

FORM 51-102F3

MATERIAL CHANGE REPORT

ITEM 1. Name and Address of Company

Chemesis International Inc. (“**Chemesis**” or the “**Company**”)
408-355 Burrard Street
Vancouver, BC V6C 0B2

ITEM 2. Date of Material Change

August 3, 2020

ITEM 3. News Release

The Company disseminated a news release in respect of the material change on August 7, 2020 and such news release was subsequently filed on SEDAR.

ITEM 4. Summary of Material Change

Further to the Company’s news release dated June 17, 2020, the Company announced that the Puerto Rico Court of Appeals (the “**Court of Appeal**”) has ruled (the “**Appeal Decision**”) in favour of the Puerto Rico Medicinal Cannabis Office, a constituent of Puerto Rico’s Department of Health (the “**DHPR**”), in regard to the Puerto Rico cannabis licenses, held by the Company’s subsidiaries Natural Ventures PR, LLC (“**NVPR**”) and GSRX Industries Inc. (“**GSRX**”), respectively (the “**Licenses**”). The Appeal Decision reverses the judgment the Company had obtained from the Puerto Rico Court of First Instance (the “**Court of First Instance**”), wherein the Court of First Instance had found that the abeyance of the Licenses was invalid and unconstitutional and that such action was nullified (the “**Initial Decision**”).

ITEM 5. Full Description of Material Change

In October 2019, the Licenses were subject to an administrative review (the “**Review**”) being undertaken by the DHPR, and, as a result, the Licenses were effectively held in abeyance as NVPR and GSRX, respectively, were not permitted to carry out any licensed activities under the Licenses, though they were permitted to carry out certain activities for the purposes of preserving and maintain inventory.

In December 2019, the Company applied to the Court of First Instance for a declaratory judgement establishing that the DHPR’s actions in regard to the Review were inconsistent with the legal and regulatory framework applicable to the Licenses. In January 2020, the Company obtained a judgement from the Court of First Instance in respect of the Licenses, as the Court found that the abeyance of the Licenses was invalid and unconstitutional and that such action was to be nullified. At such time, the Licenses continued to be held in abeyance, though NVPR and GSRX, respectively, were still permitted to carry out certain activities for the purposes of preserving and maintaining inventory.

Subsequently, the DHPR commenced an appeal of the Initial Decision (the “**Appeal**”) and applied for an order staying the effect of the Initial Decision until the Appeal had been heard (the “**Application for Stay**”). The Court of First Instance decided in the favour of the Company in respect of the Application for Stay, and consequently did not stay the effect of the Initial Decision.

In February 2020, as a result of the Initial Decision and the decision in respect of the Application for Stay, the DHPR reinstated the Licenses, and the Licenses were fully operational.

In the Appeal Decision, the Court of Appeal has ruled in favour of the Puerto Rico Medicinal Cannabis Office, a constituent of DHPR, in regard to the Licenses. The Appeal Decision reverses the Initial Decision.

The Company notes that the Appeal Decision does not entail an automatic abeyance of the Licenses, and in fact operations under the Licenses are currently continuing in the ordinary course. The Company further notes that the Court of Appeal based its decision on procedural grounds, finding that the Court of First Instance did not have jurisdiction over the matter; the Court of Appeal did not decide upon substantive merits. Furthermore, the Appeal Decision is not final in that it may be appealed to the Supreme Court of Puerto Rico (the “Further Appeals”).

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

This report is not being filed on a confidential basis.

ITEM 7. Omitted Information

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

ITEM 8. Executive Officer

For further information, please contact:

Name: Eli Dusenbury, Chief Financial Officer
Telephone: 778-953-4191

ITEM 9. Date of Report

August 12, 2020.

CHEMESIS INTERNATIONAL INC.

Per: //Eli Dusenbury//

Eli Dusenbury
Chief Financial Officer

Forward-Looking Information: This material change report contains "forward-looking information" within the meaning of applicable securities laws relating to statements regarding the potential or ability for the Company to commence any Further Appeals and the ability of the Company to continue to operate under the Licenses. 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 including, among other things, the risks that the Company will not be able to commence a Further Appeal in a timely manner, or at all, that the Company will not be able to maintain or continue licensed activities under the Licenses as currently being conducted, or at all, and that the Company's products and plans will vary significantly as a result. Except as required by law, the Company expressly disclaims any obligation and does not intend to update any forward-looking statements or forward-looking information in this material change report. Although the Company believes that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct and makes no reference to profitability based on sales reported. The statements in this material change report are made as of the date of this report.