

FORM 7

MONTHLY PROGRESS REPORT

Name of Listed Issuer: **Chemesis International Inc. (the "Issuer")**

Trading Symbol: **CSI**

Number of Outstanding Listed Securities: **94,021,022**

Date: **September 8, 2019**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Issuer is a vertically integrated U.S. multi-state operator with International operations in the cannabis industry, currently operating within California, Puerto Rico, and Colombia. With facilities in these three jurisdictions allowing for cost-effective production and distribution of its products, the Issuer is developing a strong foothold in key markets from cultivation to manufacturing, distribution, and retail. In addition, the Issuer leverages exclusive brands and partnerships and uses the highest quality extraction methods to provide consumers with quality cannabis products.

During the month of August 2019, the Issuer actively continued general and corporate operations. Management continued to develop the Issuer's business and search for strategic business relationships.

2. Provide a general overview and discussion of the activities of management.

On August 5, 2019, the Issuer announced by news release it has entered into binding share exchange agreements (the “Share Exchange Agreements”) with certain shareholders (“Selling Shareholders”) of GSRX Industries Inc. (“GSRX”) (OTCQB: GSRX) (the “Acquisition”), pursuant to which the Issuer will acquire an aggregate of 42,634,124 common shares and 1,000 preferred shares of GSRX, in exchange for an aggregate of 18,915,738 common shares of the Issuer to be issued to the Selling Shareholders (“Chemesis Consideration Shares”). Together with the GSRX common shares already held by the Issuer, completion of the Acquisition will result in the Issuer holding an aggregate of 54,301,122 common shares and 1,000 preferred shares of GSRX. The preferred shares carry, in aggregate, 51% of all outstanding share voting rights of GSRX. Accordingly, upon completion of the Acquisition, the Issuer will hold an aggregate 66.29% of all outstanding share voting rights. The Chemesis Consideration Shares shall be subject to a 36-month lock out schedule.

The Issuer has retained INFOR Financial Inc. as a financial advisor with respect to the Acquisition. Completion of the Acquisition is expected to occur prior to August 31, 2019.

Upon acquiring a controlling interest in GSRX pursuant to the Acquisition, the Issuer will effectively be a fully vertically-integrated, multi-state operator with assets in six states which include California, Tennessee, Arizona, Michigan, Texas, and Puerto Rico, with significantly-enhanced consolidated gross revenue projections estimated to be approximately \$75,000,000 USD for the 2020 calendar year (on a fully consolidated basis) (“Estimated Revenue Projection”).

The Issuer has extensive manufacturing, extraction, distribution, and processing capabilities, which complement and build upon GSRX’s proven ability to professionally operate cannabis dispensaries. The Issuer intends to leverage its facilities and processing capabilities to manufacture finished goods for GSRX’s operating dispensaries, with the aim of further increasing margins and operational efficiencies.

GSRX’s asset portfolio includes:

- Five operational dispensaries in Puerto Rico, which operate under Green Spirit Rx brand with locations in Dorado, Carolina, Hato Rey, Fajardo and San Juan.
- An additional five pre-qualified dispensaries in Puerto Rico with locations in large tourist centres and dense populations. Each dispensary is in various stages of development and construction.
- A fully licensed cannabis distribution centre in Point Arena, California. The distribution centre is expected to service over 400 dispensaries in Northern and Central California.
- The Green Room, a boutique dispensary located in Point Arena California that has been owned and operated since April 2018.
- The Green Room, a 4,500 ft² large scale dispensary located in Palm Springs, California. The dispensary is currently undergoing renovations and expects to open by calendar Q1 2020.
- Retail CBD stores in Texas and Tennessee, including Nashville, with products such as creams, balms, tinctures, pet products, face masks, vape pens, and soft gels.

In addition, GSRX has recently submitted a comprehensive business plan to the City of Riverbank, California, which constitutes phase one of its application for a retail location there and GSRX has also entered into a long-term lease with a landlord for 2,600 square feet of building space there. Approximately 1 million residents in the surrounding communities are expected to help secure a strong customer base for both medical and adult use cannabis products.

The Issuer notes that the Estimated Revenue Projection is provided in order to furnish readers with information as to the potential revenue generation potential of the Issuer and GSRX on a consolidated basis, as the same was an important consideration for the Issuer in pursuing the Acquisition and in arriving at a value for the GSRX shares being acquired. While the Issuer believes that the assumptions on which the Estimated Revenue Projection are based are reasonable in the circumstances, readers are reminded that the information is forward-looking in nature, and, therefore, inherently subject to uncertainty, and that such information may not be appropriate for other purposes.

On August 12, 2019, the Issuer announced by way of news release it will begin to manufacture, package and distribute its own line of tobacco-free smokeless cannabis and hemp derived chew with initial launch and commercialization in the United States, Puerto Rico and Canada. The Issuer continues to build out a unique portfolio of proprietary and patented delivery methods for cannabinoids, including THC and CBD.

This new product offering will provide consumers a smoke-free alternative that has precise dosing and which is convenient and discrete. The product will also offer quick onset through absorption via oral lining directly to the buccal artery, a delivery method that bypasses the liver, in addition to providing users a fast onset.

The new hemp derived chew product, which is non-psychoactive, will be available in multiple flavours and is expected to represent a healthier alternative to the tobacco-based chews in the marketplace today.

The Issuer has begun the process through the acquisition of novel manufacturing equipment and intellectual property. The Issuer will initially install manufacturing equipment in its California and Puerto Rico licensed facilities, which will allow the Issuer to manufacture THC and CBD based products for state by state distribution, and hemp-based products for the global marketplace. Customers can expect these products to be available for purchase by early Q4 2019.

On August 14, 2019, the Issuer announced by way of news release it has signed Letters of Intent (“LOIs”) with 34 private liquor stores in British Columbia (B.C.) for distribution of its hemp-based chew products, pursuant to which the Issuer expects to begin distributing its products throughout the lower mainland and other densely populated areas of B.C. by early Q4 2019.

Opportunities outside of liquor stores will also be pursued as the Issuer gears towards its Q4 2019 commercialization.

On August 19, 2019, the Issuer announced by way of news release it is in the process of obtaining NSF Certification for its facility to ensure the Issuer is able to market its products to consumers with NSF accreditation. The Issuer has engaged a senior consultant that has a background in nutraceuticals as well as obtaining facility and product certifications.

The mission of NSF International is to protect public health, a mission the Issuer shares with regulatory agencies and personnel whose job is to do the same. NSF International is an American testing, inspection and certification organization renowned in the pharma, nutraceutical and food industry for their compliancy standards. Products made from an NSF certified facility are accepted as the highest quality by consumers around the world.

This certification will allow the Issuer to manufacture its tobacco-free chew products under global GMP standards. The certification gives consumers added peace of mind that the products they purchase have been produced in an NSF certified facility. The Company will work towards gaining NSF certification before calendar Q1 2020.

In addition, the Issuer has begun the process of obtaining Natural Product Number (“NPN”) approvals from Health Canada for its tobacco-free hemp-derived chew products to market in Canada. Once approvals are obtained, the Issuer may distribute hemp-based chew products throughout the country as a natural health product. This approval method allows the Issuer to distribute throughout Canadian natural food, large retail chains, pharmacies and convenience stores.

On August 23, 2019, the Issuer provided an update on operations and the GSRX transaction by way of news release.

The Issuer is continuing to proceed toward completing the previously announced Acquisition to purchase a majority stake in GSRX (see August 5, 2019, news release) with an anticipated closing date of August 31, 2019.

GSRX currently operates five dispensaries in Puerto Rico and has plans to open five additional dispensaries on the island. The company also operates one retail CBD kiosk in Clarksville, Tennessee, with a retail store front expected to open up in Nashville, Tennessee, as well as Lakeway, Texas. GSRX also holds a fully licensed distribution centre and a boutique dispensary in Point Arena, California. In addition, GSRX expects to open a dispensary in Palm Springs, California by calendar Q1, 2020.

In addition, the Issuer’s California extraction facilities are seeing an increase in trim being processed month over month. The Issuer continues to manufacture finished products for its in-house and partner brands and is working on expanding its manufacturing capabilities to increase product offerings while expanding its relationship with Happy Tea and Jay & Silent Bob to add additional SKUs.

On August 26, 2019, the Issuer announced by way of news release it has received an initial purchase order for \$1,100,000 USD for manufacturing CBD products. The purchase order is for CBD products that will be shipped to the United Kingdom (“UK”). These products include cartridges, tinctures, sprays, shots and other liquid formulations.

This purchase order validates the Issuer’s world-class processes and products and allows the Issuer to gain access to the European marketplace. The Issuer will continue to work with partners that can bring additional penetration into the UK and other European markets.

On August 29, 2019, the Issuer announced by way of news release it has completed its previously announced transaction to acquire a controlling interest in GSRX (see August 5, 2019, news release), pursuant to which the Issuer has acquired from the Selling Shareholders an aggregate of 42,634,124 common shares and 1,000 preferred shares of GSRX, in exchange for an aggregate of 14,875,343 common shares of the Issuer (“Chemesis Consideration Shares”). Together with the GSRX common shares already held by the Issuer prior to the Acquisition, the Issuer now holds an aggregate of 54,301,122 common shares and 1,000 preferred voting shares of GSRX. The preferred voting shares carry, in aggregate, 51% of all outstanding share voting rights of GSRX. Accordingly, the Issuer now holds an aggregate 66.29% of all outstanding common shares of GSRX, and 100% of its outstanding preferred voting shares. The Chemesis Consideration Shares are subject to a 36-month lock out schedule.

The Issuer is also pleased to announce that GSRX’s board of directors (“GSRX Board”) has been re-constituted in connection with the Acquisition. Messrs. Harlan Ribnik and Steven Farkas have ceased to be GSRX board members and are thanked for their service to GSRX. Messrs. Edgar Montero, Aman Parmar and Mike Aujla have joined the GSRX Board. The full GSRX Board is now comprised of Messrs. Montero, Parmar, Aujla, Christian Briggs and Leslie Ball.

INFOR Financial Inc. acted as financial advisor to the Issuer with respect to the Acquisition.

As a result of the Acquisition, GSRX is a subsidiary of the Issuer and, under IFRS rules, GSRX's financial position and assets, including its ownership of 7,291,874 previously-acquired Issuer shares will be consolidated with the Issuer on a go-forward basis. As a further result, the Issuer has become a fully vertically-integrated, multi-state operator with assets in six states, including California, Tennessee, Arizona, Michigan, Texas, and Puerto Rico.

In addition, the Issuer announced it has completed a non-brokered private placement of units ("Units") for gross proceeds of \$1,400,000 CAD. Each Unit was sold at a price of \$1.00 USD and consists of one common share and one-third of one common share purchase warrant ("Warrants"), with each whole Warrant entitling the holder thereof to purchase one additional common share at a price of \$2.00 USD for a period of 24 months.

On August 30, 2019, the Issuer announced by way of news release that Happy Tea products will be carried by the Issuer's GSRX retail dispensaries in Puerto Rico and California by September 2019. This announcement builds on the previously announced \$4,000,000 USD purchase order and the partnership to develop and manufacture new products.

The Issuer will manufacture and carry Happy Tea's CBD infused drink mixes and sachets, as well as newly developed gummies, tinctures, and creams. The Issuer is working closely with Happy Tea to increase the size of its product catalogue and expects to have the newly developed products available shortly. This partnership has allowed the Issuer to quickly develop additional product SKUs as well as provide consistent and quality manufacturing.

The above news releases can be viewed under the Issuer's profile on SEDAR (www.sedar.com) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.

During the month of August 2019, the Issuer also filed notice of a change of auditor from D&H Group LLP, Chartered Professional Accountants, to Davidson & Company LLP, Chartered Professional Accountants. The effective date of this change of auditor is August 13, 2019.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Please see Item 2 regarding the Issuer's plan to manufacture, package and distribute its own line of tobacco-free smokeless cannabis and hemp derived chew with initial launch and commercialization in the United States, Puerto Rico and Canada expected to occur by early Q4 2019.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None to report during the month of August 2019.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements, etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

Please see Item 2 regarding the execution of the LOIs with 34 private liquor stores in British Columbia for distribution, expected to occur by early Q4 2019, of its hemp-based chew products.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None to report during the month of August 2019.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

Please see Item 2 regarding the acquisition of a controlling interest in GSRX.

8. Describe the acquisition of new customers or loss of customers.

Please see Item 2 regarding the receipt by the Issuer of an initial purchase order for \$1,100,000 USD for manufacturing CBD products. The purchase order is for CBD products, including cartridges, tinctures, sprays, shots and other liquid formulations that will be shipped to the United Kingdom. Due to the competitive nature of the cannabis market, the Issuer did not disclose the name of the distributor.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

None to report during the month of August 2019.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None to report during the month of August 2019.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None to report during the month of August 2019.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None to report during the month of August 2019.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None to report during the month of August 2019.

14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
Common Shares	600,000	Common shares issued August 28, 2019, in order to satisfy debt obligations	\$732,000 in debt extinguished
Stock Options	150,000	Stock options granted August 14, 2019, each exercisable at \$2.11 until August 14, 2024	Not applicable
Stock Options	150,000	Stock options granted August 30, 2019, each exercisable at \$2.11 until August 30, 2024	Not applicable

(1) State aggregate proceeds and intended allocation of proceeds

15. Provide details of any loans to or by Related Persons.

None to report during the month of August 2019.

16. Provide details of any changes in directors, officers or committee members.

None to report during the month of August 2019.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

The trends and risks which are likely to impact the Issuer are detailed in the Issuer's Form 2A - Listing Statement dated July 16, 2018 (the "Listing Statement"), under the heading "Item 17. Risk Factors" and the Issuer's Management Discussion and Analysis dated May 30, 2019 (the "MD&A"), under the heading "Risk Factors". The Listing Statement was posted on the CSE website on July 17, 2018, and the MD&A can be viewed under the Issuer's profile on SEDAR (www.sedar.com) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.

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Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated September 8, 2019

Eli Dusenbury
Name of Director or Senior Officer

/s/ Eli Dusenbury
Signature

Chief Financial Officer
Official Capacity

<i>Issuer Details</i> Name of Issuer Chemesis International Inc.	For Month End August 2019	Date of Report YY/MM/DD 19/09/08
Issuer Address Suite 2710, 200 Granville Street Vancouver, British Columbia, V6C 1S4	Issuer Fax No. N/A	Issuer Telephone No. 604-398-3378
Contact Name Eli Dusenbury	Contact Position Chief Financial Officer	Contact Telephone No. 604-398-3378
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