Condensed Interim Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

(Unaudited)

BENCHMARK BOTANICS INC.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three and Nine Months ended September 30, 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 Chartered Professional Accountant of Canada for a review of interim financial statements by an entity's auditor.

November 28, 2018

Benchmark Botanics Inc.

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

	Note	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		$	$
Current Assets			
Cash		1,773,676	3,457,702
Other receivables		130,759	61,779
Biological assets	5	-	-
Inventory	6	689,355	33,384
Prepaid expenses and deposits	7	45,930	37,193
		2,639,720	3,590,058
Property and equipment	9	4,863,832	4,913,221
		7,503,552	8,503,279
Current Liabilities			
Accounts payable and accrued liabilities		328,753	520,674
Equity			
Share capital	11	17,591,527	15,645,220
Subscriptions receivable		-	(12,988)
Stock options reserve		1,476,920	601,840
Warrants reserve		479,025	-
Deficit		(12,372,673)	(8,251,467)
		7,174,799	7,982,605
		7,503,552	8,503,279

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

Approved on behalf of the Board:

"George Dorin"
Director

"Haifeng Liu"
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 and nine months ended September 30, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Note	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
		$	$	$	$
Unrealized gain on changes in fair value of biological assets		124,430	-	390,267	-
Expenses					
Consulting fees	10	162,850	28,462	454,400	249,135
Depreciation		64,174	243	193,257	728
Director fees		13,446	-	39,996	-
Insurance		3,504	2,846	13,091	9,202
Investor Relation Expenses		777	-	21,152	-
Management fees	10	124,500	15,000	368,500	49,110
Marketing expenses		28,801	-	140,169	-
Office and general		72,677	23,912	241,648	69,616
Professional fees		67,463	50,752	209,454	87,156
Rent	10	34,468	10,500	91,721	38,083
Repair and Maintenance		7,293	1,146	31,324	8,429
Research and development		40,725	-	40,725	-
Salaries and benefits	10	190,114	37,610	651,578	93,578
Share-based compensation	11	687,754	-	1,074,090	-
Supplies		3,709	-	37,836	-
Travel and entertainment		118,183	38,667	402,532	92,035
		1,620,438	194,138	4,011,473	697,072
Operating loss		(1,496,008)	(194,138)	(3,621,206)	(697,072)
Other Item					
Loss on write-off of deposit	8	-	-	(500,000)	-
Net loss and comprehensive loss		(1,496,008)	(194,138)	(4,121,206)	(697,072)
Loss per common share – basic and diluted		($0.011)	($0.009)	($0.030)	($0.034)
Weighted average number of common shares outstanding		139,627,322	20,781,500	138,186,799	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 and nine months ended September 30, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Share Subscriptions Received (Receivable)	Stock Options Reserve	Warrants Reserve	Deficit	Total
		$	$			$	$
Balance, December 31, 2016	20,781,500	7,282,232	(50)	-	-	(3,813,620)	3,468,562
Share subscriptions received	-	-	80	-	-	-	80
hares issued for services	360,000	180,000	-	-	-	-	180,000
Shares issued for cash	600,000	300,000	-	-	-	-	300,000
Comprehensive loss for the period	-	-	-	-	-	(697,072)	(697,072)
Balance, September 30, 2017	21,741,500	7,762,232	30	-	-	(4,510,692)	3,251,570
Shares issued for cash, net	5,855,556	5,270,000	-	-	-	-	5,270,000
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	-	-	(30)	-	-	-	(30)
Stock options exercised	47,228	12,988	(12,988)	-	-	-	-
Share-based compensation	-	-	-	598,273	-	-	598,273
Comprehensive loss for the period	-	-	-	-	-	(3.740.775)	(3,740,775)
Balance, December 31, 2017	137,234,080	15,645,220	(12,988)	601,840	-	(8,251,467)	7,982,605
Share subscriptions received	-	-	12,988	-	-	-	12,988
Shares issued for cash, net	2,666,667	1,380,975	-	-	479,025	-	1,860,000
Stock option exercised	1,813,894	565,332	-	(199,010)	-	-	366,322
Stock option cancelled	-	-	-	46,564	-	-	46,564
Share-based compensation	-	-	-	1,027,526	-	-	1,027,526
Comprehensive loss for the period	-	-	-	-	-	(4,121,206)	(4,121,206)
Balance, September 30, 2018	141,714,641	17,591,527	-	1,476,920	479,025	(12,372,673)	7,174,799

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 nine months ended September 30, 2018 and 2017
(Unaudited)
(Expressed in Canadian Dollars)

	2018	2017
	$	$
OPERATING ACTIVITIES		
Net loss for the period	(4,121,206)	(697,072)
Items not involving cash:		
Changes in fair value of biological assets	(390,267)	-
Depreciation	194,433	728
Share-base compensation	1,074,090	-
	(3,242,950)	(696,344)
Changes in non-cash working capital balances:		
Other receivables	(68,980)	23,542
Inventory	(265,704)	-
Prepaid expenses and deposits	(8,737)	14,245
Accounts payable and accrued liabilities	(191,921)	117,434
Cash used in operating activities	(3,778,292)	(541,123)
INVESTING ACTIVITY		
Acquisition of property and equipment	(145,044)	(296,471)
Refund of deposits	-	150,000
Cash used in investing activities	(145,044)	(146,471)
FINANCING ACTIVITIES		
Proceeds from share subscriptions, net	2,226,322	300,000
Subscriptions received	12,988	80
Cash provided by financing activities	2,239,310	300,080
Change in cash during the period	(1,684,026)	(387,514)
Cash, beginning of period	3,457,702	397,119
Cash, end of period	1,773,676	9,605
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Non-cash financing and investing transactions:		
Warrant issued	479,025	-

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 comparative figures as at and for the three and nine months ended September 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.

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 Life Sciences 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. The Company's registered office is suite 2600-595 Burrard Street, Vancouver, British Columbia V7X 1L3, Canada

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 September 30, 2018, the Company has an accumulated deficit of $12,372,673 and generated negative cash flows from operations. For the nine months ended September 30, 2018, the Company incurred a net loss of $4,121,206 (nine months ended September 30, 2017 – $697,072). The Company has not generated revenue from sales. During the three and nine months ended September 30, 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, to rely on the financial support of its shareholders and parties related to the current shareholders, as well as to 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 November 28, 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 condensed 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:

- Estimates used in the valuation of inventories and biological assets, including estimating the stage of growth of the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yield for the cannabis plant, the spoiled or expired inventory and compares the inventory cost to estimated net realizable value;
- 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) New IFRS standards and amendments adopted (continued)

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. 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 do not have a material impact on the Company's consolidated condensed interim 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 standard has not been early adopted by the Company in these condensed interim consolidated financial statements and management does not expect that the standard will 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 was 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 was accounted for in accordance with IFRS 2 *Share-based Payment* whereby Potanicals was 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.

(Expressed in Canadian Dollars)

4. REVERSE ACQUISITION TRANSACTION (continued)

(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.

Since the share and share-based consideration allocated to the former shareholders of the Company on closing was 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 was 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 estimated the fair value of the 10,000,100 common shares deemed to be issued to Kaiyue was $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. BIOLOGICAL ASSETS

As at September 30, 2018, the Company's biological assets consisted of cannabis plants. The changes in the carrying value of the biological assets are as follow:

	September 30, 2018	December 31, 2017
	$	$
Balance, beginning of year	-	-
Acquired biological assets	33,384	-
Unrealized gain on changes in fair value of biological assets	390,267	-
Production costs capitalized	143,254	-
Harvested cannabis transferred to inventory	(566,905)	-
Balance, end of period	-	-

As of September 30, 2018, the weighted average fair value less cost to complete and cost to sell was $5.00 per gram (2017 - $nil per gram).

Biological assets are valued in accordance with IAS 41 and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

(Expressed in Canadian Dollars)

5. BIOLOGICAL ASSETS (continued)

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth.

As at September 30, 2018, all the biological assets were transferred to inventory as harvested cannabis. During the nine months ended September 30, 2018, the Company's biological assets produced 109,000 grams of dried cannabis (2017 - nil grams).

The significant unobservable inputs and their range of values are noted in the table below:

Unobservable Inputs	Range	Sensitivity
Estimated Yield per Plant – varies by strain and is obtained through historical growing results (trailing 6-months moving average) or grower estimate if historical results are not available.	25 grams/plant to 165 grams/plant	A slight increase in the estimated yield per plant would result in a significant increase in fair value, and vice versa.
Listed Selling Price of Dry Cannabis – varies by strain and is obtained through listed selling prices or estimated selling prices if historical results are not available.	\$5 to \$8/gram	A slight increase in the estimated selling price per strain would result in a significant increase in fair value, and vice versa.

The Company's estimates are, by their nature, subject to change and differences from the anticipated yield will be reflected the gain or loss on biological assets in future periods.

6. INVENTORY

	September 30, 2018	December 31, 2017
	$	$
Harvested Cannabis -finished goods	689,355	-
Materials and supplies	-	33,384
	689,355	33,384

Included in inventory was $122,450 (2017 - $nil) products purchased from another LP which may not be sold to any party under the ACMPR according to Health Canada. An action plan for how the Company will proceed with this product will be shared with Health Canada.

7. PREPAID EXPENSES

	September 30, 2018	December 31, 2017
	$	$
Prepaid expenses and deposit	43,114	32,906
Prepaid insurance	2,816	4,287
	45,930	37,193

8. WRITE-OFF OF DEPOSIT

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. The Company did not make an 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 September 30, 2018.

(Expressed in Canadian Dollars)

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 (note 11)	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	10,568	47,928	-	33,048	10,229	43,271	145,044
Balance, September 30, 2018	1,868,068	1,942,683	33,900	1,010,998	139,482	68,468	5,063,599
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	-	57,534	8,475	73,940	48,137	6,347	194,433
Balance, September 30, 2018	-	57,534	9,887	73,940	48,740	9,666	199,767
Net book value							
December 31, 2017	1,857,500	1,894,755	32,488	977,950	128,650	21,878	4,913,221
September 30, 2018	1,868,068	1,885,149	24,013	937,058	90,742	58,802	4,863,832

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 three and nine months ended September 30, 2017.

10. RELATED PARTY TRANSACTIONS

Related party transactions

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 nine months ended September 30, 2018 and 2017. Short-term key management compensation consists of the following:

	Nine Months Ended September 30,2018	Nine Months Ended September 30,2017
	$	$
Salaries	75,000	58,889
Management fees	368,500	49,110
Director fees	39,446	-
Consulting fees	27,000	21,000
Share-based compensation	286,232	-
	796,178	128,999

b) During the nine months ended September 30, 2018, the Company incurred $27,180 (September 30, 2017 - $31,500) in rental expenses to directors 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.

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 September 30, 2018, there were 141,714,641 issued and fully paid common shares (December 31, 2017 - 137,234,080)

i. During the nine months ended September 30, 2018, there were 1,813,894 shares issued on exercise of stock options for total proceeds of $565,332.

ii. On September 5, 2018, the Company completed a non-brokered private placement and issued 2,666,667 units (the "**Units**") at a price per Unit of $0.75 for aggregate proceeds of approximately $2,000,000. Each Unit consists of one common share of the Company and one common share purchase warrant (each, a "**Warrant**"). Each Warrant shall be exercisable into one Share at a price of $1.20 for a period of 24 months from the closing date of the Private Placement. The transaction was unbrokered, however, transaction costs related to finder fees of $140,000 were paid as part of the common share issuance.

iii. 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.

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

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

vi. 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.

vii. 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).

viii. 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 September 30, 2018, the Company has 28,834,600 of its common shares held in escrow. Of this amount, 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 on December 24, 2017	(47,228)	$0.275
Outstanding, December 31, 2017	8,747,227	$0.20
Exercised on February 19, 2018	(47,227)	$0.275
Exercised on May 17, 2018	(666,667)	$0.20
Exercised on June 18, 2018	(100,000)	$0.20
Exercised on June 25, 2018	(500,000)	$0.20
Exercised on June 26, 2018	(200,000)	$0.20
Granted	2,580,000	$0.60
Exercised on August 16, 2018	(100,000)	$0.20
Exercised on September 6, 2018	(100,000)	$0.20
Exercised on September 13, 2018	(100,000)	$0.20
Stock options cancelled	(800,000)	$0.20
Outstanding, September 30, 2018	8,713,333	$0.20

The following table summarizes the stock options outstanding and exercisable as at September 30, 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
6,133,333	0.20	4.10	4,088,889	0.20
2,580,000	0.60	4.86	860,000	0.60
8,713,333	0.20	4.33	4,948,889	0.27

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 nine months ended September 30, 2018, the Company recognized share-based payments of $494,698 (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	-

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

On August 9, 2018, the Company granted an aggregate of 2,580,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.60 and an expiry date of August 8, 2023. 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 August 9, 2020. During the nine months ended September 30, 2018, the Company recognized share-based payments of $532,828 (2017 - $Nil) related to these stock options.

The weighted average fair value at grant date of the stock options granted on August 9, 2018 was $0.17 per option. The fair value was determined using the Black-Scholes option-pricing model using the following weighted average assumptions:

	September 30, 2018
Expected volatility	125%
Risk-free interest rate	1.77%
Dividend yield	-
Expected life of options	5.0 years
Stock price on grant date	$0.60
Forfeiture rate	-

Warrants

As at September 30, 2018, there were 2,666,667 share purchase warrants outstanding pursuant to a non-brokered private placement closed on September 5, 2018. As at December 31, 2017, there were no warrants outstanding.

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price – C$(dollars)
Balance at December 31, 2017	-	-
Warrants issued	2,666,667	1.20
Balance at September 30, 2018	**2,666,667**	**1.20**

Pursuant to the private placement closed on September 5, 2018, the Company issued 2,666,667 common share purchase warrants at fair value of $479,025. Each such warrant is exercisable into a common share of the Company at an exercise price of $1.20 per common share for a period of two years from the date of issue. The 2,666,667 warrants issued on September 5, 2018 will expire on September 5, 2020.

The weighted average fair value at issuance date of the warrants on September 5, 2018 was $0.19 per warrant. The fair value was determined using the Black-Scholes option-pricing model using the following weighted average assumptions:

	September 30, 2018
Expected volatility	100%
Risk-free interest rate	1.77%
Dividend yield	-
Expected life of options	2.0 years
Stock price on grant date	$0.56
Forfeiture rate	-

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:

	September 30, 2018	December 31, 2017
	$	$
Financial assets at fair value through profit or loss (i)	1,773,676	3,457,702
Financial liabilities at amortized cost (ii)	297,313	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				
September 30, 2018	1,773,676	-	-	1,773,676
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 September 30, 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. As of September 30, 2018, the Company had cash and cash equivalents of $1,773,676 (December 31, 2017: $3,457,702). As of September 30, 2018, the Company had working capital of $2,310,967 (December 31, 2017 - $3,069,384 working capital).

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (continued)

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
September 30, 2018					
Accounts payable	297,313	297,313	297,313	-	-
Total	297,313	297,313	297,313	-	-
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) 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

15. COMMITMENTS (continued)

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

b) On October 19, 2018, the Company granted 950,000 stock options to a director and an officer of the Company with an exercise price of \$0.48 and expiry date of October 18, 2023.