Condensed Interim Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

BENCHMARK BOTANICS INC.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three Months ended March 31, 2018 and 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim consolidated financial statements of Benchmark Botanics Inc. have been prepared by, and are the responsibility of, the Company's management.

Benchmark Botanics Inc.'s independent auditors have not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

May 25, 2018

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
		$	$
Current Assets			
Cash		1,860,381	3,457,702
GST receivable		103,134	61,779
Inventory	5	122,450	33,384
Biological assets	6	33,384	-
Prepaid expenses and deposits	7	28,415	37,193
		2,147,764	3,590,058
Deposit	8	500,000	-
Property and equipment	9	4,932,120	4,913,221
		7,579,884	8,503,279
Current Liabilities			
Accounts payable and accrued liabilities		352,927	520,674
Equity			
Share capital	11	15,645,220	15,645,220
Subscriptions received (receivable)		12,988	(12,988)
Contributed surplus		782,931	601,840
Deficit		(9,214,182)	(8,251,467)
		7,226,957	7,982,605
		7,579,884	8,503,279

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 15)
SUBSEQUENT EVENT (Note 16)

Approved on behalf of the Board:

"George Dorin"
Director

"Peter Hughes"
Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Benchmark Botanics Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Note	2018	2017
		$	$
Expenses			
Consulting fees		138,000	114,933
Depreciation		49,373	-
Director fees	10	13,550	-
Insurance		4,683	2,727
Management fees	10	121,500	15,630
Marketing expenses		27,271	-
Office and general		42,122	8,158
Professional fees		59,239	13,207
Property taxes		-	4,252
Rent		16,601	14,889
Repair and Maintenance		5,067	686
Salaries and benefits	10	191,054	28,816
Share-based compensation	11	181,091	-
Supplies		27,266	3,203
Utilities		8,388	8,260
Travel and entertainment		77,510	20,281
Net loss and comprehensive loss		(962,715)	(235,042)
Loss per common share – basic and diluted		($0.007)	($0.011)
Weighted average number of common shares outstanding		137,234,080	20,781,500

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Share Subscriptions Received (Receivable)	Contributed Surplus	Deficit	Total
		$	$		$	$
Balance, December 31, 2016	20,781,500	7,282,232	(50)	-	(3,813,620)	3,468,562
Comprehensive loss for the period	-	-	-	-	(235,042)	(235,042)
Balance, March 31, 2017	20,781,500	7,282,232	(50)	-	(4,048,662)	3,233,520
Shares issued for cash, net	6,455,556	5,570,000	-	-	-	5,570,000
Shares issued for services	360,000	180,000	-	-	-	180,000
Shares of Potanicals Green Growers Inc. exchanged for	(27,597,056)	-	-	-	-	-
Shares of Benchmark Botanics Inc. (Note 4)	124,186,752	-	-	-	-	-
Shares and options deemed to be issued (Note 4)	10,000,100	2,000,000	-	3,567	-	2,003,567
Shares issued for land purchase	3,000,000	600,000	-	-	-	600,000
Share subscriptions received	-	-	50	-	-	50
Stock options exercised	47,228	12,988	(12,988)	-	-	-
Share-based compensation	-	-	-	598,273	-	598,273
Comprehensive loss for the year	-	-	-	-	(4,202,805)	(4,202,805)
Balance, December 31, 2017	137,234,080	15,645,220	(12,988)	601,840	(8,251,467)	7,982,605
Share subscriptions received	-	-	25,976	-	-	25,976
Share-based compensation	-	-	-	181,091	-	181,091
Comprehensive loss for the period	-	-	-	-	(962,715)	(962,715)
Balance, March 31, 2018	137,234,080	15,645,220	12,988	782,931	(9,214,182)	(7,226,957)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	2018	2017
	$	$
OPERATING ACTIVITIES		
Net loss for the period	(962,715)	(235,042)
Items not involving cash:		
Depreciation	49,373	-
Share-base compensation	181,091	-
	(732,251)	(235,042)
Changes in non-cash working capital balances:		
GST receivable	(41,355)	(6,428)
Inventory	(122,450)	-
Prepaid expenses	8,778	(9,998)
Deposit	-	50,000
Accounts payable and accrued liabilities	(167,747)	97,393
Cash used in operating activities	(1,055,025)	(104,075)
INVESTING ACTIVITY		
Deposit paid for acquisition of property	(500,000)	-
Acquisition of property and equipment	(68,272)	(37,385)
Cash used in investing activities	(568,272)	(37,385)
FINANCING ACTIVITIES		
Proceeds from share subscriptions	25,976	80
Cash provided by financing activities	25,976	80
Change in cash during the period	(1,597,321)	(141,380)
Cash, beginning of period	3,457,702	397,119
Cash, end of period	1,860,381	255,739
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Benchmark Botanics Inc. (the “Company”), formerly Kaiyue International Inc. (“Kaiyue”), was incorporated on November 23, 2009 under the Business Corporation Act of Alberta. On November 2, 2017, the Company acquired Potanicals Green Growers Inc. (“Potanicals”) through a reverse acquisition transaction described in Note 4. The historical operations, assets and liabilities of Potanicals are included as the comparative figures as at and for the three months ended March 31, 2017, 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.

Concurrent with the closing of the acquisition on November 2, 2017, Kaiyue continued its corporate jurisdiction from Alberta to British Columbia, changed its name to Benchmark Botanics Inc. and effected a change in directors, management and business. On November 3, 2017, the Company’s common shares resumed trading as a Tier 2 Industrial Issuer on the Canadian Securities Exchange (“CSE”) under the symbol “BBT”.

The Company’s principal business is the licensed production of marijuana under the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). Potanicals, a wholly owned subsidiary of the Company, is licensed to produce medical marijuana under the ACMPR. Potanicals obtained its license to produce medical marijuana on October 13, 2017,. The address of the Company’s principal place of business is 4715 Paradise Valley Drive, Peachland, BC. The Company’s head office and mailing address is 6111 London Road Suite 105, Richmond, BC.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principals applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at March 31, 2018, the Company has an accumulated deficit of $9,214,182 and generated negative cash flows from operations. For the three months ended March 31, 2018, the Company incurred a net loss of $962,715 (2017 – $235,042). The Company has not generated revenue from sales. During the three months ended March 31, 2018, the majority of the equity financing raised by the Company has been used to purchase property and equipment, increase working capital and to fund expenses. All of these factors raise significant doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing, successfully generating profits and cash flows from producing and distributing medical marijuana.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed interim consolidated financial statements. Management’s plans to meet the Company’s current and future obligations are to raise equity capital through prospectus and private placements, rely on the financial support of its shareholders and parties related to the current shareholders, as well as explore financing that may be available to the Company.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company’s consolidated financial statements for the year ended December 31, 2017 and 2016.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 25, 2018.

b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments carried at fair value where changes are recorded through profit or loss.

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement (continued)

These condensed interim consolidated financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries

c) Basis of consolidation

The condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Potanicals Green Growers Inc. All significant intercompany transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the interim 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:

- valuation of inventories and biological assets;
- 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 interim consolidated financial statements include the following:

- the evaluation of the Company's ability to continue as going concern (see Note 1);
- the impairment of biological assets in development
- the recognition 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.

b) New IFRS standards and amendments adopted

The following standards became effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The nature and impact of each new standard is described below:

Accounting standards 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New IFRS standards and amendments adopted (continued)

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. The 2014 version of 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**. The 2014 version of 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.

The adoption of these IFRS did not have a material impact on its financial statements.

c) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company have been excluded from the list below.

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 above standards have not been early adopted by the Company in these condensed interim consolidated financial statements and they are not expected to have a material effect on the Company's future results and financial position.

4. REVERSE ACQUISITION TRANSACTION

On November 2, 2017, the Company acquired 100% ownership of Potanicals Green Growers Inc. ("Potanicals) by issuing 124,186,752 of its common shares to acquire all of the 27,597,056 issued and outstanding shares of Potanicals (the "Transaction"). For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 *Business Combinations* ("IFRS 3") since the Company, prior to the acquisition, did not constitute a business. As a result, the acquisition is accounted for in accordance with IFRS 2 *Share-based Payment* whereby Potanicals is deemed to have issued shares and share purchase options in exchange for the net assets of the Company together with its listing status at the fair value of the consideration deemed received by Potanicals. The accounting for this transaction resulted in the following:

(i) The condensed interim consolidated financial statements of the combined entities are issued under the legal parent, Benchmark Botanics Inc., but are considered a continuation of the financial statements, assets and operations of the legal subsidiary, Potanicals.

(ii) Since Potanicals is deemed to be the continuing entity for accounting purposes, its assets and liabilities are included in the condensed interim consolidated financial statements at their historical carrying values.

(Expressed in Canadian Dollars)

4. REVERSE ACQUISITION TRANSACTION (continued)

Since the share and share-based consideration allocated to the former shareholders of the Company on closing is considered within the scope of IFRS 2, and the Company was not able to identify specifically some or all of the goods or service received in return for the allocation of the shares and options, the value in excess of the net identifiable assets or obligations of the Company acquired on closing, $2,179,852, was expensed in the consolidated statement of comprehensive loss as listing expense for the year ended December 31,2017.

The listing expense of $2,179,852 is comprised of the fair value of the common shares and options of the Company retained by the former shareholders of the Company and other direct expenses of the Transaction less the fair value of the net assets of the Company that were acquired.

The listing fee expense is summarized as follows:

	$
Common shares issued (10,000,100 shares at $0.20)	2,000,000
Stock options deemed to be issued (94,455 options exercisable at $0.275)	3,567
Legal and other transactions costs	176,285
	2,179,852
Net assets of the Company:	
Cash	11,758
Liabilities	(11,758)
	-
Listing expense	2,179,852

The Company has estimated the fair value of the equity instruments deemed to be issued to Kaiyue. The fair value of the 10,000,100 common shares amounted to $2,000,000, based on the fair value of the shares issued in the concurrent Potanicals private placement after adjusting for the exchange ratio on the Transaction. The fair value of the 94,455 stock options, exercisable at $0.275 per share until May 24, 2018, amounted to $3,567. The fair value of the stock options was estimated using the Black-Scholes option pricing model, using the following assumptions: a share price of $0.20, an expected volatility of 100%, a risk free interest rate of 1.1%, no expected dividend and expected remaining lives of 0.56 years for the options.

5. INVENTORY

	March 31, 2018	December 31, 2017
	$	$
Raw materials	122,450	33,384

6. BIOLOGICAL ASSETS

As at March 31, 2018, the Company's biological assets which consisted of medical cannabis plants were recorded at cost of $33,384 and no change in the fair value of biological assets was recognized as the Company has not received its license to sell under the ACMPR.

The Company commenced the process of growing medical cannabis in January of 2018. All of the plants are to be harvested as agricultural produce.

7. PREPAID EXPENSES

	March 31, 2018	December 31, 2017
	$	$
Prepaid expenses and deposit	24,863	32,906
Prepaid insurance	3,552	4,287
	28,415	37,193

(Expressed in Canadian Dollars)

8. DEPOSITS

	March 31, 2018	December 31, 2017
	$	$
Deposit for purchase of greenhouse	500,000	-
	500,000	-

On March 5, 2018, the Company entered into a purchase and sale contract for the purchase of a greenhouse production centre at a purchase price of $13,500,000. The Company paid a non-refundable deposit of $500,000. During the three months ended March 31, 2018, the Company has not completed the purchase of the greenhouse.

9. PROPERTIES AND EQUIPMENT

	Land	Plant	Leasehold Improvements	Production and Other Equipment	Computer Equipment and Software	Furniture and Fixtures	Total
	$	$	$	$	$	$	$
Cost							
Balance, December 31, 2016	-	-	1,715,818	877,950	76,102	6,737	2,676,607
Additions	1,857,500		212,837	100,000	53,151	18,460	2,241,948
Transfer to building	-	1,894,755	(1,894,755)	-	-	-	-
Balance, December 31, 2017	1,857,500	1,894,755	33,900	977,950	129,253	25,197	4,918,555
Additions	-	45,144	-	1,658	4,145	17,325	68,272
Balance, March 31, 2018	1,857,500	1,939,899	33,900	979,608	133,398	42,522	4,986,827
Accumulated Depreciation							
Balance, December 31, 2016			-	-	-	1,887	1,887
Charge for the year	-	-	1,412	-	603	1,432	3,447
Balance, December 31, 2017	-	-	1,412	-	603	3,319	5,334
Charge for the period	-	19,625	2,825	24,470	927	1,526	49,373
Balance, March 31, 2018	-	19,625	4,237	24,470	1,530	4,845	54,707
Net book value							
December 31, 2017	1,857,500	1,894,755	32,488	977,950	128,650	21,878	4,913,221
March 31, 2018	1,857,500	1,920,274	29,663	955,138	131,868	37,677	4,932,120

As at December 31, 2017, the Company's plant, leasehold improvements, production and other equipment and computer equipment were not available for use. As a result no depreciation was recorded for the year ended December 31,2017.

10. RELATED PARTY BALANCE AND TRANSACTIONS

Related party transactions

b) 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 three months ended March 31, 2018 and 2017. Short-term key management compensation consists of the following:

	Three Months Ended March 31, 2018	Three Months Ended March 31,2017
	$	$
Salaries	12,500	17,555
Management fees	121,500	15,630
Director fees	13,000	-
Consulting fees	9,000	9,000

c) During the three months ended March 31, 2018, the Company incurred of $9,060 (2017 - $7,500) in rental expenses to directors the Company.

10. RELATED PARTY BALANCE AND TRANSACTIONS (continued)

These transactions were entered into in the normal course of operations and were recorded at the exchange amount established and agreed to between the related parties.

Related party balances

a) Included in accounts payable was $7,000 (2017 - $nil) director fees due to the current two independent directors.

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

11. SHARE CAPITAL

a) Authorized share capital

The Company is authorized to issue an unlimited number of voting common shares without par value.

b) Issued and outstanding:

At March 31, 2018, there were 137,234,080 issued and fully paid common shares (December 31, 2017 - 137,234,080)

i. During the three months ended March 31, 2018, there were no shares issued.

ii. On May 16, 2017, the Company issued 360,000 common shares at a fair value of $180,000 to a consultant as payment for consulting services received. The amount was recorded as consulting fees.

iii. On June 29, 2017, the Company completed a private placement and issued 600,000 common shares for total proceeds of $300,000.

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

v. On November 2, 2017, as a result of the reverse acquisition transaction as described in Note 4, the Company acquired all of the issued and outstanding common shares of Potanicals Green Growers Inc. in exchange for 124,186,752 common shares of the Company.

The Company estimated the fair value of the 10,000,100 common shares deemed to be issued to be $2,000,000, based on the fair value of the shares issued in the concurrent Potanicals private placement after adjusting for the exchange ratio on the Transaction.

vi. On December 15, 2017, the Company issued 3,000,000 common shares to a director to purchase land with a fair value of $600,000 (Note 9).

vii. On December 24, 2017, the Company issued 47,228 common shares for the exercise of stock options and recorded a share subscription receivable of $12,988.

Escrow Shares

As at March 31, 2018, the Company has 32,556,600 of its common shares held in escrow. Of this amount, 3,722,000 of the common shares will be released on the date of 6 months following the completion of the reverse acquisition transaction on November 2, 2017 and 4,976,100 of the common shares will be released every 6 months thereafter until November 2, 2020.

Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Canadian Security Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to five years from the date of grant.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

The status of the stock options is summarized as follows:

	Number of Options	Exercise Price
Outstanding, December 31, 2016	-	-
Deemed to be issued on reverse acquisition transaction (Note 4)	94,455	$0.275
Granted	8,700,000	$0.20
Exercised	(47,228)	$0.275
Outstanding, December 31, 2017 and March 31, 2018	8,747,227	$0.20

There were no stock options granted or exercised during the three months ended March 31, 2018.

The following table summarizes the stock options outstanding and exercisable as at March 31, 2018:

Outstanding			**Exercisable**	
Number of options	Weighted average exercise price $	Weighted average remaining contractual life in years	Number of options	Weighted average remaining contractual life in years
47,227	0.275	-	47,227	-
8,700,000	0.20	4.60	2,900,000	4.60
8,747,227	0.20	4.60	2,947,227	4.60

On November 7, 2017, the Company granted an aggregate of 8,700,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.20 and an expiry date of November 6, 2022. All of the options will vest over a two year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on November 6, 2019. During the three months ended March 31, 2018, the Company recognized share-based payments of $181,091 (2017 - $Nil) related to these stock options.

The weighted average fair value at grant date of the stock options granted on November 7, 2017 was $0.17 per option. The fair value was determined using the Black-Scholes option-pricing model using the following weighted average assumptions:

	2017
Expected volatility	125%
Risk-free interest rate	1.61%
Dividend yield	-
Expected life of options	5.0 years
Stock price on grant date	$0.20
Forfeiture rate	-

Warrants

As at March 31, 2018 and 2017, there were no warrants outstanding.

12. FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash and accounts payable. 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:

	March 31, 2018	December 31, 2017
	$	$
Financial assets at fair value through profit or loss (i)	1,860,381	3,457,702
Financial liabilities at amortized cost (ii)	208,569	226,007

12. FINANCIAL INSTRUMENTS (continued)

(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				
March 31, 2018	1,860,381	-	-	1,860,381
December 31, 2017	3,457,702	-	-	3,457,702

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 March 31, 2018 and December 31, 2017, 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
March 31, 2018					
Accounts payable	208,569	208,569	208,569	-	-
Total	208,569	208,569	208,569	-	-
December 31, 2017					
Accounts payable	226,007	226,007	226,007	-	-
Total	226,007	226,007	226,007	-	-

13. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders through expansion correspondingly to the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets, reduce debt or increase its debt. The Company is not subject to any externally imposed capital requirements.

14. SEGMENT INFORMATION

The Company operates in one segment, the productions of medical cannabis.

All of the Company's assets are located in Canada.

15. 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) The Company has a number of consulting agreements with its key management personnel. These agreements do not have specific expiry dates.

(d) 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. a total success fee equal to 5% of the Company's shares issued and outstanding immediately before the closing of the going-public transaction;
b. stock options of the resulting public company equal to 2.5% of the value of the Company's exercisable options; and
c. 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.

On August 28, 2017, the Company terminated the contract with Novus Merchant Partners.

16. SUBSEQUENT EVENTS

a) On April 4, 2018, the Company entered into a binding letter agreement with 1139000 B.C. Ltd. ("1139") and Min Wi to form a joint venture for the acquisition and development of a four acre greenhouse facility (the "Property"), into a licensed medical cannabis cultivation operation (the "Joint Venture"). As consideration for its initial 75% ownership interest in the Joint Venture, 1139 is to purchase, develop, renovate and upgrade the Property as is necessary to meet the requirements for licensed cultivation and production of medical cannabis at the Property. The Company will earn its initial 25% ownership interest in the Joint Venture by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") to the Property. The Company will have the option to acquire from 1139's shareholders an additional 26% ownership interest in the Joint Venture once 80% of the Property's full growing facilities are operational, utilized for licensed growing of cannabis and the growing of cannabis enters into the flower stage. The Company will pay for the additional

16. SUBSEQUENT EVENTS (continued)

26% ownership interest of the Joint Venture, at its fair value as determined at the time the option is exercised, by issuance of the Company's common shares in exchange for the 26% issued and outstanding shares from 1139's shareholders.

b) On May 2, 2018, 3,722,000 shares were released from escrow pursuant to the terms outlined in Note 11.

c) Subsequent to the period end, 713,894 stock options were exercised.

d) On May 15, 2018, The Company retained an investor relation group ("IR Group") as its strategic investor communications advisor. The Agreement has a one year term. The remuneration payable to the IR Group will be $7,500 per month and the Company shall also grant 1,000,000 stock options, 750,000 of which will vest over the following 18 months. This option will have a three-year term and an exercise price equal to the five-day moving average trading price of $1.16. The Agreement together with the granting of the stock options is subject to the approval of the Canadian Securities Exchange.