** means each of the following individuals:

- (i) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer (“**CEO**”), including an individual performing functions similar to a CEO;
 - (ii) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer (“**CFO**”), including an individual performing functions similar to a CFO;
 - (iii) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, as determined in accordance with subsection 1.3(5), for that financial year;
 - (iv) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year;
- (l) “**Participant**” means an Eligible Employee or Eligible Director who participates in the Equity Incentive Plan;
 - (m) “**plan**” includes any plan, contract, authorization, or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons;
 - (n) “**Restricted Period**” means any period of time that a Restricted Share Right is not vested and the Participant holding such Restricted Share Right remains ineligible to receive the relevant common shares of the Company, determined by the Board in its absolute discretion, however, such period of time may be reduced or eliminated from time to time and at any time and for any reason as determined by the Board, including, but no limited to, circumstances involving death or disability of a Participant;
 - (o) “**Restricted Share Right**” means a right to receive any number of fully paid and non-assessable common shares of the Company as a discretionary payment in consideration of past services to the Company or as an incentive for future services, subject to the Equity Incentive Plan and with such additional provisions and restrictions as the Board may determine.
 - (p) “**Service Provider**” means any person or company engaged by the Company or a Designated Affiliate to provide services for an initial, renewable or extended period of 12 months or more;
 - (q) “**Separation Date**” means the date that a Participant ceases to be an Eligible Director or Eligible Employee;
 - (r) “**Specified Employee**” means a U.S. Taxpayer who meets the definition of “specified employee”, as defined in Section 409A(a)(2)(B)(i) of the Internal Revenue Code; and
 - (s) “**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

DIRECTOR AND NEO COMPENSATION

Director and NEO compensation, excluding compensation securities

Edgar Montero and Eli Dusenbury are the NEOs of the Company for the purposes of the following disclosure. Edgar Montero and Eli Dusenbury are not employees of the Company. They provide or have provided their services as officers of the Company in their respective consulting capacity.

The following table sets forth all compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company or its subsidiary, to each NEO and director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or a director of the Company for services provided and for services to be provided, directly or indirectly, to the Company or its subsidiary for the Company's two most recently completed financial years:

Table of Compensation Excluding Compensation Securities								
Name and position	Year ⁽¹⁾	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites	Pension value (\$)	Value of all other compensation (\$)	Total (\$)
Edgar Montero ⁽²⁾ CEO and Director	2019	161,472	Nil	Nil	Nil	Nil	Nil	161,472
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Eli Dusenbury ⁽³⁾ CFO	2019	100,000	Nil	Nil	Nil	Nil	Nil	100,000
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Aman Parmar ⁽⁴⁾ President and Director	2019	137,500	Nil	Nil	Nil	Nil	Nil	137,500
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Brian Thurston ⁽⁵⁾ Corporate Secretary and Director	2019	37,500	Nil	Nil	Nil	Nil	Nil	37,500
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Mike Aujla ⁽⁶⁾ Director	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Deepak Anand ⁽⁷⁾ Former Director	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Dave McMillan ⁽⁸⁾ Former Director	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2018	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mathew Lee ⁽⁹⁾ Former CFO	2019	15,000	Nil	Nil	Nil	Nil	Nil	15,000
	2018	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Financial years ended June 30, 2019, and 2018.
- (2) Edgar Montero was appointed CEO and a director of the Company on July 17, 2018.
- (3) Eli Dusenbury was appointed CFO of the Company on September 7, 2018.
- (4) Aman Parmar was appointed President on July 16, 2018, and has served as a director of the Company since March 17, 2017.

- (5) Brian Thurston resigned as President and CEO of the Company on July 16, 2018. He has served as a director of the Company since March 15, 2017.
- (6) Mike Aujla has served as a director of the Company since July 27, 2018.
- (7) Deepak Anand served as a director of the Company from March 8, 2019, to September 17, 2019.
- (8) Dave McMillan served as a director of the Company from July 17, 2018, to July 27, 2018.
- (9) Mathew Lee served as CFO of the Company from February 20, 2018, to September 30, 2018.

There are no arrangements under which Directors, who were not also officers of the Company, were compensated by the Company during the financial years ended June 30, 2019, and 2018, other than stock options that were issued pursuant to the Equity Incentive Plan.

Stock Options and Other Compensation Securities

The following table sets out all compensation securities granted or issued to each director and NEO by the Company or any subsidiary thereof in the financial year ended June 30, 2019, for services provided, or to be provided, directly or indirectly, to the Company or any subsidiary thereof:

Compensation Securities							
Name and position	Type of compensation security⁽¹⁾	Number of compensation securities, number of underlying securities⁽²⁾	Date of issue or grant	Issue, conversion or exercise price (\$)⁽²⁾	Closing price of security or underlying security on date of grant (\$)⁽²⁾	Closing price of security or underlying security at year end (\$)⁽²⁾	Expiry date
Edgar Montero CEO and Director	Stock options	60,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023
Eli Dusenbury CFO	Stock options	20,000	September 27, 2018	17.40	17.40	19.70	September 27, 2023
Aman Parmar President and Director	Stock options	70,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023
Brian Thurston Director	Stock options	50,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023
Mike Aujla Director	Stock options	25,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023
Deepak Anand Former Director	Stock options	50,000	March 12, 2019	21.30	21.30	19.70	March 12, 2024
Dave McMillan Former Director	Stock options	20,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023
Mathew Lee Former CFO	Stock options	25,000	July 22, 2018	10.00	5.50	19.70	July 22, 2023

Notes:

(1) Each stock option entitles the holder to one common share of the Company upon exercise or release.

(2) On post-consolidated basis pursuant to consolidation effected December 20, 2019.

⁽¹⁾ On June 30, 2019, the total number of compensation securities, and underlying securities, held by each NEO and director on a post-consolidation basis pursuant to consolidation effected December 20, 2019:

- (i) Edgar Montero held an aggregate of 60,000 stock options (60,000 underlying common shares);

- (ii) Eli Dusenbury held an aggregate of 20,000 stock options (20,000 underlying common shares);
- (iii) Aman Parmar held an aggregate of 120,000 stock options (120,000 underlying common shares);
- (iv) Brian Thurston held an aggregate of 50,000 stock options (50,000 underlying common shares);
- (v) Mike Aujla held an aggregate of 50,000 stock options (50,000 underlying common shares);
- (vi) Deepak Anand held an aggregate of 50,000 stock options (50,000 underlying common shares);
- (vii) Dave McMillan held an aggregate of 20,000 stock options (20,000 underlying common shares);
- (viii) Mathew Lee held nil stock options (nil underlying common shares).

Exercise of Compensation Securities by Directors and NEOs

The following table discloses each exercise by a director or NEO of compensation securities during the financial year ended June 30, 2019.

Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying securities exercised⁽¹⁾	Date of Exercise	Exercise price per security (\$)⁽¹⁾	Closing price per security on date of exercise (\$)⁽¹⁾	Difference between exercise price and closing price on date of exercise (\$)	Total value on date of exercise (\$)
Mathew Lee Former CFO	Stock options	6,750	December 14, 2018	10.00	11.40	1.40	9,450

(1) On post-consolidated basis pursuant to consolidation effected December 20, 2019.

COMPENSATION DISCUSSION AND ANALYSIS

Oversight and description of director and named executive officer compensation

The Board of Directors of the Company (the “**Board of Directors**” or “**Board**”) is responsible for reviewing and approving goals and objectives relevant to executive compensation and evaluating performance relative to those goals and objectives.

The Board has constituted a compensation committee (the “**Compensation Committee**”) to consider compensation matters, report to the Board, and to make recommendations regarding executive compensation. The Compensation Committee is presently comprised of Brian Thurston, Mike Aujla, and Aman Parmar, and is responsible for considering all forms of compensation to be granted to the CEO and the Directors, and for reviewing the CEO’s recommendations respecting compensation of the other officers of the Company. In its review of executive compensation, the Compensation Committee strives to ensure such arrangements reflect the responsibilities and risks associated with each position.

It is the responsibility of the Board, as a whole, to determine the level of compensation of its senior executives and in so determining, the Board considers:

- (i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value;
- (ii) providing fair and competitive compensation;
- (iii) balancing the interests of management and shareholders of the Company; and

- (iv) rewarding performance, both on an individual basis and with respect to operations in general.

The Board of Directors may set, throughout the year, discretionary bonuses to serve as incentive mechanisms for the meeting of particular corporate goals and objectives, or for the Company's financial performance. NEOs are also eligible to participate in the Company's Equity Incentive Plan and receive grants of stock options, Deferred Share Units, and Restricted Share Rights thereunder.

Equity Incentive Plan

The Company has in effect the Equity Incentive Plan in order to secure for the Company and its shareholders the benefits inherent in share ownership by the employees and directors of the Company and its affiliates who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that incentive plans of the nature of the Equity Incentive Plan aid in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

The Company grants option- and share-based awards from time to time to its Directors, officers, consultants and employees in accordance with the policies of the Canadian Securities Exchange (the "Exchange") and at the discretion of its Board of Directors. There are no formal plans other than the Equity Incentive Plan pursuant to which stock options to purchase securities of the Company were or may be granted to executive officers, and Deferred Share Units and Restricted Share Rights may be awarded.

The Equity Incentive Plan is an important part of the Company's long-term incentive strategy for its NEOs, as well as for its other Directors, officers, other management, employees and consultants, permitting them to participate in any appreciation of the market value of the common shares of the Company over a stated period of time. The Equity Incentive Plan is designed to foster a proprietary interest in stock ownership, and to reinforce a commitment to the Company's long-term growth, performance and success as well as increases in shareholder value. The Board of Directors reviews the grant of stock options, Deferred Share Units, and Restricted Share Rights to NEOs from time to time, based on various factors such as the NEOs level of responsibility and role and importance in the Company achieving its corporate goals, objectives and prospects. Previous grants of stock options, Deferred Share Units, and Restricted Share Rights are taken into account when considering new grants of stock options, Deferred Share Units, and Restricted Share Rights to NEOs.

Summary

The following is a summary of the material terms of the Equity Incentive Plan, pursuant to which stock options, Deferred Share Units, and Restricted Share Rights may be granted by the Board.

Number of Shares

The aggregate number of common shares that may be issued under the Equity Incentive Plan (together with any other securities-based compensation arrangements of the Company in effect from time to time) for stock options, Deferred Share Units and Restricted Shares shall not exceed 20% of the outstanding issue (the total number of common shares of the Company, on a non-diluted basis, that are issued and outstanding immediately prior to the date that any common shares are issued or reserved for issuance pursuant to the grant of stock options, Deferred Share Units and Restricted Share Rights) from time to time.

Adjustment in Common Shares

If there is any change in the common shares of the Company through the declaration of stock dividends of common shares, through any consolidations, subdivisions or reclassification of common shares, or otherwise, the number of common shares available under the Equity Incentive Plan, the common shares subject to any grant, and the exercise price of any stock option shall be adjusted as determined to be appropriate by the Board.

Transferability

Any stock options, Deferred Share Units and Restricted Share Rights granted under the Equity Incentive Plan accruing to any Participant shall not be transferable unless specifically provided by therein. During the lifetime of a Participant all Awards may only be exercised by the Participant. Stock options, Deferred Share Units and Restricted Share Rights are non-transferable except by will or by the laws of descent and distribution.

Options

The Company may from time to time grant stock options to Participants pursuant to the Equity Incentive Plan. Such grants shall be evidenced by a stock option agreement with terms and conditions consistent with the Equity Incentive Plan and as approved by the Board and any applicable regulator. The terms of a stock option will not be amended once issued.

The exercise price for any stock option shall not be less than 100% of the greater of the closing market price of the common shares of the Company on (a) the trading day prior to the grant of stock options, and (b) the date of the grant of stock options. Exercise prices must be paid in full upon exercise of an option. However, Participants have the right, in lieu of the right to exercise a stock option, to terminate such stock option in whole or in part by exercising the cashless exercise right in accordance with the terms and conditions of the Equity Incentive Plan.

The term of stock options shall be five years from the date such stock options are granted, or such greater, but in no event more than 10 years from the date stock options are granted, or lesser duration as the Board may determine at the date of grant, and may thereafter be reduced in the event of termination of employment or death of an option holder.

Unless otherwise determined by the Board, stock options shall vest and may be exercised at any time (i) during the first six months of their term for up to 25% of the total number of common shares of the Company reserved for issuance pursuant to the stock option grant, (ii) during each additional six-month period of the term an additional 25% of the total number of common shares of the Company reserved for issuance pursuant to the stock option grant plus any common shares not purchased in accordance with (i) and (ii) until, after the 18th month of the term, 100% of the stock option grant shall be exercisable.

Unless the Board determines otherwise, stock options will terminate in the following circumstances:

- (a) Death of Option Holder. If an option holder dies prior to the expiry of an option, his heirs or administrators may within 12 months from the date of the option holder's death exercise that portion of an option granted to the option holder under the Equity Incentive Plan which remains vested and outstanding;

- (b) Termination of Employment with Cause. For any reason other than death, If an option holder ceases to be so engaged by the Company with cause, no stock options held by such option holder will be exercisable following the date on which such option holder ceases to be so engaged; and
- (c) Termination of Employment without Cause. For any reason other than death, if an option holder ceases to be so engaged by the Company without cause, any stock options held by such option holder on the date of termination shall become exercisable for a period of up to 12 months thereafter or prior to the expiration of the term, whichever is sooner.

The Equity Incentive Plan contains provisions governing the acceleration of the vesting of options in the event of a change of control of the Company. In addition, the Equity Incentive Plan contains provisions relating to amalgamations or mergers and blackout periods.

Deferred Share Units

The Board may from time to time determine to grant Deferred Share Units to the account of one or more Eligible Directors, based on such formulas or criteria as the Board may from time to time determine. Each grant of a Deferred Share Unit under the Equity Incentive Plan shall be evidenced by a grant letter issued to the Eligible Director by the Company. Such grant letter shall be subject to all applicable terms and conditions of the Equity Incentive Plan and may be subject to any other terms and conditions which are not inconsistent with the Equity Incentive Plan and which the Board deems appropriate.

The Deferred Share Units held by each Eligible Director who is not a US Taxpayer shall be redeemed automatically and with no further action by the Eligible Director on the 20th business day following the Separation Date for that Eligible Director. For US Taxpayers, Deferred Share Units held by an Eligible Director who is a Specified Employee will be automatically redeemed with no further action by the Eligible Director on the date that is six months following the Separation Date for the Eligible Director, or if earlier, upon such Eligible Director's death. Upon redemption, the former Eligible Director shall be entitled to receive and the Company shall issue, the number of common shares issued from its treasury equal to the number of Deferred Share Units in the Eligible Director's account, subject to any applicable deductions and withholdings. In the event a Separation Date occurs during a year and Deferred Share Units have been granted to such Eligible Director for that entire year, the Eligible Director will only be entitled to a pro-rated number of common shares in respect of such Deferred Share Units.

No amount will be paid to, or in respect of, an Eligible Director under the Equity Incentive Plan or pursuant to any other arrangement, and no other additional Deferred Share Units will be granted to compensate for a downward fluctuation in the value of the common shares of the Company nor will any other benefit be conferred upon, or in respect of, an Eligible Director for such purpose.

In the event of the death of an Eligible Director, the Deferred Share Units shall be redeemed automatically and with no further action on the 20th business day following the death of an Eligible Director.

Restricted Share Rights

The Company has the right to grant, in its sole and absolute discretion, to any Participant, **Restricted Share Rights** as a discretionary payment in consideration of past services to the Company or as an incentive for future services, subject to the Equity Incentive Plan and with such additional provisions and restrictions as the Board may determine.

Each grant of a Restricted Share Right shall be evidenced by a grant letter issued to the Participant by the Company. Such grant letter shall be subject to all applicable terms and conditions of the Equity Incentive Plan and may be subject to any other terms and conditions which are not inconsistent with the Equity Incentive Plan and which the Board deems appropriate for inclusion in a grant letter.

Concurrent with the determination to grant Restricted Share Rights to a Participant, the Board shall determine the Restricted Period applicable to such Restricted Share Rights. In addition, at the sole discretion of the Board, at the time of grant, the Restricted Share Rights may be subject to performance conditions to be achieved by the Company or a class of Participants or by a particular Participant on an individual basis, within a Restricted Period, for such Restricted Share Rights to entitle the holder thereof to receive the underlying common shares. Upon expiry of the applicable Restricted Period, a Restricted Share Right shall be automatically settled, and without the payment of additional consideration or any other further action on the part of the holder of the Restricted Share Right, the underlying common shares shall be issued to the holder of such Restricted Share Rights, which Restricted Share Rights shall then be cancelled.

In the event and to the extent of the retirement or termination of a Participant from all roles with the Company during the Restricted Period, any Restricted Share Rights held by the Participant shall immediately terminate and be of no further force or effect; provided, however, that the Board shall have the absolute discretion to modify the grant of the Restricted Share Rights to provide that the Restricted Period shall terminate immediately prior to the date of such occurrence.

In the event and to the extent of the retirement or termination of a Participant from all roles with the Company following the Restricted Period and prior to a deferred payment date, the Participant shall be entitled to receive, and the Company shall issue forthwith, common shares in satisfaction of the Restricted Share Rights then held by the Participant.

In the event of the death or total disability of a Participant, any common shares represented by Restricted Share Rights held by the Participant shall be immediately issued by the Company to the Participant.

In the event of a change of control of the Company, all Restricted Share Rights outstanding shall vest immediately and be settled by the issuance of common shares.

The Board adopted the Equity Incentive Plan on May 2, 2019, and, unless otherwise determined by the Board, shall be administered by the Board or a Board committee designated by the Board. Shareholders have not subsequently been requested to ratify and approve the Equity Incentive Plan.

Employment, consulting and management agreements

Except as disclosed herein, the Company did not have any employment, consulting or management agreements or any formal arrangements with the Company's current NEOs or directors regarding compensation during the financial year ended June 30, 2019, in respect of services provided to the Company or subsidiaries thereof.

Effective August 1, 2018, the Company entered into a consulting agreement with 1428 Investments Inc., pursuant to which 1428 Investments Inc. agreed to serve as President of the Company through Aman Parmar.

Termination and Change of Control Benefits

As at the year ended June 30, 2019, the Company did not have any contract, agreement, plan or arrangement that provides for payment to any NEOs, executive officers or directors at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO's, executive officer's or director's responsibilities.

Pension disclosure

As at the year ended June 30, 2019, and to the date of this Statement of Executive Compensation – Venture Issuers, the Company does not offer pension plan benefits. It does not have any pension plans that provide for payments or benefits at, following, or in connection with retirement nor does it maintain any defined benefit plans, defined contribution plans or deferred compensation plans.