

FORM 7

**MONTHLY PROGRESS REPORT**

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

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Trading Symbol: **CSI**

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Number of Outstanding Listed Securities: **29,695,106**

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Date: **May 5, 2020**

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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 - California, Puerto Rico, and Colombia - operations in the cannabis industry. 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 April 2020, the Issuer actively continued general and corporate operations.**

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

**During the month of April 2020, management continued to support and control the Issuer's business activities, develop the Issuer's business, and search for strategic business relationships.**

On April 13, 2020, the Issuer announced by way of news release the appointment of Josh Rosenberg as President. Mr. Rosenberg has served on the Issuer's Board of Directors since September 2019 and has been instrumental in the restructuring and rebuilding of its operations.

He is a seasoned corporate executive with a proven track record in global foodservice and other product distribution as well as in executive leadership. Josh led the successful buyout of Accent Food Services ("Accent") and transitioned the enterprise to private equity ownership and management, ultimately spearheading a major strategic shift in customer strategy and company culture which resulted in Accent progressing from a single state operator to one of the largest multi-state operations in the Unattended Retail Industry. During Mr. Rosenberg's six years at the helm, the company increased top line revenue more than six-fold, expanded operations to cover 11 U.S. states, and grew to encompass more than 600 associates, 14,000 customers, and to service more than 750,000 customers a day.

Mr. Rosenberg was also an Executive in the Coca-Cola corporate organization (the "Coca-Cola System"), where he led a non-traditional route to market for the foodservice division of the Coca-Cola Company after heading their \$700 million, multi-channel business. Over a progressive 18-year career, he rose through the ranks of the Coca Cola System, starting as a merchandiser and holding roles in sales, operations, commercial strategy, and call centre management.

He holds a Marketing degree from Madison University, completed the KPMG QuantumShift 'Most Promising Top 40 Entrepreneurs Program', as well as the 'Power of Listening Leadership Program' at the Ross School of Business, University of Michigan, and Cornell University. His honours include being named the National Automatic Merchandising Associations' ("NAMA") '2016 Person of the Year' and Automatic Merchandisers' Magazine's '2015 Pro to Know'.

Mr. Rosenberg serves on several boards of directors, including United Strategies Group as Executive Director, and, previously, Accent Food Services as CEO/Chairman.

The Issuer also announces the departure of Aman Parmar as President and notes that Mr. Parmar will remain as a director and will also assume Chairmanship of its Board of Directors. The Issuer wishes to thank Mr. Parmar for his dedicated service as President.

In addition, the Issuer also announced that, pursuant to its Share-Based Compensation Plan, its Board has approved the issuance of 2,500,000 Restricted Share Rights ("RSRs") to certain directors, officers, contractors and employees of the Issuer. The RSRs were granted in recognition of the extraordinary efforts of the awardees on behalf of the Issuer and as an inducement to retain such individuals.

On April 24, 2020, the Issuer provided clarity by way of news release regarding the status of certain of the licences held by its Colombian subsidiary, La Finca Interactiv-Arachna Med SAS. The Issuer's news release dated March 13, 2019, stated that La Finca "is now able to export its high concentrate CBD genetics, as well as distillates and other manufactured products." In addition, the Issuer's news release dated November 4, 2019, stated La Finca is "a licensed cultivator, producer, distributor and seller of cannabis products with export abilities into global markets." The Issuer noted that the La Finca licences permit La Finca to do the following with respect to non-psychoactive cannabis: (1) production of seeds and cultivation of cannabis plants; (2) fabrication of derivatives; (3) storage, transportation and distribution of products; and (4) use and possession for industrial and scientific purposes. The La Finca licences also enable La Finca to commercially sell biomass and cosmetic finished products. The Issuer also noted the La Finca licences remain up-to-date and valid. However, to carry out further product

commercialization and the exportation of such products under the La Finca licences, there are certain certifications and registrations that must be obtained. For instance, to further commercialize, it is first necessary to complete the Pruebas de Evaluacion Agronomica (agronomic evaluation trials (PEAs)) and obtain a registered cultivar certification from the government of the Republic of Colombia. The PEA process includes multiple stages, including development of seeds through a growth cycle in various regions throughout Colombia followed by rigorous testing of the performance and potency of the plants. The PEA process requires significant capital investment and typically takes approximately 12 to 18 months to complete, depending on the success of the cultivation and harvest process and the speed of regulatory approvals. As such, while the Issuer is currently engaged in the PEA process, under Colombian regulations related to cannabis matters, La Finca does not require additional licences other than the ones it currently has for the production and marketing of finished products or non-psychoactive cannabis-based raw materials.

Further, the Issuer noted that while the La Finca licences permit the export of non-psychoactive cannabis products, the Issuer has been advised that it is also required to register with the Ventanilla Unica de Comercio Exterior (Foreign Trade Single Window) to export its products out of Colombia, which is a requirement of any industry engaging in the exportation of goods out of Colombia.

The Issuer is working diligently to complete the PEA process and the registration process and will provide updates as it progresses through each process.

On April 27, 2020, the Issuer announced by way of news release its intention to spin out La Finca Interactiva-Arachna MED SAS ("La Finca"), its integrated Colombian cannabis company, into a wholly-owned subsidiary, 1247262 B.C. Ltd. ("SpinCo") through a plan of arrangement under the *Business Corporations Act* (British Columbia) (the "Arrangement"). Upon completion of the Arrangement, La Finca will become a wholly-owned subsidiary of SpinCo.

The Arrangement is designed to deliver greater value to the shareholders of the Issuer (the "Chemesis Shareholders") by unlocking the value in the Issuer's assets in Colombia, currently held by La Finca, by transferring such assets into a separate entity and managing accordingly. SpinCo will also look to compete in the Latin American cannabis industry as regulations continue to develop in the area.

Upon completion of the Arrangement, SpinCo will hold a 100% interest in the Colombian assets held by La Finca, and the Issuer will concentrate its efforts on the advancement of its cannabis operations in the US and Puerto Rico.

### The Arrangement

The Arrangement will include a transfer by the Issuer of 100% of the issued and outstanding common shares of La Finca to SpinCo. Pursuant to the Arrangement, the Issuer intends to distribute 100% of the common shares of SpinCo (each, a "SpinCo Common Share") it receives to Chemesis Shareholders on a pro rata basis. Chemesis Shareholders will be entitled to receive one SpinCo Common Share for every one common share of the Issuer (each, a "Chemesis Common Share") held as of the effective date of the Arrangement. There will be no change in shareholders' holdings in the Issuer as a result of the Arrangement.

Each outstanding stock option of the Issuer (a "Chemesis Option") will be deemed to be exchanged for one fully-vested replacement stock option of the Issuer (a "Chemesis

Replacement Option") and one fully-vested stock option of SpinCo (a "SpinCo Option"), with the same terms as the Chemiesis Option. Each SpinCo Option will be exercisable to purchase one SpinCo Common Share. Restricted share rights of the Issuer (a "RS") will be deemed to be exchanged for such number of Chemiesis Common Shares and SpinCo Common Shares (rounded down to the nearest whole number of SpinCo Common Shares, as applicable) as the holders of such RSs would have been entitled to receive had the RSs been redeemed immediately prior to the effective date of the Arrangement, subject to any necessary withholdings/deductions.

Each outstanding common share purchase warrant of the Issuer (a "Chemiesis Warrant") will be deemed to be exchanged for one fully-vested common share purchase warrant of the Issuer (a "Chemiesis Replacement Warrant") and one fully-vested common share purchase warrant of SpinCo (a "SpinCo Warrant"), with the same terms as the Chemiesis Warrants. Each SpinCo Warrant will be exercisable to purchase one SpinCo Common Share.

No fractional Spinco Common Shares will be distributed in connection with the Arrangement, as a result, any fractional amounts arising under the Arrangement will be rounded down to the nearest whole number of SpinCo Common Shares without any compensation therefor.

The Arrangement is subject to final court approval, as well as approval by not less than two-thirds of the votes cast at the annual general and special meeting (the "Meeting") of Chemiesis Shareholders, which the Company anticipates scheduling for the second half of 2020. Full details of the Arrangement will be included in the management information circular to be sent to Chemiesis Shareholders in connection with the Meeting.

Mr. Eli Dusenbury currently serves as the sole director, President and CEO of the SpinCo. Following completion of the Arrangement, the Issuer intends to apply for a listing of SpinCo Common Shares on the Canadian Securities Exchange ("CSE"). Any such listing will be subject to SpinCo fulfilling all of the requirements of the CSE.

The above news release can be viewed under the Issuer's profile on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Issuer's Disclosure Page on the Canadian Securities Exchange's website.

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.

**None to report during the month of April 2020.**

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 April 2020.**

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.

**None to report during the month of April 2020.**

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 April 2020.**

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.

**None to report during the month of April 2020.**

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

**None to report during the month of April 2020.**

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 April 2020.**

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 April 2020.**

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

**None to report during the month of April 2020.**

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 April 2020.**

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 April 2020.**

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Restricted Share Rights	2,500,000	Restricted Share Rights granted April 21, 2020	N/A

*(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 April 2020.**

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

**During the month of April 2020, Josh Rosenberg, a director of the Issuer, was appointed President, filling the vacancy created by the resignation of Aman Parmar as President. Mr. Parmar remains a director of the Issuer and assumed the position as Chairman of its Board of Directors.**

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 March 2, 2020 (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](http://www.sedar.com)) and on the Issuer's Disclosure Page in its Form 5, Quarterly Listing Statement, dated March 2, 2020, 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 May 5, 2020

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 April 2020	Date of Report YY/MM/DD 20/05/05
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
Contact Email Address ir@chemesis.com	Web Site Address www.chemesis.com	