

**FORM 51-102F3
MATERIAL CHANGE REPORT**

Item 1 Name and Address of Company

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

Item 2 Date of Material Change

January 23, 2020

Item 3 News Release

A news release announcing the material change referred to in this report was disseminated on January 23, 2020 and subsequently filed on SEDAR at www.sedar.com.

Item 4 Summary of Material Change

On January 23, 2020, the Company closed a private placement of 16,393,444 units of the Company (the “**Units**”) at price of \$0.305 per Unit. Each Unit is comprised of one common share and one common share purchase warrant (each, a “**Warrant**”). Each Warrant is exercisable for one common share at a price of \$0.405 for a period of 24 months.

The Company also settled and discharged an aggregate total indebtedness of \$1,884,996, on the following basis:

- \$1,141,556 owed under a convertible debenture held by 1428 Investments Inc. (“**1428**”) and 344,275 owed under a convertible debenture agreement repaid in cash;
- \$284,444 owed under a convertible debenture repaid through the issuance of 406,348 units of the Company (the “**Debt Settlement Units**”), with each Debt Settlement Unit being comprised of one common share and one common share purchase warrant (the “**Debt Settlement Warrants**”) and issued at a deemed price of \$0.70. Each Debt Settlement Warrant is exercisable for one common share at a price of \$0.70 for a period of 24 months; and
- \$114,691 owed to a creditor was settled through the issuance of 163,844 Debt Settlement Units.

In addition, the Company completed its previously announced convertible debt settlement (see news release dated January 14, 2020) whereby it discharged a total indebtedness of \$1,109,440 under certain convertible debentures through the issuance of 1,232,711 units of the Company (the “**Debt Conversion Units**”), with each Debt Conversion Unit being comprised of one common share and one common share purchase warrant (the “**Debt Conversion Warrants**”) and issued at a deemed price of \$0.90. Each Debt Conversion Warrant is exercisable for one common share at a price of \$1.12 for a period of 24 months.

Item 5 Full Description of Material Change

5.1 Full Description of Material Change

On January 23, 2020, the Company closed a private placement of 16,393,444 Units at price of \$0.305 per Unit, for aggregate gross proceeds of \$5,000,000 (the "**Private Placement**"). Each Unit is comprised of one common share and one Warrant. Each Warrant is exercisable for one common share at a price of \$0.405 for a period of 24 months. The proceeds of the Private Placement are intended for general working capital and to have cash on hand to fund potential future acquisition opportunities

1428, being a related party to the Company under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") by virtue of being controlled by a senior officer (Aman Parmar, President and director) of the Company, participated in the Private Placement. This portion of the Private Placement, therefore, constitutes a "related party transaction" under MI 61-101. 1428 entered into a subscription agreement with the Company, whereby 1428 acquired 2,153,872 Units at price of \$0.305 per Unit for proceeds of \$656,931. The Company relied upon exemptions from the valuation and minority shareholder approval requirements of MI 61-101 available pursuant to Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the Units subscribed for by 1428 nor the fair market value of the consideration for the Units paid by 1428 exceeds 25% of the Company's market capitalization. The participation of 1428 in the Private Placement is not expected to have any material effect on the Company's business and affairs.

The Company also settled and discharged an aggregate total indebtedness of \$1,884,996, on the following basis:

- \$1,141,556 owed under a convertible debenture held by 1428 and \$344,275 owed under a convertible debenture agreement (the "**Cash Settlement**");
- \$284,444 owed under a convertible debenture repaid through the issuance of 406,348 Debt Settlement Units, with each Debt Settlement Unit being comprised of one common share and one Debt Settlement Warrant and issued at a deemed price of \$0.70. Each Debt Settlement Warrant is exercisable for one common share at a price of \$0.70 for a period of 24 months; and
- \$114,691 owed to a creditor was settled through the issuance of 163,844 Debt Settlement Units.

1428, being a related party to the Company under MI 61-101 by virtue of being controlled by a senior officer (Aman Parmar, President and director) of the Company, was a party to the Cash Settlement, and as such, the Cash Settlement constitutes a "related party transaction" under MI 61-101. The Company relied upon exemptions from the valuation and minority shareholder approval requirements of MI 61-101 available pursuant to Sections 5.5(a) and 5.7(1)(a) of MI 61-101, as neither the fair market value of the outstanding principal and interest under the convertible debenture nor the fair market value of the cash repayment amount of \$1,485,831 paid by the Company to 1428 exceeds 25% of the Company's market capitalization. The participation of 1428 in the Cash Settlement is not expected to have any material effect on the Company's business and affairs.

In addition, the Company completed its previously announced convertible debt settlement (see news release dated January 14, 2020) whereby it discharged a total indebtedness of \$1,109,440 under certain convertible debentures through the issuance of 1,232,711 Debt Conversion Units, with each Debt Conversion Unit being comprised of one common share and one Debt Conversion Warrant and issued at a deemed price of \$0.90. Each Debt Conversion Warrant is exercisable for one common share at a price of \$1.12 for a period of 24 months.

As this material change report is being filed less than 21 days before the completion of the related party transactions described herein, there is a requirement under MI 61-101 to explain why the shorter period was reasonable or necessary in the circumstances. The Company believes that it was necessary to complete the Private Placement and Cash Settlement as soon as practicable given the volatile state of equity markets and, therefore, that such truncated period was reasonable and necessary.

5.2 Disclosure for Restructuring Transactions

Not applicable.

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

Not applicable.

Item 7 Omitted Information

No significant facts have been omitted from this report.

Item 8 Executive Officer

Eli Dusenbury, Chief Financial Officer
Telephone: 604-398-3378

Item 9 Date of Report

January 31, 2020

Forward-Looking Information: This material change report contains "forward-looking information" within the meaning of applicable securities laws relating to statements regarding the intended use of the proceeds of the Private Placement. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Readers are cautioned not to place undue reliance on forward-looking information. Such forward-looking statements are subject to risks and uncertainties that may cause actual results, performance and developments to differ materially from those contemplated by these statements depending on, among other things, the risks that the proceeds of the Private Placement may be used other than as set out in this material change report. Except as required by law, the Company expressly disclaims any obligation and does not intend to update any forward-looking statements or forwardlooking information in this material change report. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct and makes no reference to profitability based on sales reported. The statements in this material change report are made as of the date of this report.