



Chemesis International Inc. Provides Update on Puerto Rico Cannabis Licenses

June 17, 2020

Vancouver, BC – Chemesis International Inc. (CSE: CSI) (OTC: CADMF) (FRA: CWAA)

As a result of a review by the British Columbia Securities Commission, Chemesis International Inc. (the “**Company**” or “**Chemesis**”) is pleased to provide a clarification, and summary, of certain of its disclosure with respect to the status of the cannabis licenses it holds in Puerto Rico, including licenses (“**NVPR Licenses**”) held by its subsidiary, Natural Ventures PR, LLC (“**NVPR**”) and licenses (“**GSRX Licenses**”, and together with the NVPR Licenses, the “**Licenses**”) which the Company indirectly acquired through its acquisition of the majority of the voting shares and rights of GSRX Industries Inc. (“**GSRX**”).

On October 23, 2019, the Company issued a press release announcing that, alongside several other companies operating in Puerto Rico, the NVPR Licenses were subject to an administrative review (the “**Review**”) being undertaken by the Puerto Rican Department of Health (“**DHPR**”).

On November 1, 2019, the Company announced that, as a result of the Review, the NVPR Licenses were effectively held in abeyance, as NVPR was not permitted to carry out any licensed activities under the NVPR Licenses, though it was permitted to carry out certain activities for the purposes of preserving and maintaining inventory.

On December 9, 2019, the Company issued a press release announcing that the Company’s Puerto Rico legal team had applied to the Puerto Rico Court of First Instance (the “**Court**”) 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 NVPR Licenses (the “**Court Application**”). At such time, the NVPR Licenses continued to be held in abeyance, though NVPR was still permitted to carry out certain activities for the purposes of preserving and maintaining inventory.

On January 17, 2019, the Company announced that as a result of the Court Application, the Company obtained a favourable judgement from the Court in respect of the NVPR Licenses, as the Court found that the abeyance of the NVPR Licenses was invalid and unconstitutional and that such action was to be nullified (the “**Decision**”). At such time, the NVPR Licenses were not yet reinstated to being operational and NVPR was still not permitted to carry out any licensed activities under the NVPR Licenses, though it was permitted to carry out certain activities for the purposes of preserving and maintaining inventory.



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On January 27, 2020, the Company issued a news release announcing that:

- the DHPR had commenced an appeal of the Decision (“**Appeal**”)
- the DHPR had applied for an order staying (“**Application for Stay**”) the effect of the Decision until the Appeal had been heard
- the Court decided in the favour of the Company in respect of the Application for Stay, and that it consequently did not stay the effect of the Decision
- the Company would continue to work with its legal team with a view to having the Decision implemented as soon as practicable
- the NVPR Licenses were still not reinstated to being operational and NVPR was still not permitted to carry out any licensed activities under the NVPR Licenses, though it was permitted to carry out certain activities for the purposes of preserving and maintaining inventory.

On February 3, 2020, the Company announced that, as a result of the Decision:

- the DHPR had reinstated all of the NVPR Licenses (including all cannabis cultivation and cannabis manufacturing licenses)
- the Decision was still under Appeal
- NVPR Licenses were reinstated to being operational and NVPR was permitted to carry out licensed activities under the NVPR Licenses.

On March 16, 2020, the Company issued a press release announcing that its Puerto Rican operations would remain operational during the COVID-19 pandemic per Executive Order No. 2020-023 (the “**Order**”), which Order permitted medical cannabis establishments to continue to grow, manufacture, sell, dispatch or transport medicinal cannabis products to patients across Puerto Rico. The Company notes that the Order also established that the sale of cannabis is an essential service in Puerto Rico.

As a result, the NVPR Licenses remain operational.

The Company would also like to take this opportunity to provide a specific update with respect to the status of the GSRX Licences, which Licenses, it is noted, include licenses related to the operation of dispensaries located in the municipalities of San Juan and Carolina, Puerto Rico, respectively (the “**Dispensaries**”).

The original date for renewal of the GSRX Licenses was May 29, 2019. However, the Medicinal Cannabis Office of the DHPR granted an administrative extension (the “**Administrative Extension**”) in respect thereof pursuant to which the Dispensaries were permitted to carry on operations pending final approval of the renewal applications (the “**Renewal Applications**”). However, on September 27, 2019, prior to the completion of the renewal process, the DHPR revoked the Administrative Extension. As disclosed in a GSRX news release dated October 24, 2019, the DHPR also initiated an administrative review of the GSRX Licenses, pursuant to which the GSRX Licenses were effectively held in abeyance, as GSRX was not permitted to carry out any licensed



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activities under the GSRX Licenses, though it was permitted to carry out certain activities for the purposes of preserving and maintaining inventory.

GSRX challenged the DHPR's actions in this regard in Court, which resulted in the Court awarding (the "**GSRX Court Decision**") an injunction ("**Injunction**") which, in effect, reinstated the Administrative Extension. The GSRX Court Decision resulted in the Dispensaries being permitted to resume operations as of February 10, 2020. The Renewal Applications must now be submitted by June 30, 2020, and GSRX is in the process of submitting the same.

The Company notes that the GSRX Court Decision is currently pending appeal before the Puerto Rico Court of Appeals, as the DHPR has challenged the GSRX Court Decision. Notwithstanding, the Injunction remains in full force and effect during the appeal process. As a result, the Dispensaries continue to operate in the ordinary course of business.

The Company notes that, pursuant to the Order referred to above, all cannabis dispensaries have been declared essential services and have been exempted from the lockdown otherwise imposed by Executive Orders of the Puerto Rico Government.

On Behalf of The Board of Directors

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The CSE has not reviewed, approved or disapproved the content of this press release



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