

Condensed Interim Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the three months ended March 31, 2020 and 2019

(Expressed in Canadian dollars)

(Unaudited)

BENCHMARK BOTANICS INC.

(the "Company")

Condensed Interim Consolidated Financial Statements

Three Months ended March 31, 2020 and 2019

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 28, 2020

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

	Note	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
		\$	\$
Current Assets			
Cash		1,532,260	875,347
Restricted cash		34,500	34,500
Amounts receivable	4	205,067	151,269
Biological assets	5	102,185	102,258
Inventory	6	899,337	855,029
Prepaid expenses and deposits	7	174,354	73,541
Due from associate		102,030	83,631
		3,049,733	2,175,575
Deposits	9	272,050	272,050
Loans receivable	8	3,875,422	3,802,422
Investment in associate	10	1,734,193	1,784,178
Right of use assets		93,676	102,703
Property, plant and equipment	9	7,021,031	6,822,975
		16,046,105	14,959,903
Current Liabilities			
Accounts payable and accrued liabilities	11	349,786	390,249
Lease liabilities due within one year		51,033	38,362
		400,819	428,611
Lease liabilities		66,418	88,147
		467,237	516,758
Equity			
Share capital	13	31,897,012	29,582,289
Warrants reserve	13	506,667	506,667
Stock options reserve	13	2,096,563	2,403,215
Deficit		(18,921,374)	(18,049,026)
		15,578,868	14,443,145
		16,046,105	14,959,903

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 16)
SUBSEQUENT EVENTS (Note 18)

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, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

	Note	2020	2019
		\$	\$
Revenue		191,095	-
Excise taxes		32,835	-
Net revenue		158,260	-
Inventory production costs		68,971	-
Gross profit before fair value adjustments		89,189	-
Fair value changes in biological assets included in inventory sold and other inventory charges		78,966	-
Unrealized gain on changes in fair value of biological assets	5	(37,416)	(127,862)
Gross profit		47,739	127,862
Expenses			
Amortization of tangible assets		69,293	65,018
Depreciation on right of use assets		9,027	21,852
Sales and marketing expenses		44,061	61,402
General and administrative expenses	17	845,983	968,388
Share-based compensation (recovery)	13	(25,262)	386,977
		(943,102)	(1,503,637)
Loss from continuing operations		(895,363)	(1,375,775)
Other income (loss)			
Interest income	8	73,000	3,474
Loss on equity investments	10	(49,985)	-
		23,015	3,474
Net loss and comprehensive loss		(872,348)	(1,372,301)
Loss per common share – basic and diluted		(\$0.005)	(\$0.010)
Weighted average number of common shares outstanding		172,517,023	142,576,705

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, 2020 and 2019

(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, 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	-	-	-	-	-	(21,641)	(21,641)
Restated balance as at January 1, 2019	142,028,927	17,815,099	506,667	80,000	1,732,466	(14,350,617)	5,783,615
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	(15,722,918)	4,831,624
Balance, December 31, 2019	171,545,594	29,582,289	506,667	-	2,403,215	(18,049,026)	14,443,145
Shares issued for cash, net	3,400,000	1,700,000	-	-	-	-	1,700,000
Stock option exercised	1,666,666	614,723	-	-	(281,390)	-	333,333
Share-based compensation (recovery)	-	-	-	-	(25,262)	-	(25,262)
Comprehensive loss for the period	-	-	-	-	-	(872,348)	(872,348)
Balance, March 31, 2020	176,612,260	31,897,012	506,667	-	2,096,563	(18,921,374)	15,578,868

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

Benchmark Botanics Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(Unaudited)
(Expressed in Canadian Dollars)

	2020	2019
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(872,348)	(1,372,301)
Items not involving cash:		
Fair value changes in biological assets included in inventory sold	78,966	-
Unrealized gain on fair value change of biological assets	(37,416)	(127,862)
Depreciation and amortization	84,743	86,870
Interest accretion on lease liabilities	4,451	-
Interest income	(73,000)	(3,474)
Share-base compensation (recovery)	(25,262)	386,977
Loss on equity investments	49,985	-
	(789,881)	(1,029,790)
Changes in non-cash working capital balances:		
Amounts receivable	(53,798)	7,099
Other receivables	-	41,651
Biological assets	73	(44,817)
Inventory	(85,858)	13,169
Prepaid expenses and deposits	(100,813)	18,072
Due from associate	(18,399)	-
Accounts payable and accrued liabilities	(40,463)	(269,312)
Cash used in operating activities	(1,089,139)	(1,263,928)
INVESTING ACTIVITIES		
Acquisition of property and equipment	(273,772)	(9,781)
Loan receivable	-	(450,000)
Cash used in investing activities	(273,772)	(459,781)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issuance costs	2,033,333	113,333
Subscriptions repayment	-	(80,000)
Shareholder loans	-	2,062,290
Payment on lease liabilities	(13,509)	(19,543)
Cash provided by financing activities	2,019,824	2,076,080
Change in cash during the period	656,913	352,371
Cash, beginning of period	875,347	328,112
Cash, end of period	1,532,260	680,483
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.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Benchmark Botanics Inc. (the "Company") 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 3600 Lysander Lane Suite 400, Richmond, British Columbia.

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. On July 26, 2019, the Company received a retail sales license from Health Canada. The Company has received its second cultivation license, effective November 29, 2019, from Health Canada for the Company's investment in a greenhouse operation located in Pitt Meadows, BC.

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, 2020, the Company has an accumulated deficit of \$18,921,374 and has generated negative cash flows from operations. For the three months ended March 31, 2020, the Company incurred a net loss of \$872,348 (2019 – \$1,372,301). During the three months ended March 31, 2020, the majority of the equity financing raised by the Company has been used to purchase property, plant and equipment, increase working capital and to fund expenses. All of these factors raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and 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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

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 years ended December 31, 2019 and 2018.

The interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2020.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (continued)

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.

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) Investments in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associate without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary.

Investments in associates are accounted for using the equity method. The Company's interest in an associate is initially recorded at cost and is subsequently adjusted for the Company's share of changes in the net assets of the associate, less any impairment in the value of individual investments, and any dividends paid. Where the Company transacts with an associate, unrealized profits and losses are eliminated to the extent of the Company's interest in that associate.

b) 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; 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 impairment in the carrying costs of inventory;
- The recognition and valuation of impairment of property and equipment;
- In determining the appropriate basis of accounting for the Company's interests in investees, judgment is applied regarding the degree to which the Company has the ability to exert influence directly or indirectly over the investees' financial and operating activities; and
- Income tax and estimates about timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities.

c) Reclassifications

Certain reclassifications have been made to confirm the prior period's condensed interim consolidated financial statements and notes to the current period's presentation.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	\$	\$
Accounts receivable	165,470	86,172
GST receivable	39,597	65,097
Balance, end of period	205,067	151,269

5. BIOLOGICAL ASSETS

As at March 31, 2020 and December 31, 2019, the Company's biological assets consisted of cannabis plants. The changes in the carrying value of the biological assets are as follow:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	\$	\$
Balance, beginning of period	102,258	33,992
Unrealized gain on changes in fair value of biological assets	37,416	312,527
Production costs capitalized	110,175	458,524
Harvested cannabis transferred to inventory	(147,664)	(702,785)
Balance, end of period	102,185	102,258

As of March 31, 2020, the weighted average fair value less cost to complete and cost to sell was \$5.00 per gram (December 31, 2019 - \$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, 2020, the Company's biological assets produced 29,587 (2019 - 24,065) grams of dried cannabis.

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.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

6. INVENTORY

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	\$	\$
Dry cannabis	830,988	831,260
Raw materials	68,349	23,769
Total	899,337	855,029

For the three months ended March 31, 2020, the Company sold 29,587 grams of dried cannabis (2019 - \$nil). Inventory expensed during the three months ended March 31, 2020, was \$147,937 (2019 - \$nil).

The fair value changes of biological assets included in inventory sold and other inventory charges for the three months ended March 31, 2020 was \$78,966 (2019 - \$nil).

7. PREPAID EXPENSES AND DEPOSITS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	\$	\$
Prepaid expenses	82,354	38,886
Deposits	92,000	34,655
	174,354	73,541

Deposits include mainly \$60,000 rental deposit paid for the lease entered on February 20, 2020 for office premises located in Richmond and \$30,000 paid for excise duty tax deposit.

8. LOANS RECEIVABLE

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Loan receivable from 1139000 B.C. Ltd.	3,660,000	3,660,000
Add: Accrued interest	215,422	142,422
Loan receivable	3,875,422	3,802,422

On January 28, 2019, the Company entered into a revolving loan agreement (the "Loan Agreement") with 1139000 BC Ltd. ("1139000"), an associated company as described in Note 10. Pursuant to the Loan Agreement, the Company agreed to make loans to 1139000 from time to time. The loans are unsecured, bear interest at 8% per annum and mature on December 31, 2020. As at March 31, 2020, the loans receivable totaled \$3,875,422 (2019 - 3,802,422). Accrued interest expense for the three months ended March 31, 2020 was \$73,000 (2019 - \$nil).

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

9. PROPERTIES AND EQUIPMENT

	Land	Plant	Building under Development	Leasehold Improvement	Production and Other Equipment	Computer Equipment and Software	Furniture and Fixtures	Motor Vehicle	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	84,200	20,057	1,918,479	-	71,606	5,564	7,223	38,146	2,145,275
Balance, December 31, 2019	1,971,844	1,963,079	1,918,479	33,900	1,083,674	151,879	195,778	107,138	7,425,771
Additions	-	-	263,145	-	10,627	-	-	-	273,772
Balance, March 31, 2020	1,971,844	1,963,079	2,181,624	33,900	1,094,301	151,879	195,778	107,138	7,699,543
Accumulated Depreciation									
Balance, December 31, 2018	-	76,723	-	12,712	98,836	65,155	13,605	1,725	268,756
Charge for the year	-	78,122	-	11,300	139,363	49,699	37,943	17,613	334,040
Balance, December 31, 2019	-	154,845	-	24,012	238,199	114,854	51,548	19,338	602,796
Charge for the period	-	19,631	-	2,825	23,362	12,657	11,884	5,357	75,716
Balance, March 31, 2020	-	174,476	-	26,837	261,561	127,511	63,432	24,695	678,512
Net book value									
December 31, 2019	1,971,844	1,808,234	1,918,479	9,888	845,475	37,025	144,230	87,800	6,822,975
March 31, 2020	1,971,844	1,788,603	2,181,624	7,063	832,740	24,368	132,346	82,443	7,021,031

As at March 31, 2020 and December 31, 2019, the Company's Building under Development is not yet available for use. As a result, no depreciation was recorded for three months ended March 31, 2020 and the year ended December 31, 2019. As at March 31, 2020, deposits of \$272,050 (2019 - \$272,050) were made to purchase equipment for the Company's extraction facility which is currently under construction.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

10. INVESTMENT IN ASSOCIATE

On August 30, 2018, the Company entered into an Earn-in and Shareholders' Agreement (the "Agreement") with 1139000 and its shareholders to acquire and develop a four-acre greenhouse facility (the "Facility") into a licensed medical cannabis cultivation operation in Pitt Meadows, BC. Pursuant to the Agreement, the 1139000 existing shareholders will earn their initial 75% ownership interest in 1139000 by financing 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 the Cannabis Act and its relevant regulations (the "Cannabis Act") effectively on October 17, 2018.

The Company, through its wholly-owned subsidiary, Potanicals Green Growers Inc., earned its initial 25% ownership interest in 1139000 by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Cannabis Act to the Facility. The Company will have the option to acquire from 1139000's shareholders an additional 26% ownership interest in 1139000 when the Facility reaches a Commercial Stage as defined by the Agreement. The Company will pay for the additional 26% ownership interest at its fair value to be determined at the time when the option is exercised by issuance of the Company's common shares. On November 29, 2019, the Company received a cultivation license for the Facility and received its 25% interest in 1139000 on December 6, 2019. As at March 31, 2020, the Facility has not reached the commercial stage.

As at December 6, 2019, the fair value of 1139000's net assets were \$7,236,000. The Company recognized a gain of \$1,677,430 on its acquisition of the 25% ownership interest of 1139000, as follows:

	\$
Cash	247,955
Prepaid expenses and other current assets	311,161
Property, plant and equipment	12,666,709
Accounts payable	(252,803)
Mortgages payable	(1,984,600)
Loan payable	(3,752,422)
Net assets	7,236,000
The Company's 25% share of the net assets' fair value	1,809,000
Less: Costs incurred by the Company to extend the licence	(131,570)
Gain on acquisition of associate	1,677,430

The following table outlines the investment in 1139000 that is accounted for using the equity method for the period ended March 31, 2020:

	\$
Balance, December 31, 2018	-
Initial recognition of the 25% ownership of 1139000	1,809,000
Share of 1139000 loss for the year	(24,822)
Balance, December 31, 2019	1,784,178
Share of 1139000 loss for the period	(49,985)
Balance, March 31, 2020	1,734,193

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
	\$	\$
Trade payables	287,536	327,188
Accrued liabilities	62,250	63,061
Total	349,786	390,249

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

12. 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, 2020 and 2019. Short-term key management and director compensation consists of the following:

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
	\$	\$
Share-based payments	20,449	196,588
Salaries	53,273	83,400
Management fees	79,500	124,500
Director fees	22,875	22,875
Consulting fees	63,000	18,000
	<u>239,097</u>	<u>445,363</u>

Related party balances and transactions

- a) During the three months ended March 31, 2020, the Company incurred of \$10,500 (2019 - \$10,500) 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.

13. SHARE CAPITAL

Common Shares Issued and Outstanding

For the three months ended March 31, 2020

At March 31, 2020, there were 176,612,260 issued and fully paid common shares (December 31, 2019 - 171,545,594)

On March 6, 2020, the Company has closed its non-brokered private placement financing (the "Private Placement") of 3,400,000 units (each, a "Unit") at a price of \$0.50 per Unit for total gross proceeds of \$1,700,000. Each Unit is comprised of one common share of the Company and one common share purchase warrant ("Warrant"). Each Warrant can be exercisable into one share at a price of \$1.20 for a period of 24 months from the closing date of the Private Placement.

During the three months ended March 31, 2020, there were 1,666,666 shares issued on exercise of stock options for total proceeds of \$333,333.

For the three months ended March 31, 2019

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.

Escrow Shares

As at March 31, 2020, the Company has 11,752,200 of its common shares held in escrow (December 31, 2019 - 11,752,200). Of this amount, 5,426,100 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.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited)

(Expressed in Canadian Dollars)

13. 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, 2018	9,563,333	
Exercised on January 4, 2019	(566,667)	\$0.20
Granted on January 24, 2019	1,050,000	\$0.45
Stock options forfeited	(960,000)	\$0.54
Stock options expired	(380,000)	\$0.54
Exercised on May 13, 2019	(300,000)	\$0.20
Exercised on August 6, 2019	(400,000)	\$0.20
Granted on September 3, 2019	500,000	\$0.43
Outstanding, December 31, 2019	8,506,666	
Exercised on February 29, 2020	(1,100,000)	\$0.20
Exercised on March 27, 2020	(566,666)	\$0.20
Stock options forfeited	(540,000)	\$0.54
Outstanding, March 31, 2020	6,300,000	

The following table summarizes the stock options outstanding and exercisable as at March 31, 2020:

Outstanding			Exercisable
Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options
2,900,000	\$0.20	2.60	2,900,000
1,350,000	\$0.60	3.36	900,000
950,000	\$0.48	3.55	633,333
600,000	\$0.45	3.82	400,000
500,000	\$0.43	4.43	166,667
6,300,000	\$0.34	3.17	5,000,000

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

Outstanding			Exercisable
Number of options	Weighted average exercise price	Weighted average remaining contractual life in years	Number of options
4,566,666	\$0.20	2.85	4,566,666
1,440,000	\$0.60	3.61	960,000
950,000	\$0.48	3.80	633,333
1,050,000	\$0.45	4.07	350,000
500,000	\$0.43	4.68	166,667
8,506,666	\$0.34	3.34	6,676,666

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, 2020, the Company recognized share-based payments of \$nil (2019 - \$52,038) related to these stock options.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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13. SHARE CAPITAL (continued)

Stock Options (continued)

On August 9, 2018, the Company granted an aggregate of 2,580,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of \$0.60 and an expiry date of August 8, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on August 9, 2020. During the three months ended March 31, 2020, the Company recognized share-based payments of \$6,082 (2019- \$117,689) 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, 2020, the Company recognized share-based payments of \$9,732 (2019 - \$47,615) 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, 2020, the Company recognized share-based payments of \$10,717 (2019 - \$169,635) related to these stock options.

On September 3, 2019, the Company granted 500,000 stock options to a consultant of the Company. These stock options have an exercise price of \$0.43 and an expiry date of September 2, 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 September 2, 2021. During the three months ended March 31, 2020, the Company recognized share-based payments of \$20,178 (2019 - \$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, 2020 was \$nil (2019 - \$0.38) per option. The fair value was determined using the Black-Scholes option pricing model using the following weighted average assumptions:

	2020	2019
Expected volatility	-	125%
Risk-free interest rate	-	1.86%
Dividend yield	-	-
Expected life of options	-	5.0 years
Stock price on grant date	-	\$0.45
Forfeiture rate	-	-

Warrants

A summary of the changes in warrants is presented below:

	Number of warrants	Weighted Average Exercise Price
Balance at December 31, 2018	2,666,667	\$1.20
Warrants issued	28,250,000	\$1.00
Balance at December 31, 2019	30,916,667	\$1.02
Warrants issued	3,400,000	1.20
Balance at March 31, 2020	34,316,667	\$1.04

Pursuant to the private placement closed on June 6, 2019, the Company issued 28,500,000 common share purchase warrants at fair value of \$nil. Each warrant is exercisable into one common share of the Company at an exercise price of \$1.00 per common share for a period of two years, expiring on June 5, 2021.

Benchmark Botanics Inc.

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13. SHARE CAPITAL (continued)

Warrants (continued)

Pursuant to the private placement closed on March 6, 2020, the Company issued 3,400,000 common share purchase warrants at fair value of \$nil. Each warrant is exercisable into one common share of the Company at an exercise price of \$1.20 per common share for a period of two years, expiring on March 5, 2022.

14. 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, 2020	December 31, 2019
	\$	\$
Financial assets at fair value through profit or loss (i)	1,566,760	909,847
Financial assets at amortized cost (ii)	4,142,922	3,972,225
Financial liabilities at amortized cost (iii)	287,536	327,188

(i) Cash and restricted cash

(ii) Accounts receivables, due from associate and loan 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 and restricted cash				
March 31, 2020	1,566,760	-	-	1,566,760
December 31, 2019	909,847	-	-	909,847

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, 2020 and December 31, 2019, 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.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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14. 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, 2020					
Accounts payable	287,536	287,536	287,536	-	-
	287,536	287,536	287,536		
December 31, 2019					
Accounts payable	327,188	327,188	327,188	-	-

15. 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.

16. COMMITMENTS

- (a) On July 1, 2017, the Company entered into a lease agreement with a related party for office premises located in Richmond, BC. On December 31, 2018, the agreement was amended and the Company agreed to pay annual rent of \$42,000 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 February 20, 2020, the Company entered into a lease agreement for office premises located in Richmond, BC. The Company agreed to pay annual rent of \$190,627 from July 1, 2020 to June 30, 2021, \$200,660 from July 1, 2021 to June 30, 2023, \$210,693 from July 1, 2023 until the lease expires on June 30, 2025.
- (d) On July 10, 2019, the Company entered into a purchase agreement with a construction company which provides the goods and services for construction of an extraction building. The total purchase price is \$1,650,000, of which \$1,465,000 was paid as of March 31, 2020.
- (e) The Company has entered into consulting agreements with its key management personnel. These agreements do not have specific expiry dates.

Benchmark Botanics Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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16. COMMITMENTS (continued)

- (f) On May 27, 2019, the Company entered into an Investment Corporation Agreement with Zhengjiang Yatai Pharmaceutical Co., Ltd. and Rippington Investment Inc. to establish Yatai & BBT Biotech Ltd. Pursuant to the agreement, the Company will receive 3,500,000 shares, representing 25% of the initial issued shares, by causing its wholly-owned subsidiary, Potanicals Green Growers to use its existing Health Canada issued license to apply for a license for a facility for cannabis cultivation, processing, and sale. As at March 31, 2020, the Company is still in the process of applying for the license and has therefore not received an ownership interest in Yatai & BBT Biotech Ltd.

17. GENERAL AND ADMINISTRATIVE EXPENSES

The Company's operating expenses are presented on the consolidated statements of comprehensive loss based on the functions of the expenses to the following classifications: inventory production costs, sales and marketing and general and administration.

During the three months ended March 31, 2020 and 2019, the Company incurred the following general and administrative expenses:

	2020	2019
	\$	\$
Consulting fees	146,500	158,930
Director fees	22,875	22,875
Insurance	38,943	26,230
Interest on lease liabilities	4,451	10,078
Management fees	79,500	124,500
Office and general	109,529	103,285
Professional fees	18,482	38,122
Salaries and benefits	380,672	423,664
Travel and entertainment	39,669	51,390
Utilities	5,362	9,314
	<hr/>	<hr/>
	845,983	968,388

18. SUBSEQUENT EVENTS

- a) On May 8, 2020, the Company granted 200,000 stock options to an officer of the Company with an exercise price of \$0.35 expiring on May 7, 2025. The options will vest over a two-year period with 1/3 of the options vesting immediately on the date of grant, 1/3 one year thereafter and 1/3 two years thereafter; so that all the options will fully vest on May 7, 2022.