BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

Benchmark Botanics Inc. (the "Company" or "Benchmark"), formerly Kaiyue International Inc. ("Kaiyue"), was incorporated under the Business Corporation Act of Alberta on November 23, 2009. On November 2, 2017, the Company acquired Potanicals Green Growers Inc. ("Potanicals") through a reverse acquisition transaction. The historical operations, assets and liabilities of Potanicals are included as the comparative figures as at and for the year ended December 31, 2016, which is deemed to be the continuing entity for financial reporting purposes. Potanicals was incorporated on February 7, 2014 under the British Columbia Business Corporation Act.

The following Management's Discussion and Analysis ("MD&A") of the company provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the years ended December 31, 2017 and 2016. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Financial Statements") of Benchmark as at and for the years ended December 31, 2017 and 2016.

The accompanying Financial Statements include the accounts of the Company and its wholly owned subsidiary Potanicals Green Growers Inc. ("Potanicals") located in Peachland, BC. All inter-company balances and transactions have been eliminated on consolidation.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts included in this MD&A are in Canadian dollars, except where otherwise specified and per unit basis.

The Company operates at the following locations:

Head office and corporate:	Suite 3434 - 1055 Dunsmuir Street, Vancouver, British Columbia V6E 3T5
Registered office:	1000-595 Burrard Street, Vancouver, British Columbia V7X 1S8, Canada
Operations:	105-6111 London Road, Richmond BC
Production facility:	4715 Paradise Valley Dr, Peachland BC V0H 1X3

DATE OF REPORT

This report is dated as of April 30, 2018. The Company's continuous disclosure documents including the Company' Listing Statement with respect to the acquisition of Potanicals Green Growers Inc. dated November 2, 2017, are available on SEDAR at www.sedar.com and CSE website at www.cnsx.ca.

LEGAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and Company does not intend, and does not assume any obligation, to update these forward looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, future economic performance. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section "Risk Factors" as well as those factors detailed from time to time in the Company's interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com and CSE website at www.cnsx.ca. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. Readers are advised to consider such forward-looking statements in light of the risks set forth in the Risks section of this MD&A (page 18). The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

BUSINESS OVERVIEW

The Company was an exploration stage public company whose principal business activities were engaged in the acquisition and exploration of mineral properties. On November 2, 2017, the Company completed the acquisition of Potanicals Green Growers Inc. ("Potanicals") pursuant to a Share Exchange Agreement dated September 14, 2017, as amended on September 19, 2017, whereby Kaiyue acquired all of the issued and outstanding securities of Potanicals in consideration

for securities of the Company. The transaction constituted a reverse takeover ("RTO") of Kaiyue by Potanicals. As part of the acquisition, Kaiyue changed its name to Benchmark Botanics Inc.

Potanicals, a wholly-owned subsidiary of the Company, is a British Columbia company and a licensed producer of medical marijuana under the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the *Controlled Drugs and Substances Act* (Canada). On October 13, 2017, Potanicals received its license to cultivate and produce from Health Canada.

As of this date, the Company has completed the construction of the Facility, which is a 12,700-square-feet production facility (the "Facility") in Peachland, British Columbia to plant, grow and cultivate high-quality medical-grade marijuana using advanced and proprietary cultivation methods, hired and assembled a team of professionals and commenced its medical marijuana business operations. The facility is located at 4715 Paradise Valley Dr, Peachland BC V0H 1X3.

The Facility will be Potanicals' Phase 1 production facility, with additional phases contemplated upon further analysis of market demand and economics. The Facility is built with steel frame structure with two floors with a total of approximately 12,700 square feet. All operations pertaining to the growing of marijuana are located on the first floor of the Facility, which contains five rooms for growing and vegetation.

The Facility cost approximately $4.9 million as of December 31, 2017, which includes the land that has been acquired in December 2017, building, site improvements, fixture and equipment.

The Facility is situated on two contiguous land plots that total 20 acres. The land which houses the Facility has been zoned for the production and distribution of large-scale medical marijuana. In next two years, the Company is planning to complete the Phase II construction with additional 25,000 sq ft double level to give 50,000 -square-feet facility production located on site of Peachland with the followings:

- 12 total rooms
- Annual production capacity over 6,000 kg
- Aeroponics complete control growing system
- Plant roots are constantly in contact with exactly what they need
- Nutrients dissolved in water directly applied to roots increasing nutrient uptake
- Lack of soil helps minimize pests
- Many more technological advantages to the advanced production approach.

The Company is positioned to provide financing, partnership opportunities and acquisition offers to licensed producers and ancillary businesses within the global cannabis industry. The Company's current focus is to accelerate its business growth and expansion plans including entering joint ventures, acquiring of greenhouses, developing exclusive partnerships with North American cannabis companies, setting up GMP standard, creating alliances throughout the cannabis space with doctors, scientists, pharmacies, retail, etc., and pursuing import and export contracts under the ACMPR.

Financial and Operational Highlights

- On November 2, 2017, the Company completed a private placement of 5,855,555 common shares at a price of $0.90 per share to raise gross proceeds of $5,270,000 (the "Private Placement").
- Immediately following closing of the Private Placement, effective November 2, 2017, the Company completed a reverse takeover transaction (the "Transaction") which was effected pursuant to a share exchange agreement whereby the Company acquired all of the issued and outstanding securities of Potanicals in consideration for securities of the Company. The former shareholders of Potanicals received 124,186,752 common shares of the Company for all of the issued and outstanding Potanicals common shares on the post-consolidation basis of 4.5 Benchmark Shares for each issued and outstanding Potanicals Share.
- Effective November 2, 2017, prior to completion of the Transaction, the Company consolidated all of its issued and outstanding common shares based on a consolidation ratio (2.1174-to-1) that resulted in the reduction of the Company's issued and outstanding common shares to 10,000,100 common shares on a non-diluted basis, continued its legal existence from Alberta in to British Columbia.
- On closing of the Transaction, a total of 134,186,852 common shares of Benchmark are issued and outstanding.
- On November 1, 2017, prior to completion of the Transaction, the Company delisted its common shares from the TSX Venture Exchange.
- On November 3, 2017, Benchmark's common shares commenced trading on the Canadian Securities Exchange (the "CSE") under the symbol "BBT".
- As at December 31, 2017 the Company had a total of 137,234,080 common shares outstanding.

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

Changing of directors and management team

On November 2, 2017, Benchmark appointed new board members, Johnson (Ping Zhang), Cliff Stowell, George Dorin, Peter Hughes and Haifeng Liu replacing board members Hilda Sung, Alex Ku and Tony Guo. Hilda Sung resigned as President and Chief Executive Officer ("CEO") of the Company and Jin Kuang resigned as Chief Financial Officer ("CFO"). Johnson (Ping) Zhang was appointed Chairman of the Board and CEO effectively on November 2, 2017. The Company also appointed Richard Lee as CFO replacing Ms. Jin Kuang.

OTCQB and Frankfurt Listing

In January 2018, Benchmark's common shares commenced trading on the OTCQB under the symbol BBHKF and on the Frankfurt under the symbol BBW.F. Real-time quotes and market information on the Company are available at the OTC and Frankfurt website.

Signing a purchase agreement to acquire a greenhouse in British Columbia

The Company has executed a purchase and sale contract for the purchase of a large greenhouse production center located in the lower mainland of British Columbia. In connection with the proposed purchase, the Company paid a $500,000 non-refundable deposit and anticipates completion of the purchase in June 2018. With this purchase and the global relationships that Benchmark has built, the team has rapidly positioned the company to become one of the major producers and exporters of Canadian cannabis flower and cannabis oil to the global market.

Signing a binding agreement

The Company has, together with Benchmark's wholly-owned subsidiary, Potanicals Green Growers Inc. ("Potanicals"), entered into a binding letter agreement (the "Agreement") with 1139000 B.C. Ltd. ("1139") for the acquisition, ownership, and development of licensed cultivation of cannabis for medical purposes in up to approximately 4 acres of greenhouse operations to be located in Pitt Meadows, British Columbia (the "Property").

Pursuant to the Agreement, Benchmark will have the right to acquire from 1139 and existing shareholders of 1139, 51% or more of the Property through a joint venture with 1139 (the "Joint Venture"). Under the Joint Venture, for its initial 75% interest, 1139 shall purchase the Property for an estimated purchase price of CDN$6.2 million. As consideration for its initial 25% interest in the Joint Venture, Potanicals will apply to Health Canada to extend its license (the "License Extension") from Health Canada under the ACMPR. Potanicals will be solely responsible for overseeing and coordinating all activities needed to obtain Health Canada's approval of the License Extension.

Once at least 80% of the approximate 4 acres of greenhouse growing facilities are operational, utilized for licensed growing of cannabis, Benchmark and/or its nominee will have the option to acquire an additional 26% of the issued and outstanding common shares of 1139 (to increase Benchmark's Joint Venture ownership to 51%) for a purchase price (the "Purchase Price") equal to 26% of the valuation of the Joint Venture as determined by a chartered valuator. The payment of the Purchase Price will be satisfied by exchange of common shares of Benchmark at the then applicable market price in exchange for the transfer of 26% of the issued and outstanding common shares of 1139 from existing shareholders of 1139 subject to compliance with the requirements of the Canadian Securities Exchange (the "Exchange") and applicable securities laws.

Following Benchmark's or its nominees' acquisition of 51% of the issued and outstanding common shares of 1139, existing shareholders of 1139 will be entitled to sell and transfer up to 49% of their shareholdings in 1139 (the "Offered Interest") to an unrelated arm's length third party (the "Third Party Purchaser"), subject to a 90 day right of first refusal ("ROFR") in favour of Benchmark and the completion by the Third Party Purchaser of the purchase of the portion of the Offered interest not sold to Potanicals under the ROFR, within 60 days of the ROFR.

The Joint Venture is an arm's-length transaction. The terms of the agreement are intended to be superseded by a more comprehensive definitive joint venture agreement (the "Definitive Agreement"), which will contain the terms and conditions set out in the letter agreement and such other terms and conditions as are customary for transactions of the nature and magnitude contemplated therein.

In the event Potanicals is unable to obtain approval of Health Canada for the License Extension, Potanicals will be required to transfer its 25% interest in the Joint Venture together with all common shares of the 1139 to existing shareholders of 1139. In addition, within 60 days following notice of the sale of the Property to an arm's length third party (which sale shall be commenced within 30 days after the date of termination of the Agreement), Potanicals will be required to compensate 1139 for its costs and expenses incurred for the upgrades and the net losses of 1139 incurred from the sale of the Property relative to the cost paid by 1139 to acquire the Property (such costs and expenses and net losses are in aggregate, the "Losses"). 1139 has a duty to mitigate such losses, and the losses are subject to independent verification from Potanicals' auditors. Compensation for the losses may be satisfied by issuance to 1139 of common shares of Benchmark at the then applicable market price in accordance with the requirements of the Exchange and applicable securities laws.

SELECTED ANNUAL INFORMATION

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended December 31, 2017, 2016 and 2015, prepared in accordance with IFRS. The selected financial data should be read in conjunction with those consolidated financial statements and the notes thereto.

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
Balance Sheet:			
Total assets	8,503,279	3,521,539	2,850,675
Total long-term liabilities	-	-	-
Operations:			
Total revenue	-	-	-
Net loss and comprehensive loss	(4,437,847)	(1,179,562)	(682,102)
Basic and diluted loss per share	(0.11)	(0.10)	(0.07)
Dividend per share	-	-	-

Included in net loss and comprehensive loss for fiscal 2017 were RTO listing costs of $2,179,852 which consisted of the estimated fair value of the consideration paid of $2,000,000 (being 10,000,100 common shares deemed to be issued at $0.20 per share), the estimated fair value of 94,456 stock options deemed to be issued of $3,567 and legal and other transactions costs of $176,285 less the net assets acquired of $nil, with respect to the reverse takeover of Kaiyue International Inc. In addition, the Company recorded share-based payments of $598,273 for stock options granted and vested in fiscal 2017.

Summary of Quarterly Results

The following table presents selected financial information from continuing operations for the most recent eight quarters:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31
Operating expenses	1,560,923	194,138	267,892	235,042	667,412	130,403	52,280	137,467
Loss from operations	(1,560,923)	(194,138)	(267,892)	(235,042)	(667,412)	(130,403)	(52,280)	(137,467)
Other expenses	2,179,852	-	-	-	192,000	-	-	-
Net loss	(3,740,775)	(194,138)	(267,892)	(235,042)	(859,412)	(130,403)	(52,280)	(137,467)
Loss per share - basic and diluted	(0.09)	(0.01)	(0.01)	(0.01)	(0.07)	(0.01)	(0.01)	(0.01)
Weighted average number of shares								
Basic and diluted	39,938,045	21,127,152	20,781,500	20,781,500	12,273,864	10,420,000	10,420,000	10,420,000

The increase in net loss during the quarter ended December 31, 2017 was a result of increased expenditures incurred by the Company in managing the construction of its Facility, hiring of employees for its medical cannabis operations, marketing and product development after the RTO on November 2, 2017. During the quarter ended December 31, 2017, the Company recorded listing costs of $2,179,852 with respect to the reverse takeover of Potanicals Green Growers Inc. The Company also recorded share-based compensation expenses of $598,273 for the quarter ended December 31, 2017.

RESULTS OF OPERATIONS

Expenses

General and administrative expenses

For the year ended December 31, 2017, general and administrative expenses were $2,257,995 compared to $987,562 for the year ended December 31, 2016, increased by $1,270,433.

The increase of $1,270,433 in general and administrative expenses was primarily due to $132,510 increase in consulting expenses, $212,288 increase in salary and wages, $65,207 increase in office and general expenses, $115,965 increase in professional fees, $198,273 increase in share-based compensation, $420,768 increase in management fees and $85,611 increase in travel and entertainment expenses.

Consulting fees and salary and wages amounted to $486,875 and $223,984 for the year ended December 31, 2017 compared to $354,365 and $11,696 for the year ended December 31, 2016. The increase was a result of hiring of additional consultants and personnel to enhance the Company's management, productions and administration team after the RTO.

Management fees increased to $435,100 for the year ended December 31, 2017 from $14,332 for the year ended December 31, 2016. Management fees consisted of fees paid to the Company's senior officers. The Company has identified its directors and senior officers as its key management personnel. The increase was related mainly to a result of increased compensation to the management team with the operations after RTO. The increase was also due to a fee of $263,500 incurred to a director and officer of the Company. The fee was a bonus for assisting to raise capital, corporate restructuring and examining new business possibilities.

Professional fees increased to $124,955 for the year ended December 31, 2017 from $8,990 for the year ended December 31, 2016. Professional fees consisted of legal and audit fees and the increase related mainly to the added work required to undertake and complete the RTO and operations after RTO.

Share-based compensation expense increased to $598,273 for the year ended December 31, 2017 from $400,000 for the year ended December 31, 2016. Share-based compensation expense was incurred due to the compensation package granted to senior executives, employees, directors and consultants under the Company's stock option incentive plan. All of the options are exercisable in accordance with the terms of the Company's Stock Option Plan.

Other expenses

For the year ended December 31, 2017, the Company completed the reverse takeover of Potanicals Green Growers Inc. and recorded a RTO listing expense of $2,179,852. RTO listing expenses of $2,179,852 consisted of the estimated fair value of the consideration paid of $2,000,000 (being 10,000,100 common shares deemed to be issued at $0.20 per share), the estimated fair value of 94,456 stock options deemed to be issued of $3,567 and legal and other transactions costs of $176,285 less the net assets acquired of $nil, with respect to the reverse takeover of Kaiyue International Inc. During the year ended December 31, 2016, the Company recorded a $192,000 loss on settlement of debt.

Income Taxes

Benchmark and its subsidiary did not pay any income taxes for the year ended December 31, 2017 and 2016 as no taxable income was generated.

Net Loss

For the year ended December 31, 2017, net loss was $4,437,847 compared to a net loss of $1,179,562 for the corresponding period of 2016. The increase of net loss was mainly caused by the increase in the general and administrative expenses and other expenses as discussed above.

Fourth Quarter

For the fourth quarter ended December 31, 2017, the Company incurred a loss of $3,740,775 compared with a loss of $859,412 for the period ended December 31, 2016. The increase in loss of $2,881,363 is attributed by an increase in a RTO listing expense of $2,179,852 which was incurred in 2017, but was not incurred in the same period of this year. The increase in loss was also due to the increase in operating expenses of 893,511, which were mainly the increases in consulting fee, management fee, professional fee and salary and wages. The basic and diluted loss per share was $0.09 for the quarter ended December 31, 2017 and $0.07 for the quarter ended December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash totaled $3,457,702 as at December 31, 2017, as compared to $397,119 as at December 31, 2016.

Cash used in operating activities

For the year ended December 31, 2017, cash used in operating activities was $1,204,307 compared to cash used in operating activities of $466,714 for the year ended December 31, 2016. This increase reflects an increase in accounts payable and the increase in expenses.

Cash used in investing activities

For the year ended December 31, 2017, cash used in investing activities was $1,316,948 compared to cash used in investing activities of $193,251 for the year ended December 31, 2016. Cash used in investing activities during the year ended December 31, 2017 and 2016 mainly relates to the acquisition of land of $1,000,000 and property and equipment of $316,948 (2016 - acquisition of property and equipment $193,251).

Cash provided by financing activities

For the year ended December 31, 2017, cash generated from financing activities was $5,581,838 compared to cash generated from financing activities of $1,059,500 for the year ended December 31, 2016. The increase was a result of $5,570,080 in proceeds of the share issuance during the year end December 31, 2017 compared to a $1,067,500 in proceeds of the share issuance for the year ended December 31, 2016.

For the year ended December 31, 2017, Potanicals issued the following shares for total proceeds of $5,570,030:

- On May 16, 2017, the Company issued 360,000 common shares for services provided with a fair value of $180,000 to a consultant as payment for consulting services received.

- On June 29, 2017, the Company issued 600,000 common shares for total proceeds of $300,000.

- On November 2, 2017, the Company issued 5,855,556 common shares for total proceeds of $5,270,000.

During the year ended December 31, 2016 the Company issued the following common shares:

- The Company issued 7,970,000 common shares for total proceeds of $3,217,500, of which $1,067,500 was received in 2016 and $2,150,000 was received in 2015.

Property, plant and equipment, net of accumulated depreciation and amortization,

As at December 31, 2017, property, plant and equipment was $4,913,221, an increase of $2,238,501 from $2,674,720 as at December 31, 2016. Increase in property, plant and equipment is mainly due to the addition of land of $1,857,500, and machinery and equipment of 100,000 as part of Potanicals' production facilities.

On December 15, 2017, pursuant to a contract of purchase and sale dated effective November 8, 2016, as amended on September 19, 2017, the Company completed the purchase of a 10-acre land parcel that comprises 50 per cent of the total 20 acres of land on which the company's medical marijuana production facility located in Peachland, B.C., was built. Mr. Turner is a director and the secretary of Potanicals. Of the total purchase price of $825,000 for the Turner property, $225,000 was paid by Potanicals by the issuance to Mr. Turner of 450,000 shares of Potanicals at a deemed price of 50 cents per share on November 9, 2016. Potanicals and Mr. Turner had agreed that the balance of $600,000 of the purchase price would be paid by way of common shares of Potanicals at 90 cents per share prior to the reverse takeover of the company by Potanicals, which closed on November 2, 2017, or of common shares of the resulting issuer at the corresponding price per share of the resulting issuer. As Potanicals underwent a 4.5:1 stock split before the reverse takeover, the corresponding price for common shares of the company equals 20 cents per share. Accordingly, the remaining $600,000 balance of the purchase price was satisfied by the issuance of three million common shares of Benchmark at a price of 20 cents per share, as confirmed by agreement among the parties.

On December 22, 2017 the Company has completed the acquisition of a 10-acre land parcel contiguous to the company's property that together comprises, in total, 20 acres of land on which the company's facility are located. The acquisition was completed for a purchase price of $1-million paid in cash pursuant to a contract of purchase and sale dated November 30, 2017, as amended on December 15, 2017, with Claude Clifford Stowell as vendor. Mr. Stowell is the chief operating officer and a director of the company and also the president and a director of Potanicals.

The purchase and sale of the two land parcels are related party transactions because the vendors are directors and officers of either Benchmark or Potanicals, or both.

COMMITMENTS

(a) On July 1, 2017, the Company entered into a lease agreement with a related party for leasing of office premises located at 105 – 6111 London Road, Richmond, BC V7E 3X3. The Company agreed to pay an annual rent of $27,000 until the lease expires on June 30, 2020.

(b) On November 29, 2017, the Company entered into a lease agreement for office premises located in Toronto, Ontario. The Company agreed to pay an annual rent of $20,000 from January 1, 2018 until the lease expires on December 31, 2020.

(c) On December 12, 2016, the Company entered into a two year contract with Novus Merchant Partners regarding the going public transaction and financings. The Company will pay:

- a total success fee equal to 5% of the Company's shares issued and outstanding immediately before the closing of the going-public transaction;
- stock options of the resulting public company equal to 2.5% of the value of the Company's exercisable options; and
- monthly advisory fees at:

i. $25,000 monthly payable on completion of the going public transaction;
ii. $15,000 payable monthly after the completion of the going public transaction until the closing of the first subsequent financing of at least $5,000,000;
iii. $25,000 payable monthly after the closing of the first subsequent financing until the closing of additional subsequent financings of cumulative proceeds of $15,000,000; and
iv. $25,000 payable monthly from the closing of the additional subsequent financings to the 24th months after the going public transaction.

The Company terminated the contract with Novus Merchant Partners in September, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the years ended December 31, 2017 and 2016. Short-term key management compensation consists of the following:

	2017	2016
	$	$
Share-based payments	515,752	-
Salaries	74,928	7,770
Management fees	435,100	114,000
Director fees	7,000	-
Rent	56,510	45,500

Related party balances

a) Included in accounts payable was $5,772 (December 31, 2016 - $10,644) expenses reimbursement due to two officers of the Company.

b) Included in accrued liabilities was $276,675 (December 31, 2016 - $nil) management fees due to an officer of the Company.

The above balances are non-interest bearing, unsecured and have no fixed terms of repayment.

Related party transactions

a) During the year ended December 31, 2017, the Company completed the purchase of land from a director of the subsidiary of the Company. Of the total purchase price of $825,000 for the land, $225,000 was paid by the issuance of 450,000 common shares of the Company on November 9, 2016 and the remaining $600,000 of the purchase price was paid by the issuance of 3,000,000 common shares of the Company on December 15, 2017.

b) During the year ended December 31, 2017, the Company completed the purchase of land from a director and officer of the Company. The total purchase price of $1,000,000 was paid in cash on December 22, 2017.

c) During the year ended December 31, 2017, the Company incurred a fee of $263,500 to a director and officer of the Company. The fee was a bonus for assisting to raise capital, corporate restructuring and examining new business possibilities.

d) During the year ended December 31, 2016, the Company issued 432,000 common shares at a fair value of $216,000 as payment of amounts due to a company controlled by a shareholder of the Company.

FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, bank indebtedness, accounts payable and amounts due to a shareholder. The carrying amounts of these financial instruments are a reasonable estimate of their fair values because of their current nature.

The following table summarizes the carrying values of the Company's financial instruments:

	December 31, 2017	December 31, 2016
	$	$
Financial assets at fair value through profit or loss (i)	3,457,702	397,119
Other financial liabilities (ii)	226,007	52,677

(i) Cash
(ii) Accounts payable

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
Level 3 – Inputs that are not based on observable market date

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash				
December 31, 2017	3,457,702	-	-	3,457,702
December 31, 2016	397,119	-	-	397,119

Interest Rate and Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Management evaluates credit risk on an ongoing basis. The primary sources of credit risk for the Company arise from its financial assets consisting of cash and cash equivalents. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risk the Company only holds its cash with chartered Canadian financial institutions. As at December 31, 2017 and 2016, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars and all current operational activities occur within Canada. In management's opinion there is no significant foreign exchange risk to the Company.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its accounts receivables in a timely manner and by maintaining sufficient cash on hand through equity financing and bank loans.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
December 31, 2017					
Accounts payable	226,007	(226,007)	(226,007)	-	-
Total	226,007	(226,007)	(226,007)	-	-
December 31, 2016					
Accounts payable	52,677	(52,677)	(52,677)	-	-
Total	52,677	(52,677)	(52,677)	-	-

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- the determination of the useful lives of property and equipment;
- the valuation of the shares and options deemed to be issued on the reverse acquisition transaction; and
- share-based payment transactions.

Critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the following:

- the evaluation of the Company's ability to continue as going concern;
- the recognition and valuation of impairment of property and equipment; and
- income tax and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. In addition, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

CHANGE IN ACCOUNTING POLICIES

There are no changes in accounting policies adopted by the Company during the year ended December 31, 2017 and 2016.

New standards and interpretations not yet adopted

Standard effective for annual periods beginning on or after January 1, 2018

IFRS 15 *Revenue from Contracts with Customers* – In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. The standard is effective for annual periods beginning on or after January 1, 2018; early application is permitted either following a full retrospective approach or a modified

retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2018.

The mandatory adoption of the new and revised accounting standards and interpretations on January 1, 2018 had no significant impact on the Company's consolidated financial statements for the current year or prior year presented.

IFRS 9 *Financial Instruments* - This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**. IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Standard effective for annual periods beginning on or after January 1, 2019

IFRS 16 *Leases* - IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

The extent of the impact of adoption of these above standards on the financial statements of the Company has not yet been determined.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are to ensure that there are adequate capital resources to safeguard the Company's ability to continue as a going concern and maintain adequate levels of funds to support its operations and development such that it can continue to provide returns to shareholders and benefits for other stakeholders.

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 2017.

The Company is not subject to externally imposed capital requirements.

Outstanding Share Data

Benchmark has authorized an unlimited number of common voting shares without par value. The following table summarizes the maximum number of ordinary shares issued and allotted as at December 31, 2017 and 2016, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	April 27, 2018	December 31, 2017	December 31, 2016
Issued and allotted shares	137,234,080	137,234,080	20,781,500
Stock options	8,747,227	8,747,227	-
Fully diluted shares	145,981,307	145,981,307	20,781,500

Trends and Outlook

The medical marihuana industry has experienced significant changes in Canada with the introduction of the ACMPR and the impending impetus to legalize cannabis for recreational use. This has generated an increase in investment in the industry and an overhaul to the way potential clients will be able to obtain cannabis in Canada. Potanicals plans to continue monitoring industry trends.

RISK FACTORS

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be

immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Reliance on License
The ability of the Company to successfully grow, store and sell medical marijuana in Canada is dependent on Aurora's current production license from Health Canada (the "License"). The License is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements and terms of the License or any failure to maintain the License or any failure to renew the License after its expiry date, would have a material adverse impact on the business, financial condition and operating results of the Company. Although the Company believes that it will meet the requirements of the MMPR for future extensions or renewals of the License, there can be no assurance that Health Canada will extend or renew the License or, if extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License or should they renew the license on different terms, the business, financial condition and operating results of the Company would be materially adversely affected.

The Corporation is Not a Licensed Seller Under the ACMPR
On October 13, 2017, Potanicals received its License to cultivate marijuana from Health Canada under the ACMPR, but Potanicals is not yet permitted to sell medical marijuana. Potanicals' ability to sell medical marijuana in Canada is dependent on obtaining an amendment to its License from Health Canada and there can be no assurance that Potanicals will obtain the amendment to its License.

Regulatory Risks
Some of the proposed activities of the Corporation will be subject to regulation by governmental authorities, including, but not limited to, Health Canada's Office of Controlled Substances. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Corporation cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Furthermore, although the operations of Potanicals are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to produce or sell medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

Governmental Regulations and Risks
The Corporation's operations will be subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation,

transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations. Government approvals and permits are currently, and may in the future, be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Limited Operating History
While Potanicals was incorporated and began carrying on business in 2014, it is yet to generate any revenue. The Corporation is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses
The Corporation has incurred losses in recent periods. The Corporation may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Corporation expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Corporation’s revenues do not increase to offset these expected increases in costs and operating expenses, the Corporation will not be profitable.

Volatile Stock Price
The stock price of the Corporation is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the medical cannabis industry. The Corporation cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Corporation's decisions related to future operations and will likely trigger major changes in the trading price of the Corporation Shares.

Risks Inherent in an Agricultural Business
The Corporation's business may, in the future, involve the growing of medical cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business,

such as insects, plant diseases and similar agricultural risks. Although all such growing of the Corporation is expected to be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Energy Costs
The Corporation's medical cannabis growing operations will consume considerable energy, which will make the Corporation vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Corporation and its ability to operate profitably.

Reliance on Management
Another risk associated with the production and sale of medical cannabis is the loss of important staff members. The Corporation is currently in good standing with all high level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Corporation's business, operating results or financial condition.

Insurance and Uninsured Risks
The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Corporation maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Corporation is not generally available on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Corporation will be an Entrant Engaging in a New Industry
The medical cannabis industry is fairly new. There can be no assurance that an active and liquid market for Common Shares will develop and Shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Corporation will be successful in the long term.

Dependence on Suppliers and Skilled Labour

The ability of the Corporation to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Corporation will be successful in maintaining its required supply of skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Corporation.

Difficulty to Forecast

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities law, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Corporation Shares.

Liquidity

The Corporation cannot predict at what prices the Common Shares will trade, and there can be no assurance that an active trading market in the Common Shares will develop or be sustained. Final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Common Shares.

Dilution

The Corporation may issue equity securities to finance its activities, including future acquisitions. If the Corporation was to issue Common Shares, existing holders of such Common Shares may

experience dilution in their holdings. Moreover, when the Corporation's intention to issue additional equity securities becomes publicly known, the Corporation's share price may be adversely affected.

Litigation

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation such a decision could adversely affect the Corporation's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources.

Benchmark Botanics Inc.

Johnson (Ping) Zhang
Chairman of the Board and Chief Executive Officer
April 30, 2018