BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the six months ended June 30, 2018

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 three and six months ended June 30, 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.

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 three and six months ended June 30, 2018 and 2017. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto ("Financial Statements") of Benchmark as at and for the six months ended June 30, 2018 and 2017, and the audited consolidated financial statements and the notes thereto 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:	Suite 2600-595 Burrard Street, Vancouver, British Columbia V7X 1L3, 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 August 29, 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 16). 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.

In 2016, 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 is 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 June 30, 2018, 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 50,000 -square-feet facility production located on site of Peachland.

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

- Net loss for the three month period ended June 30, 2018 was $1,662,483, compared to a net loss of $267,892 in the same period last year.

- At June 30, 2018, the Company has working capital of $1,190,812 (December 31, 2017-$3,069,384).

- At the period ended June 30, 2018, the Company has net assets of $6,063,053 (December 31, 2017-$7,982,605).

- As at June 30, 2018, the Company had a total of 138,747,974 common shares outstanding.

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

License to import

On July 8, 2018, the Company has been issued a License To Import by Health Canada.

This import license allows Benchmark, through it’s 100% owned subsidiary Potanicals Green Growers, access to limitless genetics and strains for production. With this approved permit in hand, Benchmark has executed a purchase order with Dutch Passion from the Netherlands to import over 200 seeds that represent 70 different strains. This will enable Benchmark to custom produce exactly what the off-take markets are asking for. Further to this, the medical profile of the strains we are importing ranges from very high Cannabidiol (CBD) low THC, to high-THC/low-CBD, 1:1 THC:CBD strains, as well as, others. This will position the company to have many options for production when looking to service the current and future market demand.

License to Extract Cannabis Oils

On May 25, 2018, Potanicals received approval from Health Canada to produce derivative cannabis products through a Section 56 exemption to ACMPR.

On March 13, 2018 the Company acquired an extraction machine at the Facility. This Supracritical CO2 extraction technology machine is equipped with an Apeks Diaphragm Compressor Technology which allows for cold separation to preserve volatile oils ensuring high-quality extractions. The energy-efficient, low maintenance Diaphragm Compressor gas pump increases processing efficiency — 20% to 50% faster extractions, while consuming just half the power. This machine has the capability to processes approximately 10-22 pounds of dried, ground cannabis in a 24 hour period. With utilizing CO2 as a solvent for oil extraction, no toxins, heavy metals or hydrocarbon materials come in contact with the extracted oils.

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 on April 5, 2018 (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.

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.

Signing a purchase agreement to acquire a greenhouse in British Columbia

The Company 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. The Company did not make the additional $500,000 non-refundable deposit that was due on June 15, 2018 for extension of the completion date from June 1 to July 16, 2018, resulting in the forfeiture of the $500,000 non-refundable deposit to the vendor during the period ended June 30, 2018. The Company decided not to complete the purchase.

Summary of Quarterly Results

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

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30
Operating expenses	1,428,320	962,715	1,560,923	194,138	267,892	235,042	667,412	130,403
Loss from operations	(1,162,483)	(962,715)	(1,560,923)	(194,138)	(267,892)	(235,042)	(667,412)	(130,403)
Other expenses	500,000	-	2,179,852	-	-	-	192,000	-
Net loss	(1,662,483)	(962,715)	(3,740,775)	(194,138)	(267,892)	(235,042)	(859,412)	(130,403)
Loss per share - basic and diluted	(0.012)	(0.007)	(0.094)	(0.009)	(0.013)	(0.011)	(0.070)	(0.013)
Weighted average number of shares								
Basic and diluted	138,747,974	137,234,080	39,938,045	21,127,152	20,781,500	20,781,500	12,273,864	10,420,000

The increase in net loss during the quarter ended December 31, 2017, March 31, 2018 and June 30, 2018 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.

During the quarter ended June 30, 2018, a loss on write-off of deposit was recorded with respect to the forfeiture of the $500,000 non-refundable deposit related to a purchase and sale contract for the purchase of a greenhouse production centre

RESULTS OF OPERATIONS

During the three and six months ended June 30, 2018 and 2017, the Company did not generate any revenues from operations as the Company had not commenced sales of medical cannabis. The Company received its license from Health Canada to produce medical cannabis on October 13, 2017 and has not received the license to sell, under the ACMPR.

During the six months ended June 30, 2017, the Company's operations were focused at securing its license, hiring of employees for its operations and completing the RTO.

During the six months ended June 30, 2018, the Company focused its efforts and spending on the following:

- Application with Health Canada for a license to sell dried medical cannabis and a license to produce cannabis derivatives (oil products);
- Setting up of its corporate offices and hiring of employees for finance, operations and marketing;
- Revamping and launching of its comprehensive website;
- Expanding its facilities by acquisition of greenhouses; and
- Equity and debt financings.

During the three and six months ended June 30, 2018, the Company recorded an unrealized gain on the changes in fair value of its biological assets of $265,837. This represents the change in the carrying value of the Company's medical cannabis plants at the point of harvest. The Company commenced the process of growing medical cannabis in January, 2018.

Expenses

	Three Months Ended		Six Months Ended	
	June 30 2018 (Unaudited)	June 30 2017 (Unaudited)	June 30 2018 (Unaudited)	June 30 2017 (Unaudited)
	$	$	$	$
General and administrative expenses	1,222,985	267,892	2,004,699	502,934
Share-based compensation	205,245	-	386,336	-
Total Expenses	1,428,320	267,892	2,391,035	502,934

General and administrative expenses

For the three months ended June 30, 2018, general and administrative expenses were $1,222,985 compared to $267,892 for the three months ended June 30, 2017. General and administrative expenses increased by $955,093 from 2017 to 2018.

The increase of $955,093 in general and administrative expenses was primarily due to $79,225 increase in depreciation expenses, $104,020 increase in management fees, $84,097 increase in marketing expenses, $243,258 increase in salary and wages, $87,595 increase in office and general expenses, $59,555 increase in professional fees, and $173,752 increase in travel and entertainment expenses.

Salary and wages amounted to $270,410 for the three months ended June 30, 2018 compared to $27,152 for the period ended June 30, 2017. The increase was a result of hiring of additional personnel to enhance the Company's management, productions and administration team after the RTO which is completed on November 2, 2017.

Management fees increased to $122,500 for the quarter ended June 30, 2018 from $18,480 for the quarter ended June 30, 2017. 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 the RTO.

Professional fees increased to $82,752 for the three months ended June 30, 2018 from $23,197 for the three months ended June 30, 2017. Professional fees consisted of legal and audit fees and the increase related mainly to the added work required to undertake and the ongoing regulatory work of running an active public company after the completion of the RTO.

Marketing expenses and travel and entertainment amounted to $84,097 and $206,839 for the quarter ended June 30, 2018 compared to $Nil and $33,097 for the same quarter in 2017. These increases represent the Company's efforts to attract new capital as well as examine numerous possible new business opportunities.

For the quarter the Company recorded depreciation of $79,710 whereas $485 has been recorded in the past. This represents the Company's assets being available for current use.

For the six months ended June 30, 2018, general and administrative expenses were $2,004,699 compared to $502,934 for the six months ended June 30, 2017. General and administrative expenses increased by $1,501,765 from six months ended June 30, 2017 to the same period of 2018.

The increase of $1,501,765 in general and administrative expenses was primarily due to $128,598 increase in depreciation expenses, $209,890 increase in management fees, $111,368 increase in marketing expenses, $405,496 increase in salary and wages, $121,559 increase in office and general expenses, $105,587 increase in professional fees, and $230,981 increase in travel and entertainment expenses.

Share-based compensation expense

Share-based compensation expense of $386,336 for the six months ended June 30, 2018 (2017 - $nil), 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.

Income Taxes

Benchmark and its subsidiary did not accrue any income taxes for the three and six months ended June 30, 2018 and 2017 as no taxable income was generated.

Net Loss

For the three and six months ended June 30, 2018, net loss was $1,662,483 and $2,625,198 respectively, compared to a net loss of $267,892 and $502,934 for the corresponding period of 2017. The increase of net loss was caused by the increase in the general and administrative expenses as discussed above and share-based compensation.

LIQUIDITY AND CAPITAL RESOURCES

Cash totaled $1,123,054 as at June 30, 2018, as compared to $3,457,702 as at December 31, 2017.

Cash used in operating activities

For the six months ended June 30, 2018, cash used in operating activities was $2,565,855 compared to cash used in operating activities of $290,669 for the quarter ended June 30, 2017. This increase reflects an increase in inventory and the increase in expenses.

Cash used in investing activities

For the six months ended June 30, 2018, cash used in investing activities was $88,103 compared to cash used in investing activities of $60,586 for the six months ended June 30, 2017. Cash used in investing activities during the period ended June 30, 2018 mainly relates to the acquisition of property and equipment.

Cash provided by financing activities

For the six months ended June 30, 2018, cash generated from financing activities was $319,310 compared to cash generated from financing activities of $80 for the period ended June 30, 2017. The increase was due to the proceeds from the shares issued by the exercised of stock options.

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 April 1, 2018, the Company entered into a lease agreement for office premises located in Vancouver, BC. The Company agreed to pay an annual rent of $48,000 from April 1, 2018 until the lease expires on December 31, 2020.

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

(e) 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 was to 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 24^{th} months after the going public transaction.

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

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

a) 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 six months ended June 30, 2018 and 2017. Short-term key management compensation consists of the following:

	2017	2016
	$	$
Salaries	25,000	35,082
Management fees	244,000	34,110
Director fees	26,550	-
Consulting fees	18,000	18,000

b) During the six months ended June 30, 2018, the Company incurred of $18,120 (2017 - $21,000) in rental expenses to a director of the Company.

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

Included in accounts payable was $4,000 (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.

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:

	June 30, 2018	December 31, 2017
	$	$
Financial assets at fair value through profit or loss (i)	1,123,054	3,457,702
Financial liabilities at amortized cost (ii)	288,425	226,007

(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				
June 30, 2018	1,123,054	-	-	1,123,054
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 June 30, 2018 and 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. As of June 30, 2018, the Company had cash and cash equivalents of $1,123,054 (December 31, 2017: $3,457,702). As of June 30, 2018, the Company had working capital of $1,190,812 (December 31, 2017 - $3,069,384 working capital).

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
June 30, 2018					
Accounts payable	288,425	288,425	288,425	-	-
Total	288,425	288,425	288,425	-	-
December 31, 2017					
Accounts payable	226,007	226,007	226,007	-	-
Total	226,007	226,007	226,007	-	-

SUBSEQUENT EVENTS

a) Subsequent to the period end, 100,000 stock options were exercised.

b) On July 31, 2018, The Company terminated the investor relation group ("IR Group") which was engaged on May 15, 2018.

c) On July 8, 2018, the Company has been issued a License To Import by Health Canada.

d) On August 9, 2018, the Company granted 2,580,000 stock options to its employees and consultants with an exercise price of $0.60. The Options will expire on August 8, 2023.

CRITICAL ACCOUNTING 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;
- the impairment of biological assets in development
- 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 six months ended June 30, 2018 and 2017.

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:

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 the modified retrospective approach in its consolidated financial statements for the annual period beginning January 1, 2018.

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.

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

New standards and interpretations not yet adopted

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 quarter ended June 30, 2018.

The Company is not subject to externally imposed capital requirements.

OUTSTANDING SHARE CAPITAL

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 June 30, 2018 and December 31, 2017, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	August 29, 2018	June 30, 2018	December 31, 2017
Issued and allotted shares	138,847,974	138,747,974	137,234,080
Stock options	7,133,333	7,233,333	8,747,227
Fully diluted shares	145,981,307	145,981,307	145,981,307

TRENDS AND OUTLOOK

The medical marijuana 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. Benchmark 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 Potanical'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 has undertaken 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. 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
August 29, 2018