Condensed Interim Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the three months ended March 31, 2019 and 2018

(Expressed in Canadian dollars)

(Unaudited)

BENCHMARK BOTANICS INC.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three Months ended March 31, 2019 and 2018

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

May 24, 2019

Benchmark Botanics Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
		$	$
Current Assets			
Cash		680,483	328,112
GST receivable		75,950	83,049
Other receivables		-	41,651
Biological assets	4	67,726	33,992
Inventory	5	713,171	587,395
Loan receivables	6	453,474	-
Prepaid expenses and deposits	7	58,395	76,467
		2,049,199	1,150,666
Right of use assets	3(b)	213,238	-
Property and equipment	8	4,956,503	5,011,740
		7,218,940	6,162,406
Current Liabilities			
Accounts payable and accrued liabilities		87,838	357,150
Lease liabilities due within one year	3(b)	85,122	-
Due to shareholder loans	9(a)	2,062,290	-
		2,235,250	357,150
Lease liabilities	3(b)	150,028	-
		2,385,278	357,150
Equity			
Share capital	10	18,024,105	17,815,099
Warrants reserve	10	506,667	506,667
Share subscriptions (receivable)	10	-	80,000
Stock options reserve	10	2,023,770	1,732,466
Deficit		(15,720,880)	(14,328,976)
		4,833,662	5,805,256
		7,218,940	6,162,406

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 14)
SUBSEQUENT EVENTS (Note 15)

Approved on behalf of the Board:

"George Dorin"
Director

"William Ying"
Director

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

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2019 and 2018
(Unaudited)
(Expressed in Canadian Dollars)

	Note	2019	2018
		$	$
Unrealized gain			
Unrealized gain on changes in fair value of biological assets	4	127,862	-
Expenses			
Consulting fees		158,930	138,000
Depreciation		65,018	49,373
Depreciation on right of use assets	3(b)	21,852	-
Director fees	9	22,875	13,550
Insurance		26,231	4,683
Interest on lease liabilities	3(b)	10,078	-
Management fees	9	124,500	121,500
Marketing expenses		61,402	27,271
Office and general		78,153	42,122
Professional fees		38,122	59,239
Rent		-	16,601
R&D		5,474	5,067
Salaries and benefits	9	423,664	191,054
Share-based compensation	10	386,977	181,091
Supplies		19,657	27,266
Utilities		9,314	8,388
Travel and entertainment		51,390	77,510
		(1,503,637)	(962,715)
Loss from continuing operations		(1,375,775)	(962,715)
Other income			
Interest income	6	(3,474)	-
Net loss and comprehensive loss		(1,372,301)	(962,715)
Loss per common share – basic and diluted		($0.010)	($0.007)
Weighted average number of common shares outstanding		142,576,705	137,234,080

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

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

	Number of Common Shares	Share Capital	Warrants Reserve	Share Subscriptions Received (Receivable)	Stock Options Reserve	Deficit	Total
		$		$		$	$
Balance, December 31, 2017	137,234,080	15,645,220		(12,988)	601,840	(8,251,467)	7,982,605
Share subscriptions received	-	-		25,976	-	-	25,976
Share-based compensation	-	-		-	181,091	-	181,091
Comprehensive loss for the period	-	-		-	-	(962,715)	(962,715)
Balance, March 31, 2018	137,234,080	15,645,220		12,988	782,931	(9,214,182)	(7,226,957)
Balance, December 31, 2018	142,028,927	17,815,099	506,667	80,000	1,732,466	(14,328,976)	5,805,256
Impact of adopting IFRS 16 (Note 3 (b))	-	-	-	-	-	(19,603)	(19,603)
Restated balance as at January 1, 2019	142,028,927	17,815,099	506,667	80,000	1,732,466	(14,348,579)	5,785,653
Stock option exercised	566,667	209,006		-	(95,673)	-	113,333
Share-based compensation	-	-		-	386,977	-	386,977
Share subscriptions repayment				(80,000)			(80,000)
Comprehensive loss for the period	-	-		-	-	(1,372,301)	(1,372,301)
Balance, March 31, 2019	142,595,594	18,024,105	506,667	-	2,023,770	(15,720,880)	4,833,662

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

Benchmark Botanics Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(Expressed in Canadian Dollars)

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss for the period	(1,372,301)	(962,715)
Items not involving cash:		
Changes in fair value of biological assets	(127,862)	-
Depreciation	86,870	49,373
Interest accrual on loan receivables	(3,474)	-
Share-base compensation	386,977	181,091
	(1,029,790)	(732,251)
Changes in non-cash working capital balances:		
GST receivable	7,099	(41,355)
Other receivables	41,651	-
Biological assets	(44,817)	-
Inventory	13,169	(122,450)
Prepaid expenses	18,072	8,778
Loan receivables	(450,000)	-
Accounts payable and accrued liabilities	(269,312)	(167,747)
Cash used in operating activities	(1,713,928)	(1,055,025)
INVESTING ACTIVITY		
Deposit paid for acquisition of property	-	(500,000)
Acquisition of property and equipment	(9,781)	(68,272)
Cash used in investing activities	(9,781)	(568,272)
FINANCING ACTIVITIES		
Proceeds from share subscriptions	113,333	25,976
Subscriptions repayment	(80,000)	-
Shareholder loans	2,062,290	-
Cash rent paid on lease liabilities - principal	(19,543)	-
Cash provided by financing activities	2,076,080	25,976
Change in cash during the period	352,371	(1,597,321)
Cash, beginning of period	328,112	3,457,702
Cash, end of period	680,483	1,860,381
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Benchmark Botanics Inc. (the "Company"), formerly Kaiyue International Inc. ("Kaiyue"), was incorporated on November 23, 2009 under the Business Corporation Act of Alberta. On November 2, 2017, the Company acquired Potanicals Green Growers Inc. ("Potanicals") through a reverse acquisition transaction. The Company's common shares are trading as a Tier 2 Industrial Issuer on the Canadian Securities Exchange ("CSE") under the symbol "BBT". Potanicals was incorporated on February 7, 2014 under the British Columbia Business Corporation Act. The address of the Company's principal place of business is 4715 Paradise Valley Drive, Peachland, BC. The Company's head office and mailing address is 6111 London Road Suite 105, Richmond, BC.

The Company's principal business is the production of marijuana licensed under the *Cannabis Act (Canada)* and its relevant regulations (the "Cannabis Act"), which came into force on October 17, 2018. On October 13, 2017, the Company obtained a license to produce medical marijuana under the Access to Cannabis for Medical Purposes Regulations (the "ACMPR"). On May 29, 2018, the Company amended its licence to produce cannabis oil. On September 28, 2018, the Company obtained a licence to sell cannabis under the ACMPR.

These condensed interim consolidated financial statements (the "interim consolidated financial statements") have been prepared on the basis of accounting principals applicable to a going concern, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at March 31, 2019, the Company has an accumulated deficit of $15,720,880 and has generated negative cash flows from operations. For the three months ended March 31, 2018, the Company incurred a net loss of $1,372,301 (2018 – $962,715). The Company has not generated revenue from sales. During the three months ended March 31, 2019, the majority of the equity financing raised by the Company has been used to increase working capital and to fund expenses. All these factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing, successfully generating profits and cash flows from producing and distributing medical marijuana.

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

2. BASIS OF PRESENTATION

a) Statement of compliance

These interim consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2018 and 2017.

The interim consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2019.

b) Basis of measurement

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

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

c) Basis of consolidation

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant estimates include:

- 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 (see Note 1);
- 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.

b) Adoptions of new accounting pronouncements

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

IFRIC 23 *Uncertainty over income tax treatments* - IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted. The Company will adopt this interpretation as of its effective date. The Company has performed a preliminary analysis and has not assessed any significant impact to the Company's future results and financial position as a result of the adoption of this standard.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Adoptions of new accounting pronouncements (continued)

IFRS 16 *Leases* - IFRS 16 supersedes IAS 17 *Leases and* requires how leases will be recognized, measured, presented and disclosed. 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. For leases where the Company is the lessee, it recognizes a right-of-use asset and a lease liability for its office premises leases previously classified as operating leases. The Company chose to adopted the modified retrospective approach on transition to IFRS 16 on January 1, 2019, and has chosen not to restate comparative information in accordance with the transitional provisions in IFRS16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

On adoption of IFRS 16, the Company recognized lease liabilities on office premises which had previously been classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates applies to the lease liabilities on January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 15% per annum. The details of the lease liabilities recognized as at January 1, 2019 are as follow. The weighted average lease term remaining as at January 1, 2019 is approximately 3.3 years.

	As at January 1, 2019
	$
Operating lease commitment disclosed as at December 31, 2018	209,712
Discount of future commitments as at January 1, 2019	(23,314)
Extension options reasonably certain to exercise	68,295
Lease liabilities recognized as at January 1, 2019	254,693

Right-of-use assets

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (office premises leases) as at and for the period ended March 31, 2019:

	March 31, 2019
Cost	$
Balance, January 1, 2019 and March 31, 2019	235,090
Accumulated depreciation	
Balance, January 1, 2019	-
Depreciation	21,852
Balance, March 31, 2019	21,852
Carrying amount as at March 31, 2019	213,238

Lease liabilities

The following is the continuity of lease liabilities as at and for the period ended March 31, 2019:

	March 31, 2019
Cost	$
Balance, January 1, 2019	254,693
Lease payments	(29,621)
Interest expense on lease liabilities	10,078
Balance, March 31, 2019	235,150
Less: current portion	85,122
Lease liabilities – non current	150,028

(Expressed in Canadian Dollars)

4. BIOLOGICAL ASSETS

As at March 31, 2019 and December 31, 2018, the Company's biological assets consisted of cannabis plants. The changes in the carrying value of the biological assets are as follow:

	March 31, 2019	December 31, 2018
	$	$
Balance, beginning of year	33,992	-
Acquired biological assets	-	33,384
Unrealized gain on changes in fair value of biological assets	127,862	424,259
Production costs capitalized	44,817	143,254
Harvested cannabis transferred to inventory	(138,945)	(566,905)
Balance, end of year	67,726	33,992

As of March 31, 2019, the weighted average fair value less cost to complete and cost to sell was $5.00 per gram (December 31, 2018 - $5.00 per gram).

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

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

During the three months ended March 31, 2019, the Company's biological assets produced 24,065 grams of dried cannabis (December 31, 2018 – 113,398 grams).

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

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

The Company estimates the average grow cycle of plants up to the point of harvest is approximately twelve weeks.

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

5. INVENTORY

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	$	$
Dry cannabis	705,850	566,905
Supplies and consumables	7,321	20,490
Total	713,171	587,395

For the three months ended March 31, 2019, the Company purchased dried cannabis of $Nil (December 31, 2018 - $122,450) from a supplier. The Company was not allowed to sell the dried cannabis purchased during the three months ended March 31, 2018 by Health Canada, resulting in the Company's writing off the purchase cost of the dried cannabis to the statements of comprehensive loss in 2018.

(Expressed in Canadian Dollars)

6. LOAN RECEIVABLES

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Loan receivable from 1139000 B.C. Ltd.	450,000	-
Add: Accrued interest	3,474	-
Loan receivable	453,474	-

The loan is due on demand. The loan accrued interest at 8% per year with a due date as at June 30, 2020, calculated and accrued quarterly and payable all at due date. Refer to Note 13 for details.

7. PREPAID EXPENSES

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	$	$
Prepaid expenses and deposit	15,726	8,554
Prepaid insurance	42,669	67,913
	58,395	76,467

8. PROPERTIES AND EQUIPMENT

	Land	Plant	Leasehold Improvements	Production and Other Equipment	Computer Equipment and Software	Furniture and Fixtures	Motor Vehicle	Total
	$	$	$	$	$	$	$	$
Cost								
Balance, December 31, 2017	1,857,500	1,894,755	33,900	977,950	129,253	25,197	-	4,918,555
Additions	30,144	48,267	-	34,118	17,062	163,358	68,992	361,941
Balance, December 31, 2018	1,887,644	1,943,022	33,900	1,012,068	146,315	188,555	68,992	5,280,496
Additions	-	-	-	-	4,429	5,352	-	9,781
Balance, March 31, 2019	1,887,644	1,943,022	33,900	1,012,068	150,744	193,907	68,992	5,290,277
Accumulated Depreciation								
Balance, December 31, 2017	-	-	1,412	-	603	3,319	-	5,334
Charge for the year	-	76,723	11,300	98,836	64,552	10,286	1,725	263,422
Balance, December 31, 2018	-	76,723	12,712	98,836	65,155	13,605	1,725	268,756
Charge for the period	-	19,430	2,825	22,830	9,440	8,811	1,682	65,018
Balance, March 31, 2019	-	96,153	15,537	121,666	74,595	22,416	3,407	333,774
Net book value								
December 31, 2018	1,887,644	1,866,299	21,188	913,232	81,160	174,950	67,267	5,011,740
March 31, 2019	1,887,644	1,846,869	18,363	890,402	76,149	171,491	65,585	4,956,503

(Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

The Company has identified its directors and senior officers as its key personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the three months ended March 31, 2019 and 2018. Short-term key management and director compensation consists of the following:

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
	$	$
Share-based payments	196,588	156,113
Salaries	83,400	12,500
Management fees	124,500	121,500
Director fees	22,875	13,550
Consulting fees	18,000	9,000

Related party balances and transactions

a) As of January 2, 2019, one of the Company's significant shareholders had provided the Company with a revolving loan for a total amount of C$3,000,000. The loan bears no interest. The principal has no specific repayment term and needs to be paid on demand.

   The loan balance as at March 31, 2019 including principal in the amount of $2,062,290 was outstanding.

b) During the three months ended March 31, 2019, the Company incurred of $10,500 (2018 - $9,060) in rental expenses to a director the Company.

The above transactions were entered into in the normal course of operations and were recorded at their exchange amounts established and agreed to between the related parties. The balances are non-interest bearing, unsecured and have no fixed terms of repayment.

10. SHARE CAPITAL

Common Shares Issued and Outstanding

At March 31, 2019, there were 142,595,594 issued and fully paid common shares (December 31, 2018 - 142,028,927)

During the three months ended March 31, 2019, there were 566,667 shares issued on exercise of stock options for total proceeds of $113,333. No shares were issued during the three months ended March 31, 2018.

Escrow Shares

As at March 31, 2019, the Company has 21,704,400 of its common shares held in escrow (December 31, 2018 $21,704,400). Of this amount, 4,976,100 of the common shares will be released every 6 months thereafter until November 2, 2020.

Stock Options

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

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Common Shares Issued and Outstanding (continued)

Stock Options (continued)

The status of the stock options is summarized as follows:

	Number of Options	Exercise Price
Outstanding, December 31, 2017	8,747,227	$0.20
Exercised on February 19, 2018	(47,227)	$0.275
Exercised on May 17, 2018	(666,667)	$0.20
Exercised on June 18, 2018	(100,000)	$0.20
Exercised on June 25, 2018	(500,000)	$0.20
Exercised on June 26, 2018	(200,000)	$0.20
Granted on August 9, 2018	2,580,000	$0.60
Exercised on August 16, 2018	(100,000)	$0.20
Exercised on September 6, 2018	(100,000)	$0.20
Exercised on September 13, 2018	(100,000)	$0.20
Exercised on October 4, 2018	(100,000)	$0.20
Stock options forfeited	(800,000)	$0.20
Granted on October 19, 2018	950,000	$0.48
Outstanding, December 31, 2018	9,563,333	
Exercised on January 4, 2019	(566,667)	$0.20
Granted on October 19, 2018	1,050,000	$0.45
Stock options forfeited	(700,000)	$0.60
	9,346,666	

The following table summarizes the stock options outstanding and exercisable as at March 31, 2019:

Outstanding			Exercisable
Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options
5,466,666	$0.20	3.61	2,966,666
1,880,000	$0.60	4.36	626,667
950,000	$0.48	4.55	316,667
1,050,000	$0.45	4.82	350,000
9,346,666	$0.34	3.99	4,260,000

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

Outstanding			Exercisable
Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options
6,033,333	$0.20	3.85	3,533,333
2,580,000	$0.60	4.61	860,000
950,000	$0.48	4.80	316,667
9,563,333	$0.34	4.15	4,710,000

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Stock Options (continued)

On November 7, 2017, the Company granted an aggregate of 8,700,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.20 and an expiry date of November 6, 2022. All of the options will vest over a two year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on November 6, 2019. During the three months ended March 31, 2019, the Company recognized share-based payments of $52,038 (2018 - $181,091) related to these stock options.

On August 9, 2018, the Company granted an aggregate of 2,580,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.60 and an expiry date of August 8, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on August 9, 2020. During the three months ended March 31, 2019, the Company recognized share-based payments of $117,689 (2018 - $nil) related to these stock options.

On October 19, 2018, the Company granted an aggregate of 950,000 stock options to directors and officer of the Company. These stock options have an exercise price of $0.48 and an expiry date of October 18, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on October 18, 2020. During the three months ended March 31, 2019, the Company recognized share-based payments of $47,615 (2018 - $nil) related to these stock options.

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. These stock options have an exercise price of $0.45 and an 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. During the three months ended March 31, 2019, the Company recognized share-based payments of $169,635 (2018 - $nil) related to these stock options.

The weighted average fair value at grant date of the stock options granted during the three months ended March 31, 2019 was $0.38 (2018 - $0.17) per option. The fair value was determined using the Black-Scholes option-pricing model using the following weighted average assumptions:

	2019	2018
Expected volatility	125%	125%
Risk-free interest rate	1.86%	1.61%
Dividend yield	-	-
Expected life of options	5.0 years	5.0 years
Stock price on grant date	$0.45	$0.20
Forfeiture rate	-	-

Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2017	-	$ -
Warrants issued	2,666,667	$1.20
Balance at December 31, 2018	2,666,667	$1.20
Warrants issued	-	-
Balance at March 31, 2019	2,666,667	$1.20

Pursuant to the private placement closed on September 5, 2018, the Company issued 2,666,667 common share purchase warrants at fair value of $506,667. Each warrant is exercisable into a common share of the Company at an exercise price of $1.20 per common share for a period of two years, expiring on September 5, 2020.

11. 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:

	March 31, 2019	December 31, 2018
	$	$
Financial assets at fair value through profit or loss (i)	680,483	328,112
Financial assets at amortized cost (ii)	453,474	41,651
Financial liabilities at amortized cost (iii)	2,137,677	286,074

(i) Cash
(ii) Other receivables and loan receivables
(iii) Accounts payable and due to shareholder loans

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

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

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

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash				
March 31, 2019	680,483	-	-	680,483
December 31, 2018	328,112	-	-	328,112

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 receivables. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. To minimize credit risks the Company only holds its cash with chartered Canadian financial institutions. As at March 31, 2019 and December 31, 2018, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars and all current operational activities occur within Canada. In management's opinion there is no significant foreign exchange risk to the Company.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. The ability to do this relies on the Company collecting its other receivables in a timely manner and by maintaining sufficient cash on hand through equity financing.

The following are the contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
March 31, 2019					
Accounts payable	75,387	75,387	75,387	-	-
Due to shareholder loans	2,062,290	2,062,290	2,062,290		
	2,137,677	2,137,677	2,137,677		
December 31, 2018					
Accounts payable	286,074	286,074	286,074	-	-

12. CAPITAL DISCLOSURES

The Company's objectives when managing capital are:

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

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

13. INVESTMENT IN 1139000 B.C. LTD

On August 30, 2018, the Company entered into an Earn-in and Shareholders' Agreement (the "Agreement") with 1139000 B.C. Ltd. ("1139") and its shareholders to acquire and development a four acre greenhouse facility (the "Facility") into a licensed medical cannabis cultivation operations in Pitt Meadows, BC.

The 1139 existing shareholders will earn their initial 75% ownership interest in 1139 by financing all the costs and expenses relating to the purchase, design, construction and upgrading of the Facility into a facility that meets the requirements of a licensed cultivation and production of medical cannabis facility under ACMPR which was replaced by *Cannabis Act* (Canada) and its relevant regulations (the "Cannabis Act") effectively on October 17, 2018.

The Company will earn its initial 25% ownership interest in 1139 by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Cannabis Act to the Facility. According to the Agreement, the Company will have the option to acquire from 1139's shareholders an additional 26% ownership interest in 1139 when the Facility reaches a Commercial Stage as defined by the Agreement. The Company will pay for the additional 26% at its fair value to be determined at the time when the option is exercised by issuance of the Company's common shares. If the Company is not successful in extending the licence for cultivation and production of medical cannabis to the Facility and 1139 commences the sale of the Facility within 90 days of the termination of the Agreement to an at arm's length buyer, the Company agreed to indemnify 1139 for the loss resulting from the disposition of the Facility.

As at March 31, 2019, the Company has not obtained approval for extending its licence for cultivation and production of medical cannabis under the Cannabis Act to the Facility, and has not earned its initial 25% ownership interest in 1139.

14. COMMITMENTS

(a) On July 1, 2017, the Company entered into a lease agreement with a related party for office premises located in Richmond, BC. The Company agreed to pay 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 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 annual rent of $48,000 from April 1, 2018 until the lease expires on December 31, 2020.

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

15. SUBSEQUENT EVENTS

a) Private Placement

Subsequent to the period end, the Company intends to complete a non-brokered private placement for aggregate gross proceeds of $12,000,000 (the "Private Placement") with arm's-length parties and certain existing shareholders who have agreed to subscribe by issuing 30,000,000 units of the Company's securities (the "Units") at $0.40 per Unit (the "Subscription Price"). The Subscription Price represents a 5% discount to Benchmark's closing share price on April 30, 2019. Each Unit is comprised of one common share of the Company (each, a "Share") and one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable into one Share at a price of $1.00 for a period of 24 months from the closing date of the Private Placement. All of the Units, Shares and Warrants will be 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 proceeds from the sale of the Units for general working capital purposes and the costs of setting up the Company's extraction operations. The Private Placement is subject to acceptance by the Canadian Securities Exchange.

b) Letter of Intent

The Company has signed a non-binding letter of intent of strategic cooperation with China-based Zhejiang Yatai Pharmaceutical Co., Ltd. ("Zhejiang Yatai"), a publicly listed company on the Shenzhen Stock Exchange (stock code: 002370), to promote and conduct research and development, production, extraction and the commercial application of CBD and its derivative products for medical applications. Benchmark and Zhejiang Yatai agree to create, develop and market a variety of high content cannabinoid based (“CBD”) pharmaceuticals, natural health products and cosmetics for international markets.

Key points of the agreement are as follows:

- the companies agree to promote and conduct research and development, production, extraction and the commercial application of CBD and its derivative products.
- the companies agree to carry out the cultivation, planting, processing and marketing of high-content CBD industrial cannabis.
- the companies agree to create and utilize a Canadian joint venture company as the main body to promote the research on extraction and purification processes of Cannabis and derivative products. The intellectual property obtained in the research process in Canada shall be owned by the companies.
- the companies agree to focus on the development of a variety of cannabinoids in the commercial application field, including medicine, health care products, food, and cosmetics.
- the companies agree to commercialize the industrialized technologies in the countries where cannabis products are legal.

A definitive agreement will be signed on or before May 30, 2019 after all due diligence work is completed and approved by regulatory authorities.

15. SUBSEQUENT EVENTS

c) On May 7, 2019, 4,976,100 of the common shares were released from escrow.

d) Subsequent to the period end, the company issued 300,000 common shares for stock options exercised.