BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2018

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the company provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the years ended December 31, 2018 and 2017. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Financial Statements") of the Company as at and for the years ended December 31, 2018 and 2017.

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: 105-6111 London Road, Richmond BC V7E 3S3

Registered office: Suite 2600-595 Burrard Street, Vancouver, British Columbia V7X 1L3, Canada

Production facility: 4715 Paradise Valley Dr, Peachland BC V0H 1X3

This MD&A has been prepared as of April 29, 2019.

Non-IFRS Measures

This MD&A refers to certain non-IFRS measures. These measures are not recognized under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as a supplement to those IFRS measures to provide additional information regarding the Company's results of operations from management's perspective. Accordingly, non-IFRS measures should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS. All non-IFRS measures presented in this MD&A are reconciled to their closest reported IFRS measure.

Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortization ("**Adjusted EBITDA**") is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis. Adjusted EBITDA is defined as net income or loss, excluding interest expense, income tax expense or recovery, depreciation and amortization, share-based payments, unrealized change in the fair value of biological assets, write-off of deposit, write-off of inventory and listing expenses.

The Company believes that Adjusted EBITDA provides a useful tool for assessing the comparability between periods of its ability to generate cash from operations. See *"Results of Operations – Adjusted EBITDA Reconciliation (Non-IFRS Measure)"* for a reconciliation of Adjusted EBITDA to its closest reported IFRS measure.

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

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 year ended December 31, 2017, which is deemed to be the continuing entity for financial reporting purposes. Potanicals was incorporated on February 7, 2014 under the British Columbia Business Corporation Act.

Potanicals, a wholly-owned subsidiary of the Company, is a British Columbia company and a licensed producer of medical marijuana under the *Cannabis Act* (Canada) and its relevant regulations (the "**Cannabis Act**"), which came into force on October 17, 2018. Potanicals has a production facility in Peachland, British Columbia. The facility is located at 4715 Paradise Valley Dr, Peachland BC V0H 1X3. 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.

Benchmark through Potanicals, cultivates and produces pharmaceutical grade medical and recreational cannabis, it has multi licenses under the Cannabis Act and its regulations (formerly the Access to Cannabis for Medical Purposes Regulations (the "ACMPR")). The Company carries out its principal activities of cultivating and harvesting cannabis from its first facility in Peachland, BC., a 12,700 square foot indoor Peachland Cannabis Complex. The Company utilizes advanced cultivation methods and has established significant partnerships in the cannabis industry within Canada and overseas.

On August 30, 2018, the Company entered into an Earn-in and Shareholders' Agreement to acquire and develop a four-acre greenhouse facility (the "The Pitt Meadows Greenhouse Operations") into a licensed medical cannabis cultivation operation. The Pitt Meadows Greenhouse Operations will be Benchmark's primary cultivation facility when completed. Located on a 5-acre property, the Pitt Meadows Greenhouse Operations will have a total of 174,240 sq. ft.

The Company prides itself on growing only the highest quality cannabis that meets and exceeds the requirements of the most stringent regulatory environments in the world. Benchmark vigorously follows industry best practices for cultivating, harvesting, curing, trimming and packaging. It uses only the highest quality seeds, nutrients and the state-of-the-art growing techniques in all production processes.

Benchmark's common shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "BBT".

STRATEGY

Benchmark is positioned to provide 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 practices, creating alliances throughout the cannabis space with doctors, scientists, pharmacies, retail, etc., and pursuing import and export contracts under the *Cannabis Act* (Canada) and its relevant regulations (the "**Cannabis Act**").

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

<u>Developments occurring during the year ended December 31, 2018:</u>

License to Import

On July 8, 2018, the Company was issued a License to Import by Health Canada. This import license allowed Benchmark, through its 100% owned subsidiary Potanicals Green Growers, access to a significant number of 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 enabled Benchmark to custom produce exactly what the off-take markets are asking for. Further to this, the medical profile of the strains we were importing ranges from very high Cannabidiol (CBD) low THC, to high-THC/low-CBD, 1:1 THC:CBD strains, as well as, others. This positioned 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 were 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 paid 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 a 10% royalty payment of the revenue 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 the loss resulting from the disposition of the Facility to an arm's length buyer 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 December 31, 2018:</u>

- **Strengthening the management team:**

  Appointed Hon. James Moore as a Director.

  James Moore is a Senior Business Advisor at the multinational law firm Dentons and a Public Policy Advisor at the global firm Edelman. He also serves as Chancellor of the University of Northern British Columbia, is the national vice-chair of the Canadian Cancer Society, a member of the NAFTA Council for the Government of Canada and a corporate director. Previously he served as Canada's Minister of Industry, Minister of Canadian Heritage & Official Languages and Secretary of State for the Asia Pacific Gateway and Minister for the 2010 Olympics over a 15-year career as a Member of Parliament.

  Appointed of Mr. Hua Zhang PhD as Vice President of Production.

  Mr. Zhang has a long and extensive history of agricultural growing and production experience. Most recently he was Head Grower and Director of Production for Hortalizas Argaman in Jalisco Mexico where he oversaw the 135-acre farm including cucumber and tomato greenhouse production. Prior to Hortalizas Agraman, Mr. Zhang worked in Canada for 18 years which included being the Head Grower for Amoco Farms and Enns Plant Farms. He managed year-round production planning, climate and irrigation controls, labour budgeting, developing and implementing IPM strategy, personnel training and development. In 1997, he graduated with a PhD in Horticulture from Kansas State University.

- **Supplier Agreements and Partnerships**

  - On April 11, 2019, Potanicals, a wholly owned subsidiary of Benchmark, entered into a supplier and purchase agreement with another LP.

    To meet the increasing demand for future supply and sales of Benchmark's cannabis products, the Company is on track with its expansion plans into its large-scale operations from its combined Pitt Meadows Greenhouses Operations and Peachland facility. The Company's plans are to increase its operating facilities to more than 235,000 sq.ft.

  - Benchmark is working on negotiations for additional sales and supply agreements with other interested parties.

  - The Company has been registered as a cannabis supplier for Saskatchewan.

INDUSTRY AND MARKET TRENDS AND REGULATORY DEVELOPMENTS

Our business and activities are heavily regulated in all jurisdictions where we carry on business. The following provides a description of certain applicable regulatory developments within the fiscal year ended December 31, 2018 that had the potential to impact the Company's financial performance.

Medical Cannabis Regulatory Framework in Canada

The Cannabis Act, and the *Cannabis Regulations* (the "**Cannabis Regulations**") promulgated thereunder, came into force on October 17, 2018 and provides three primary options for medical patients to obtain cannabis:

- continue to access quality-controlled cannabis by registering with License Holders;
- register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- designate someone else to produce cannabis for them.

These three options for access to medical cannabis are similar to those options previously allowed under the Access to Cannabis for Medical Purposes Regulations (the "**ACMPR**"), which was substantively incorporated into the Cannabis Regulations. The new Cannabis Act medical regime improves upon the previous ACMPR requirements by reducing administrative requirements that were identified by patients, patient advocates, and healthcare professionals as being especially burdensome. For example, registered clients may now request the transfer of their medical document from one License Holder to another without having to request a new medical document from a health care practitioner. The validity period of the medical document has also been extended by using the date of registration as the first day of the validity period as opposed to the date on which the medical document was issued by the healthcare practitioner.

Legalization of Regulated Adult-Use Cannabis in Canada

The Cannabis Act legalized adult-use of cannabis across Canada. The Cannabis Act replaced the ACMPR, which previously permitted access to cannabis for medical purposes for those Canadians who had been authorized by their health care practitioner. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of certain industrial hemp products.

The Cannabis Act also provides a licensing and permitting scheme for, among other things, the cultivation, processing, testing, packaging, labelling, distribution, sale, possession and disposal of adult-use cannabis, implemented by regulations made under the Cannabis Act. The Cannabis Regulations include, among other things, strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for all federally licensed cultivation, processing and sales sites.

While the sale of dried cannabis, fresh cannabis, cannabis seeds, plants and oil is currently permitted under the Cannabis Act, the sale of edibles containing cannabis and cannabis concentrates are not. On December 22, 2018, the Canadian federal government published the draft of the proposed Regulations Amending the Cannabis Regulations in the Canada Gazette (the "**Further Regulations**"). The Further Regulations propose to amend the Cannabis Act and Cannabis Regulations to, among other things, allow the production of extracts (including concentrates), edibles and topicals in addition to the currently permitted product forms. The Further Regulations were subject to a 60-day comment period after which they may be further amended before implementation based on comments received.

The Canadian adult-use market is a significant new market for the Company's products. However, it is still uncertain how developments in this new market may impact the medical cannabis market. The impact of the adult-use cannabis market on the Company's business may be negative and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

Transition of Licenses under the Cannabis Act

As of October 17, 2018, our License Holders are primarily regulated under the Cannabis Act, which includes transitional provisions applicable to licensure. Due to the repeal of the ACMPR and the amendment of the CDSA and NCR, the Cannabis Act provides that certain licenses issued under the ACMPR and the NCR are deemed to be licenses under the Cannabis Act. Our License Holders have successfully transitioned their licenses through the Cannabis Tracking and Licensing System and now hold the following licenses issued under the Cannabis Act:

- License for dried marijuana: approval for production, possession, sale or provision, shipping, transportation, delivery, destruction;
- License for bottled cannabis oil: approval for production, possession, sale or provision, shipping, transportation, delivery, destruction;
- License for cannabis in its natural form: cannabis resin: approval for production, possession and destruction;
- License for marijuana plants: approval for production, possession and destruction; and
- License for cannabis seeds: approval for possession and destruction.

Our License Holders have also received the necessary excise duty licenses from the Canada Revenue Agency.

The Cannabis Act also contains transition provisions that generally provide that certain import/export permits issued under the ACMPR or the NCR relating to cannabis that were in force immediately before the commencement date of the Cannabis Act will be deemed to be permits issued under the applicable provisions of the Cannabis Act. Under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes or in respect of certain industrial hemp products.

Pursuant to the Cannabis Fees Order, SOR/2018-198, our License Holders are also subject to certain annual regulatory fees and reporting requirements. The annual regulatory fees allow the Minister of Health to recover the aggregate costs of administering the cannabis regulatory program and are payable annually by certain License Holders. The annual regulatory fee for certain of our licenses is based on a percentage of the License Holder's actual revenue in the previous year from the sale of cannabis less the amount purchased from another License Holder subject to the fee, or a minimum flat fee. Specifically, standard cultivation, standard processing and certain medical sales License Holders will be subject to a fee of 2.3% of cannabis revenue or $23,000, whichever is higher, in addition to any other fees that may be payable.

Provincial and Territorial Distribution Frameworks for Regulated Adult-Use Cannabis

While the Cannabis Act and Cannabis Regulations provide for the regulation of the commercial production, processing, distribution and sale (for medical purposes) of cannabis and related matters by the federal government of Canada, the provinces and territories of Canada regulate the distribution, sale and consumption of adult-use cannabis, such as retail licensing, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have implemented regulatory regimes for the distribution, sale and use of adult-use cannabis within those provinces.

Restrictions on Business Activities in the United States

The Company currently does not engage in any commercial activities related to the cultivation, distribution or possession of cannabis in the U.S.

SELECTED ANNUAL INFORMATION

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended December 31, 2018, 2017 and 2016, prepared in accordance with IFRS. The selected financial data should be read in conjunction with those consolidated financial statements and the notes thereto.

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Balance Sheet:			
Total assets	6,162,406	8,503,279	3,521,539
Total long-term liabilities	-	-	-
Operations:			
Unrealized gain	424,259	-	-
Net loss and comprehensive loss	(6,077,509)	(4,437,847)	(1,179,562)
Basic and diluted loss per share	(0.4)	(0.1)	(0.1)
Dividend per share	-	-	-

Summary of Quarterly Results

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

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	Dec-31	**Sep-30**	**Jun-30**	**Mar-31**	**Dec-31**	**Sep-30**	**Jun-30**	**Mar-31**
Unrealized gain on changes in fair value of biological assets	33,992	124,430	265,837	-	-	-	-	-
Operating expenses	1,867,845	1,620,438	1,428,320	962,715	1,560,923	194,138	267,892	235,042
Loss from operations	(1,833,853)	(1,496,008)	(1,162,483)	(962,715)	(1,560,923)	(194,138)	(267,892)	(235,042)
Other expenses	122,450	-	500,000	-	2,179,852	-	-	-
Net loss	(1,956,303)	(1,496,008)	(1,662,483)	(962,715)	(3,740,775)	(194,138)	(267,892)	(235,042)
Loss per share - basic and diluted	(0.014)	(0.011)	(0.012)	(0.007)	(0.094)	(0.009)	(0.013)	(0.011)
Weighted average number of shares - Basic	140,784,569	139,627,322	138,747,974	137,234,080	39,938,045	21,127,152	20,781,500	20,781,500

Compared with prior quarters, the increases in quarterly net loss during the quarters ended December 31, 2018, 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 June 30, 2018, a loss on write-off of a 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.

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 $375,260 for the quartered ended September 30, 2018

Financial Results – Highlights for the year ended December 31, 2018

- Net loss for the year ended December 31, 2018 was $6,077,509, compared to a net loss of $4,437,847 for the year ended December 31, 2017. The increase in net loss for the year ended December 31, 2018 is due to the increase in operation expenses of $3,621,323, the write-off of deposit of $500,000 and the write-off of inventory of $122,450, offset by the unrealized gain on changes in fair value of biological assets of $424,259 and a reduction in an RTO list expenses of $2,179,852.

- EBITDA before listing expenses, share-based compensation expenses, write-off of deposit, write-off of inventory and unrealized gain on changes in fair value of biological assets ("Adjusted EBITDA") for the year ended December 31, 2018 decreased to a negative $3,319,204 from a negative 1,656,275 for the same time period of last year.

- At December 31, 2018, the Company had working capital of $793,516 (December 31, 2017- $3,069,384).

RESULTS OF OPERATIONS

The following table sets forth consolidated statements of operations and balance sheet data, which is expressed in Canadian dollars, except share and per share amounts, for the indicated periods.

	Three-Month Period Ended (Unaudited)		Year Ended (Audited)	
	12/31/2018	12/31/2017	**12/31/2018**	12/31/2017
Unrealized gain on changes in fair value of biological assets	33,992	-	**424,259**	-
Operating expenses	1,867,845	1,560,923	**5,879,318**	**2,257,995**
Loss from operations	(1,833,853)	(1,560,923)	**(5,455,059)**	**(2,257,995)**
Other expense	122,450	2,179,852	**622,450**	**2,179,852**
Net loss	(1,956,303)	(3,740,775)	**(6,077,509)**	**(4,437,847)**
EBITDA	(1,887,314)	(3,738,056)	**(5,813,263)**	**(4,434,400)**
Adjusted EBITDA	(1,335,612)	(959,931)	**(3,319,204)**	**(1,656,275)**
Loss per share				
Basic	- 0.014	- 0.094	- 0.043	- 0.011
Diluted	- 0.014	- 0.094	- 0.043	- 0.011
Weighted average number of shares				
Basic	140,784,569	39,938,045	139,126,358	39,938,045
Diluted	146,413,301	45,139,132	141,213,300	41,249,004

During the year ended December 31, 2018 and 2017, the Company did not generate any revenues from operations as the Company had not commenced sales of medical cannabis.

During the three months and year ended December 31, 2018, the Company reported an unrealized gain on the changes in fair value of its biological assets of $33,992 and $424,259, 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.

Adjusted EBITDA Reconciliation (Non-IFRS Measure)

A reconciliation of Adjusted EBITDA to net income, the most comparable financial measure, is presented in the following table.

	Three Months Ended December 31		**Year Ended December 31**	
	2018 (Unaudited)	**2017 (Unaudited)**	**2018 (Audited)**	**2017 (Unaudited)**
Net loss	(1,956,303)	(3,740,775)	(6,077,509)	(4,437,847)
Add				
Depreciation	68,989	2,719	262,246	3,447
EBITDA	**(1,887,314)**	**(3,738,056)**	**(5,815,263)**	**(4,434,400)**
Listing expense	-	2,179,852	-	2,179,852
Unrealized gain on changes in fair value of biological assets	33,992	-	424,259	-
Write-off of inventory	122,450	-	122,450	-
Write-off of deposit	-		500,000	
Share-based compensation expenses	375,260	598,273	1,449,350	598,273
Adjusted EBITDA	(1,355,612)	(959,931)	(3,319,204)	(1,656,275)

Expenses

	Three Months Ended December 31,		Year Ended December 31,	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
	$	$	$	$
Consulting fees	106,424	237,740	560,824	486,875
Depreciation	68,989	2,719	262,246	3,447
Director fees	12,875	7,000	52,871	7,000
Insurance	31,748	113	44,839	9,315
Investor Relation Expenses	5,128	-	26,280	-
Management fees	124,500	385,990	493,000	435,100
Marketing expenses	150,882	10,127	291,051	10,127
Office and general	129,539	56,029	371,187	112,111
Professional fees	200,293	37,799	409,747	124,955
Rent	30,272	25,010	121,993	63,093
Research and development	1,990	-	42,715	-
Salaries and benefits	391,419	130,406	1,042,997	223,984
Share-based compensation	375,260	598,273	1,449,350	598,273
Supplies	10,508	-	48,344	-
Trademark license fees	120,000	-	120,000	-
Travel and entertainment	100,708	60,491	503,240	152,526
Utilities	7,310	9,226	38,634	31,189
Total Expenses	1,867,845	1,560,923	5,879,318	2,257,995

General and administrative expenses

For the year ended December 31, 2018, general and administrative expenses were $5,879,318 compared to $2,257,995 for the year ended December 31, 2017, increased by $3,621,323.

The increase of $3,621,323 in general and administrative expenses was primarily due to $280,924 increase in marketing expenses, $819,013 increase in salary and wages, $259,076 increase in office and general expenses, $284,792 increase in professional fees, $851,077 increase in share-based compensation, $57,900 increase in management fees and $350,714 increase in travel and entertainment expenses.

Salary and wages amounted to $1,042,997 for the year ended December 31, 2018 compared to $223,984 for the year ended December 31, 2017. The increase was a result of hiring of additional personnel to enhance the Company's management, productions and administration team after the RTO.

Management fees increased to $493,000 for the year ended December 31, 2018 from $435,100 for the year ended December 31, 2017. Management fees consisted of fees paid to the Company's senior officers. The Company has identified its directors and senior officers as its key management personnel.

Professional fees increased to $409,747 for the year ended December 31, 2018 from $124,955 for the year ended December 31, 2017. Professional fees consisted of legal and audit fees.

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

Share-based compensation expense increased to $1,449,350 for the year ended December 31, 2018 from $598,273 for the year ended December 31, 2017. Share-based compensation expense was incurred due to the compensation package granted to senior executives, employees, directors and consultants under the Company's stock option incentive plan. All of the options are exercisable in accordance with the terms of the Company's Stock Option Plan.

Travel and accommodation increased by $350,714 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 year ended December 31, 2018 were $42,715 compared to $nil for the year ended December 31, 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.

Other expenses

For the year ended December 31, 2018, other expenses included a write-off of deposit of $500,000 and an inventory impairment of $122,450.

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 year ended December 31, 2018.

For the year ended December 31, 2017, the Company completed the reverse takeover of Potanicals Green Growers Inc. and recorded an RTO listing expense of $2,179,852.

Income Taxes

Benchmark and its subsidiary did not accrue any income taxes for the three and year ended December 31, 2018 and 2017 as no taxable income was generated.

Net Loss and Comprehensive Loss

For the year ended December 31, 2018, net loss and comprehensive loss was $6,077,509, being the general and administrative expenses of $5,879,318, other expenses of $622,450 which was comprised of the write-off of deposit of $500,000 and the write-off of inventory of $122,450, offset by the unrealized gain on changes in fair value of biological assets of $424,259.

For the year ended December 31, 2017, net loss and comprehensive loss was $4,437,847. The increase of net loss and comprehensive loss was caused by the factors discussed above.

Fourth Quarter

For the three months ended December 31, 2018, general and administrative expenses were $1,867,845 compared to $1,560,923 for the three months ended December 31, 2017. General and administrative expenses increased by $306,922 from three months ended December 31, 2018 compared to the same period of 2017.

The increase of $306,922 in general and administrative expenses include $261,013 in salaries and benefits, $140,755 in marketing expenses, $40,217 in travel expenses, $73,510 in office and general expenses, $66,270 in depreciation, $162,494 in professional fees, and $120,000 in trade mark fees, offset by the decreases of $261,490 in management fees, $131,316 in consulting fees and $223,013 in share-based compensation, a non-cash item due to recognition of the fair market value of stock options granted.

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

LIQUIDITY AND CAPITAL RESOURCES

Cash totaled $328,112 as at December 31, 2018, as compared to $3,457,702 as at December 31, 2017.

Cash used in operating activities

For the year ended December 31, 2018, cash used in operating activities was $5,098,459 compared to cash used in operating activities of $1,204,307 for the year ended December 31, 2017. This increase mainly reflects an increase in operating expenses, inventory, and paying down of accounts payable.

Cash used in investing activities

For the year ended December 31, 2018, cash used in investing activities was $361,941 compared to cash used in investing activities of $1,316,948 for the same period ended December 31, 2017. Cash used in investing activities during the year ended December 31, 2018 mainly relates to the acquisition of property and equipment. Cash used in investing activities during the year ended December 31, 2017 mainly relates to the acquisition of land of $1,000,000 and property and equipment of $316,948.

Cash provided by financing activities

For the year ended December 31, 2018, cash generated from financing activities was $2,330,810 compared to cash generated from financing activities of $5,581,838 for the year ended December 31, 2017. The increase was mainly a result of $2,237,822 in proceeds of the share issuance during the year end December 31, 2018 and $92,988 from subscription receivable compared to a $5,570,000 in proceeds of the share issuance for the year ended December 31, 2017.

For the year ended December 31, 2018, Benchmark issued the following shares for total proceeds of $2,237,822:

i. There were 1,913,894 shares issued on exercise of stock options for total proceeds of $386,322.

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. The transaction was unbrokered, however, transaction costs related to finder fees of $140,000 and other costs of $8,500 were paid as part of the common share issuance.

For the year ended December 31, 2017, Potanicals issued the following shares for total proceeds of $5,570,000:

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

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

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

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

As at December 31, 2018, property, plant and equipment was $5,011,740, an increase of $98,519 from $4,913,221 as at December 31, 2017. Increase in property, plant and equipment is mainly due to the addition of machinery and equipment of $361,941 as part of Potanicals' production facilities, offset by the depreciation expenses of $263,422.

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

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

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

COMMITMENTS

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

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

(c) On 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 agreed to indemnify the shareholders of 1139000 B.C. Ltd. The disposition loss on sale of a facility under certain conditions.

(e) The Company has several consulting agreements with its key management personnel. These agreements do not have specific expiry dates.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the years ended December 31, 2018 and 2017. Short-term key management compensation consists of the following:

	2018	2017
	$	$
Share-based payments	720,893	515,752
Salaries	240,533	74,928
Management fees	493,000	435,100
Consulting fees	63,750	-
Director fees	52,871	7,000
Rent	37,490	56,510

Related party balances

a) Included in accounts payable was $nil (2017 - $5,772) expenses reimbursement due to two officers of the Company.

b) Included in accrued liabilities was $nil (2017 - $276,675) due to a director and officer of the Company.

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

Related party transactions

c) During the year ended December 31, 2018, the Company incurred $37,490 (2017 - $56,510) 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.

FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, other receivables 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:

	December 31, 2018	December 31, 2017
	$	$
Financial assets at fair value through profit or loss (i)	328,112	3,457,702
Financial assets at amortized cost (ii)	41,651	-
Financial liabilities at amortized cost (iii)	277,430	226,007

(i) Cash
(ii) Other receivable
(iii) Accounts payable

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

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

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash				
December 31, 2018	328,112	-	-	328,112
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 other receivable. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. The amount outstanding on the other receivable was fully collected subsequent to December 31, 2018. To minimize credit risk the Company only holds its cash with chartered Canadian financial institutions. As at December 31, 2018 and December 31, 2017, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All 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 December 31, 2018, the Company had cash and cash equivalents of $328,112 (December 31, 2017: $3,457,702). As of December 31, 2018, the Company had working capital of $793,516 (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
December 31, 2018					
Accounts payable	286,074	286,074	286,074	-	-
Total	286,074	286,074	286,074	-	-
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, 566,667 stock options were exercised.

b) On January 24, 2019, the Company granted 600,000 stock options to a director and 450,000 stock options to an employee of the Company with an exercise price of $0.45 and expiry date of January 23, 2024. 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 January 23, 2021.

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:

- Estimating the stage of growth of the biological assets, the cannabis plants, up to the point of harvest, the expected future yields from the cannabis plants, their values during the growth cycle, costs to convert the harvested cannabis to finished goods, their sales price and net realizable value;
- Determining the useful lives of property and equipment;
- Determining the fair value of the shares and options deemed to be issued on the reverse acquisition transaction; and
- Estimating the value of variables used to calculate the fair value of 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 determination of write-off in the carrying costs of inventory;
- 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

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 consolidated financial statements for the current year or prior year presented.

New standards and interpretations not yet adopted

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

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

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

CAPITAL MANAGEMENT

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

The capital structure of the Company consists of items included in shareholders' equity and debt, net of cash and cash equivalents. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the Company's underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or seek debt financing to ensure that there is sufficient working capital to meet its short-term business requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 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 December 31, 2018 and 2017, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	April 29, 2019	December 31, 2018	December 31, 2017
Common shares	142,595,594	142,028,927	137,234,080
Stock options	10,046,666	9,563,333	8,747,227
Share purchase warrants	2,666,667	2,666,667	-
Fully diluted shares	155,308,927	154,258,927	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
April 29, 2019