BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and nine months ended September 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

Date of report: November 28, 2018

Benchmark Botanics Inc. (the "Company" or "Benchmark") 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 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.

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 nine months ended September 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 three and nine months ended September 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 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

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.thecse.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 considering the risks set forth in the Risks section of this MD&A. 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

On November 2, 2017, the Company completed the acquisition of Potanicals pursuant to a Share Exchange Agreement dated September 14, 2017, as amended on September 19, 2017, whereby the Company acquired all the issued and outstanding securities of Potanicals in consideration for securities of the Company. The transaction constituted a reverse takeover ("RTO") of Benchmark by Potanicals. As part of the acquisition, the Company 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 a 12,700-square-feet production facility (the "Facility") in Peachland, British Columbia to plant, grow and cultivate high-quality medicalgrade 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 September 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 *Access to Cannabis for Medical Purposes Regulations* ("ACMPR").

Third Quarter Financial and Operational Highlights

- Net loss for the three-month period ended September 30, 2018 was $1,496,008, compared to a net loss of $194,138 in the same period last year.

- At September 30, 2018, the Company had working capital of $2,310,967 (December 31, 2017-$3,069,384).

- At the period ended September 30, 2018, the Company had net assets of $7,174,799 (December 31, 2017-$7,982,605).

- As at September 30, 2018, the Company had a total of 141,714,641 common shares outstanding.

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

Developments occurring during the three months ended September 30, 2018:

License to Import

On July 8, 2018, the Company was issued a License to Import by Health Canada.
This import license allows Benchmark, through its 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 in July 2018. 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 Sell

On August 31, 2018, Potanicals was issued a license to sell dried cannabis under the ACMPR by Health Canada.

Non-Brokered Private Placement

On September 5, 2018, the Company closed a non-brokered private placement of 2,666,667 units (the "Units") at a price of $0.75 per Unit for aggregate gross proceeds of $2,000,000 (the "Private Placement") with an arm's-length party (the "Investor"). Each Unit is comprised of one common share of the Company ("Shares") and one common share purchase warrant ("Warrant"). Each Warrant shall be exercisable into one common share at a price of $1.20 for a period of 24 months from the closing date of the Private Placement. All the Units, Shares and Warrants are subject to a restricted period of four months and one day from the date of closing of the Private Placement. The Company intends to use the net proceeds from the sale of the Units for general working capital purposes.

License of "The Bulldog" Trademark

On September 19, 2018, the Company entered into a Trademarks License Agreement (the "Agreement") with Leidseplein Beheer B.V. (the "Licensor"), a company incorporated under the laws of the Netherlands, in which the Licensor has agreed to grant the Company use of "The Bulldog" trademark in Canada upon the terms and conditions set out in the Agreement.

Under the terms of the Agreement, the Company will pay an upfront fee of $120,000 to the Licensor, such amount to be satisfied by the issuance to the Licensor of 214,286 common shares of the Company at a price of $0.56 per share, based on the closing price of the Company's common shares on the Canadian Securities Exchange on September 19, 2018.

As partial consideration for the license granted, the Company will pay to the Licensor royalties based on a percentage of Revenues of the products sold and services provided using "The Bulldog" trademark during the term of the Agreement within 30 days of the end of each quarter of each calendar year.

Under the Agreement, Revenue means the arm's length gross sales received for sales of all licensed products to a third party after deduction of the sales tax and charges for freight, transportation and delivery of licensed products if these costs incurred.

Definitive Agreement with 1139000 B.C. Ltd.

The Company, together with Benchmark's wholly-owned subsidiary, Potanicals, signed a binding definitive agreement on August 30, 2018 (the "Agreement") with 1139000 B.C. Ltd. ("1139") to supersede the letter agreement with 1139 for the development of approximately 4 acres of greenhouse operations to be located in Pitt Meadows, British Columbia (the "Property") beneficially owned by 1139.

Under the terms of the Agreement, Benchmark has agreed, through Potanicals, to apply for a license under the ACMPR for the Property, and upon receipt of a license under the ACMPR will earn a 25% interest in 1139, the owner of the Property. Upon the Property being developed to a commercial stage, Benchmark will have the right to increase its ownership to 51% of 1139 in consideration for the issuance of common shares of Benchmark, such number of shares to be based on the then fair market value of 1139.

Pursuant to the Agreement, 1139 is responsible for construction of the necessary facilities on the Property for a license under the ACMPR to be obtained. Benchmark has agreed to indemnify 1139 for certain expenses relating to the acquisition of the Property and construction of the facilities if Potanicals fails to obtain a license under the ACMPR for the Property by June 30, 2019, subject to extension in certain circumstances.

<u>Key developments occurring subsequent to September 30, 2018:</u>

- Subsequent to the period end, the Company set up a 50% owned German subsidiary for the purpose to expand its operations to German cannabis markets.

- Further strengthened board governance with the appointment of George Dorin as Chairman of the board; and

- Appointed William Ying as Chief Executive Officer.

Summary of Quarterly Results

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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
	Sep-30	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**
Unrealized gain on changes in fair value of biological assets	124,430	265,837	-	-	-	-	-	-
Operating expenses	1,620,438	1,428,320	962,715	1,560,923	194,138	267,892	235,042	667,412
Loss from operations	(1,496,008)	(1,162,483)	(962,715)	(1,560,923)	(194,138)	(267,892)	(235,042)	(667,412)
Other expenses	-	500,000	-	2,179,852	-	-	-	192,000
Net loss	(1,496,008)	(1,662,483)	(962,715)	(3,740,775)	(194,138)	(267,892)	(235,042)	(859,412)
Loss per share - basic and diluted	(0.011)	(0.012)	(0.007)	(0.094)	(0.009)	(0.013)	(0.011)	(0.070)
Weighted average number of shares Basic and diluted	139,627,322	138,747,974	137,234,080	39,938,045	21,127,152	20,781,500	20,781,500	12,273,864

Compared with prior quarters, the increases in quarterly net loss during the quarters ended September 30, 2018, June 30, 2018, March 31, 2018, and December 31, 2017, were a result of increased expenditures incurred by the Company for hiring new employees for its medical cannabis operations, marketing and product development after the RTO. During the quarter ended December 31, 2017, the Company recorded listing costs of $2,179,852 with respect to the reverse takeover of Potanicals. The Company also recorded share-based compensation expenses of $598,273 for the quarter ended December 31, 2017 and $687,754 for the quartered ended September 30, 2018.

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 nine months ended September 30, 2018 and 2017, the Company did not generate any revenues from operations as the Company had not commenced sales of medical cannabis.

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

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

- Application with Health Canada for a license to sell dried medical cannabis to patients and a license to sell 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
- Seeking additional equity and debt financings.

During the three and nine months ended September 30, 2018, the Company recorded an unrealized gain on the changes in fair value of its biological assets of $124,430 and $390,267, respectively. 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 September 30,		Nine Months Ended September 30,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	$	$	$	$
Consulting fees	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	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	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	190,114	37,610	651,578	93,578
Share-based compensation	687,754	-	1,074,090	-
Supplies	3,709	-	37,836	-
Travel and entertainment	118,183	38,667	402,532	92,035
Total Expenses	1,620,438	194,138	4,011,473	697,072

General and administrative expenses

For the three months ended September 30, 2018, general and administrative expenses were $1,620,438 compared to $194,138 for the three months ended September 30, 2017. General and administrative expenses increased by $1,426,300 from three months ended September 30, 2017 compared to the same period of 2018.

The increase of $1,426,300 in general and administrative expenses was primarily due to the share-based compensation of $687,754, a non-cash item due to recognition of the fair market value of stock options granted.

Other significant increases include $152,504 in salaries and benefits, $134,388 in consulting fees, $109,500 in management fees, $79,516 in travel expenses, $48,765 in office and general expenses, $63,931 in depreciation, $40,725 in research and development expenses, $28,801 in marketing expenses, $16,711 in professional fees, and $13,446 in directors' fees.

Such increases were mainly due to increased operational activities and higher administrative costs as a public company.

For the nine months ended September 30, 2018, general and administrative expenses were $4,011,473 compared to $697,072 for the nine months ended September 30, 2017. General and administrative expenses increased by $3,314,401 from nine months ended September 30, 2017 to the same period of 2018.

The increase of $3,314,401 in general and administrative expenses was primarily due to the share-based compensation of $1,074,090, a non-cash item due to recognition of the fair market value of stock options granted.

Other significant increases include $558,000 in salaries and benefits, $205,265 in consulting fees, $319,390 in management fees, $310,497 in travel expenses, $172,032 in office and general expenses, $192,529 in depreciation, $40,725 in research and development expenses, $140,169 in marketing expenses, $122,298 in professional fees, $39,996 in directors' fees, $53,638 in rent, $37,836 in supplies, $22,895 in repair and maintenance, and $ 21,152 in investor relations.

Such increases were mainly due to increased operational activities and higher administrative costs as a public company.

Travel and accommodation increased by $310,497 mainly due to travel and accommodation costs incurred related to its evaluation of potential joint ventures, asset acquisitions and other various projects. In addition, the Company incurred travel costs related to the consultants' and employees' travels between the Company's offices located in Vancouver and Kelowna.

In addition, the Company also shouldered the costs of travel in connection with Company's financings and other transactions.

Research and Development

Research and development for the nine months ended September 30, 2018 were $40,725 compared to $nil for the nine months ended September 30, 2017. The increase in research and development was a largely attributable to experimental research and development of tissue culture for future commercialization. In the same period, research and development expenditures also related to research, development and documentation of the cannabis grow process and genetics of various cannabis strains.

Income Taxes

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

Net Loss and Comprehensive Loss

For the three months ended September 30, 2018, net loss and comprehensive loss was $1,496,008, being the general and administrative expenses of $1,620,438 offset by the unrealized gain on changes in fair value of biological assets of $124,430.

For the nine months ended September 30, 2018, net loss and comprehensive loss was $4,121,206, being the general and administrative expenses of $4,011,473 and the write-off of deposit of $500,000, offset by the unrealized gain on changes in fair value of biological assets of $390,267.

For the three and nine months ended September 30, 2017, the net loss and comprehensive loss was $194,138 and $697,072, respectively. The increase of net loss and comprehensive loss was caused by the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Cash totaled $1,773,676 as at September 30, 2018, as compared to $3,457,702 as at December 31, 2017.

Cash used in operating activities

For the nine months ended September 30, 2018, cash used in operating activities was $3,778,292 compared to cash used in operating activities of $541,123 for the nine months ended September 30, 2017. This increase reflects an increase in operating expenses, inventory, accounts receivable, and paying down of accounts payable.

Cash used in investing activities

For the nine months ended September 30, 2018, cash used in investing activities was $145,044 compared to cash used in investing activities of $146,471 for the same period ended September 30, 2017. Cash used in investing activities during the period ended September 30, 2018 mainly relates to the acquisition of property and equipment.

Cash provided by financing activities

For the nine months ended September 30, 2018, cash provided by financing activities was $2,239,310. For the nine months ended September 30, 2017, cash provided by financing activities was $300,080. The increase was due to the proceeds from a non-brokered private placement of units and exercise 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 several 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 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	-
Total	796,178	128,999

b) During the nine months ended September 30, 2018, the Company incurred of $27,180 (2017 - $31,500) 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.

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:

	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 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).

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	-	-

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

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 nine months ended September 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

<u>*Standard effective for annual periods beginning on or after January 1, 2019*</u>

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 September 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 September 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:

	November 28, 2018	September 30, 2018	December 31, 2017
Common shares	141,714,641	141,714,641	137,234,080
Stock options	9,563,333	8,713,333	8,747,227
Share purchase warrants	2,666,667	2,666,667	-
Fully diluted shares	153,944,641	153,094,641	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.

Regulatory Risks

Some of the proposed activities of the Company will be subject to regulation by governmental authorities, including, but not limited to, Health Canada's Office of Controlled Substances. The Company'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 Company 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 Company. 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 Company'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 Company.

Governmental Regulations and Risks

The Company'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 Company's operations. Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company 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 Company 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 Company 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 Company 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 Company will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered considering the early stage of operations.

History of Losses

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

Volatile Stock Price

The stock price of the Company 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 Company cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Company's decisions related to future operations and will likely trigger major changes in the trading price of the common shares of the Company.

Risks Inherent in an Agricultural Business

The Company'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 Company 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 Company's medical cannabis growing operations will consume considerable energy, which will make the Company vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Company 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 Company 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 Company 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 Company's business, operating results or financial condition.

Insurance and Uninsured Risks

The Company'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 Company 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 Company 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 Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

The Company 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 the common shares of the Company will develop and Shareholders may find it difficult to resell their shares. Accordingly, no assurance can be given that the Company will be successful in the long term.

Dependence on Suppliers and Skilled Labour

The ability of the Company 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 Company 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 Company.

Difficulty to Forecast

The Company 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 Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company 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 Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company 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 Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the common shares of the Company.

Liquidity

The Company 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 of the Company.

Dilution

The Corporation may issue equity securities to finance its activities, including future acquisitions. If the Company was to issue common shares, existing holders of such common shares may experience dilution in their holdings. Moreover, when the Company's intention to issue additional equity securities becomes publicly known, the Company's share price may be adversely affected.

Litigation

The Company 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 Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for the common shares of the Company and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Benchmark Botanics Inc.

William Ying
Chief Executive Officer
November 28, 2018