

BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three and six months ended June 30, 2020

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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 three and six months ended June 30, 2020 and 2019. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto ("Financial Statements") of Benchmark as at and for the three and six months ended June 30, 2020 and 2019, and the audited consolidated financial statements and the notes thereto for the years ended December 31, 2019 and 2018.

The accompanying Financial Statements include the accounts of the Company and its wholly owned subsidiary, Potanicals Green Growers Inc. 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: 3600 Lysander Lane Suite 400, Richmond, British Columbia

Registered and Records office: 700 - 595 Burrard Street | Vancouver, BC V7X 1S8

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

This MD&A has been prepared as of August 27, 2020.

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.

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

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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.

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 and recreational marijuana.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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")). 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 has received a 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. Effective August 7, 2020, the Company has received its third cultivation license from Health Canada for the Company's joint venture (YATAI & BBT Biotech Ltd.) indoor and outdoor operations located in Pitt Meadows, BC.

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 facility ("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".

Investment in 1139000 B.C. Ltd.

As at June 30, 2020, the investment represents an 25% ownership in 1139000 B.C. Ltd. ("1139000"), a company incorporated in British Columbia, Canada. 1139000 has licensed medical cannabis cultivation operations in Pitt Meadows British Columbia, Canada.

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 operations in Pitt Meadows, BC.

The existing shareholders of 1139000 will earn their initial 75% ownership interest in 1139000 by financing all the costs and expenses relating to the purchase, design, construction and upgrading of

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

the Facility to meet the requirements of a licensed cultivation and production facility under the Cannabis Act.

The Company would earn 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. According to the Agreement, 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 obtained approval for extending its licence for cultivation and production of medical cannabis to the Facility and has earned its initial 25% ownership interest in 1139000.

On July 7, 2020, the Company has entered into a share exchange agreement (the "Share Exchange Agreement") with shareholders of 1139000 B.C. Ltd. ("1139") for the acquisition of 5,199,000 Common shares (26% ownership interest) of 1139 from shareholders. the Company currently owns 5,000,000 Common shares of 1139 and after completion of the transactions contemplated under the Agreement, Benchmark will own 10,199,000 Common shares, which will represent 51% of issued and outstanding share capital of 1139.

Under the Share Exchange Agreement, the Company will issue to the shareholders of 1139 an aggregate of 26,999,956 common shares of the Company (the "Purchase Price") in exchange for their 5,199,000 Common shares of 1139. The transactions contemplated under the Share Exchange Agreement are arm's-length transactions. Closing of the transactions is subject to compliance with the requirements of the Canadian Securities Exchange and applicable securities laws.

Investment Cooperation Agreement with China-based Zhejiang Yatai Pharmaceutical Co., Ltd.

On May 27, 2019, the companies signed a definitive investment cooperation agreement, whereby the parties agreed to set up a new joint venture company in Canada. The company name will be YATAI & BBT Biotech Ltd. ("Yatai BBT"). The new company will have a share capital of \$14 million CAD, of which Zhejiang Yatai Pharmaceutical Co., Ltd. ("Zhejiang Yatai") will invest \$7 million CAD cash, accounting for 50% of the new company's share capital; The Company will cause its wholly-owned subsidiary Potanicals, to use its existing Health Canada issued license to apply for a license for property to be acquired by the new company (the "Facility") for cannabis cultivation, processing, and sale thereon and in exchange the Company will receive 25% of the new company's share capital (with a deemed value of \$3.5 million CAD); and Rippington Investment ("RI") will invest \$3.5 million CAD, accounting for the remaining 25% of the new company's share capital. RI is a private company incorporated under the *Business Corporations Act* (British Columbia).

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

In 2019, Zhejiang Yatai has made their CAD\$7 million investment into Yatai BBT. As of June 30, 2020, the Company has not received an ownership interest in Yatai BBT.

The Company has received its third cultivation license, effective August 7, 2020, from Health Canada for the Company's joint venture Yatai BBT indoor and outdoor operations located in Pitt Meadows, BC.

The site is now fully licensed by Health Canada to possess cannabis, obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis; and to sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations. This license allows the Company to immediately begin cultivating and R & D activities.

YATAI & BBT Biotech Ltd. is expected to start establishing cultivating operations in compliance with Health Canada and other regulators' requirements and working toward its business objectives.

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 by entering joint ventures, acquiring 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, partnering with micro-growers ; exploring hemp farmers for CBD extraction and fiber markets etc., and pursuing import and export contracts under the Cannabis Act.

Restrictions on Business Activities in the United States

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

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

Developments occurring during the six months ended June 30, 2020:

1. Private Placement

On March 6, 2020, the Company closed a 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 (a "Warrant"). Each Warrant shall be exercisable into one Share at a price of \$1.20 for a period of 24 months from the closing date of the Private Placement.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

2. Strengthening the management team:

Appointed Paul Haber CPA, CA, C. Dir as Benchmark's new Chief Financial Officer on April 6, 2020.

Mr. Haber comes to Benchmark with a wealth of public company expertise having helped many companies successfully navigate the capital markets to achieve their expansion and growth plans.

3. Cooperative agreement with China Bast and Leaf Fibres Textile Association (CBLFTA)

The Company has signed a cooperative agreement with China Bast and Leaf Fibres Textile Association (CBLFTA) to research, develop and promote the products and commercial applications for the Cannabis Sativa (hemp) industry.

The cooperative agreement encompasses research projects, educational and promotional activities for all underlying patents, standards, technologies, and applications as well as industrial and consumer products. Benchmark will set up a reward program to encourage this development and to incentivize contributors.

No shares will be issued, and no ownership will be exchanged in association with this cooperative agreement.

China Bast and Leaf Fibres Textile Association (CBLFTA) is a national organization founded and registered with Ministry of Civil Affairs in 1988. Currently, with 300 members, CBLFTA represents all entities involved in China's hemp industry. Members include farmers, processors, manufacturers, researchers, entrepreneurs and marketers. The key functions of the CBLFTA are to liaise with governments and stakeholders to develop policies and standards; disseminate information, promote the use of industrial hemp and coordinate research and marketing activities.

4. Receipt of Seed Nursery License

The Company, through its 100% owned subsidiary, Potanicals Green Growers, Inc. ("Potanicals") has received Health Canada's approval for the licensing of an additional component of its cultivation site, a purpose-built seed nursery facility.

In accordance with the Cannabis Act and Regulations, Potanicals has immediately commenced developing cannabis seeds from a portfolio of high-end cultivars (more commonly known as genetics). Management believes that the combination of unique genetics and experienced cultivation techniques will create a long-term sustainable competitive advantage for the Company and provide resistance to overall price compression.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Developments occurring subsequent to June 30, 2020:

- **MOU entered to establish a Comprehensive Research and Development Centre for Flax and Hemp Genetics**

In July 2020, the Company signed a Memorandum of Understanding (MOU) with Professor Dr. Michael Deyholos to establish a Comprehensive Research and Development Centre for Flax and Hemp Genetics (CFHG) at the Department of Biology of the University of British Columbia, Okanagan (UBCO).

CFHG is being established for the development of new hemp and flax varieties to serve markets for fiber, functional food, and medicinal ingredients. In partnership with Benchmark Botanics, the center will be located at the University of British Columbia's Okanagan campus, in Kelowna, BC. The focus of the center will be to use applied genomics and genetic tools to develop novel germplasm to help industrial hemp and flax to reach its full potential. High-throughput genotyping and chemotyping techniques will be deployed to survey existing variation in germplasm collections. New biotechnology including the CRISPR/Cas9 system will be used to modify metabolic pathways, such as cannabidiol (CBD) biosynthesis, to produce novel germplasm that will be transferred to pre-breeding and breeding programs. The results are expected to be new hemp varieties with improved traits and novel bioproducts for all aspects of the hemp and flax industry.

- **Acquisition of 26% ownership interest of 1139000 B.C. Ltd.**

On July 7, 2020, the Company has entered into a share exchange agreement (the "Agreement") with shareholders of 1139000 B.C. Ltd. ("1139") for the acquisition of 5,199,000 Common shares of 1139 from shareholders. Benchmark currently owns 5,000,000 Common shares of 1139 and after completion of the transactions contemplated under the Agreement, Benchmark will own 10,199,000 Common shares, which will represent 51% of issued and outstanding share capital of 1139.

Under the Agreement, the Company will issue to the shareholders of 1139 an aggregate of 26,999,956 Benchmark common shares (the "Purchase Price") in exchange for their 5,199,000 Common shares of 1139. The transactions contemplated under the Agreement are arm's-length transactions. Closing of the transactions is subject to compliance with the requirements of the Canadian Securities Exchange and applicable securities laws.

- **The Third Cultivation license received from Health Canada**

The Company, through its wholly-owned subsidiary Potanicals Green Growers Inc., ("Potanicals"), a holder of federal licenses to cultivate and sell cannabis under the Cannabis Act, has received its third cultivation license, effective August 7, 2020, from Health Canada for the Company's joint venture (YATAI & BBT Biotech Ltd.) indoor and outdoor operations located in Pitt Meadows, BC.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

The site is now fully licensed by Health Canada to possess cannabis, obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis; and to sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations. This license allows the Company to immediately begin cultivating and R & D activities.

Summary of Quarterly Results

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

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30
Revenue	87,420	191,095	117,410	-	134,844	-	-	-
Gross profit before fair value adjustments	33,024	89,189	63,043	-	85,363	-	-	-
Fair value changes in biological assets included in inventory sold and other inventory charges	(36,327)	(78,966)	(279,953)	-	(73,105)			
Unrealized gain (loss) on changes in fair value of biological assets	127,238	37,416	(35,101)	160,499	59,267	127,862	33,992	124,430
Operating expenses	947,361	943,102	1,265,484	1,397,452	1,420,243	1,503,637	1,867,845	1,620,438
Loss from operations	(823,426)	(895,363)	(1,531,993)	(1,226,953)	(1,358,718)	(1,375,775)	(1,833,853)	(1,496,008)
Other (income) expenses	5,496	(23,015)	(1,721,577)	(50,724)	(19,255)	(3,474)	122,450	-
Net income (loss)	(817,930)	(872,348)	189,584	(1,176,229)	(1,339,463)	(1,372,301)	(1,956,303)	(1,496,008)
Earnings (loss) per share - basic	(0.005)	(0.001)	0.001	(0.008)	(0.009)	(0.010)	(0.014)	(0.011)
Weighted average number of shares - Basic	176,612,260	172,517,023	171,545,594	154,993,506	146,569,351	142,576,705	140,784,569	139,627,322

Financial Results – Highlights for the three months ended June 30, 2020

- Net loss for the three months ended June 30, 2020 was \$817,930, compared to a net loss of \$1,339,463 for the three months ended June 30, 2019. The decrease in net loss for the three months ended June 30, 2020 is due to the decrease in expenses of \$482,882 and the increase in unrealized gain on changes in fair value of biological assets of \$67,971.
- EBITDA before share-based compensation expenses, loss on equity investments and unrealized gain on changes in fair value of biological assets (“Adjusted EBITDA”) for the three months ended June 30, 2020 decreased to a negative \$669,645 from a negative \$1,015,339 for the same time period of last year.
- At June 30, 2020, the Company had negative working capital of \$1,887,422 (December 31, 2019 - \$1,746,964).

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

RESULTS OF OPERATIONS

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

	Three-Month Period Ended (Unaudited)		Six-Month Period Ended (Unaudited)	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenue	87,420	134,844	278,515	134,844
Gross profit before fair value impacts in cost of sales	33,024	85,363	122,313	85,363
Gross profit	123,935	71,525	171,674	199,387
Gross margin	38%	63%	44%	63%
Operating expenses	947,361	1,430,243	1,890,463	2,933,880
Loss from operations	(823,426)	(1,358,718)	(1,718,789)	(2,734,493)
Other income	5,496	19,255	28,511	22,729
Net loss	(817,930)	(1,339,463)	(1,690,278)	(2,711,764)
EBITDA	(722,407)	(1,245,329)	(1,511,984)	(2,520,682)
Adjusted EBITDA	(669,645)	(1,015,339)	(2,031,577)	(2,031,577)
Loss per share				
Basic	-0.005	-0.009	-0.010	-0.018
Weighted average number of shares				
Basic	176,612,260	146,569,351	174,773,615	150,432,007

Revenue

	Three-Month Period Ended (Unaudited)		Six-Month Period Ended (Unaudited)	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenue	87,420	134,844	278,515	134,844
Excise taxes	15,597	-	48,432	-
Net revenue	71,823	134,844	230,083	134,844

Total revenue for the six months ended June 30, 2020 was \$278,515 (2019 - \$134,844) from sales of dried cannabis to licensed producers and retail sales for the adult-use market in Canada. The total quantity of cannabis sold during the six months ended June 30, 2020 was 42,739 grams (June 30, 2019 – 24,517) at an average sale price of \$6.52 per gram (June 30, 2019 - \$5.5).

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Cost of Sales

Inventory production costs expensed to cost of sales consists of two main categories:

- *Production costs.* These costs are capitalized to biological assets as costs directly attributable to growing the plants to the point of harvest, transferred to inventory upon harvest and recognized in cost of sales when the inventory is sold. These costs include direct costs such as director labor, nutrients, soil, and seeds, as well as other indirect costs such as utilities, an allocation of indirect labor, and depreciation of equipment used in the growing process.
- *Processing costs.* These costs are capitalized to inventory and then recognized in cost of sales when the inventory is sold. These costs represent post-harvest costs incurred to bring harvested cannabis to its saleable condition, which include drying and curing, testing and packaging, and overhead allocation.

Inventory production costs expensed to cost of sales during the six months ended June 30, 2020 were \$107,770 (June 30, 2019 - \$49,481), as compared to \$49,481 in the same period of last year.

Fair value adjustments consist of two main categories:

- *Unrealized Change in Fair Value of Biological Assets.* This line item represents the effect of the non-cash fair value adjustments of biological assets produced in the period, excluding capitalized production costs.
- *Realized Fair Value Adjustments on Inventory Sold.* This line item represents the effect of the non-cash fair value adjustments capitalized to inventory being recognized in the statement of operations as the corresponding inventory is sold and realizable value adjustment to inventory.

During the six months ended June 30, 2020, the Company reported an unrealized gain on the changes in fair value of its biological assets of \$164,654 (2019 - \$187,129). 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.

Gross profit before fair value impacts in cost of sales (non-IFRS measure)

Gross margin before fair value impacts in cost of sales for the six months ended June 30, 2020 was \$122,313 (2019 - \$85,363), respectively, or 44% (2019 - 63%) of net revenue.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Expenses

	Three-Month Period Ended (Unaudited)		Six-Month Period Ended (Unaudited)	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Amortization of tangible assets	82,388	65,339	151,681	130,357
Depreciation on right of use assets	9,027	21,852	18,054	43,704
Sales and marketing expenses	112,362	50,140	156,423	111,542
General and administration	667,415	1,076,760	1,513,398	2,045,148
Share-based compensation	76,169	216,152	50,907	603,129
Operating expenses	947,361	1,430,243	1,890,463	2,933,880

The \$1,043,417 decrease in operation expenses for the six months ended June 30, 2020 compared to the same period of last year was mainly due to:

- The decrease of \$531,750 in general and administration expenses discussed below; and
- Share-based compensation expense decreased to \$50,907 for the six months ended June 30, 2020 from an expense of \$603,129 for the six months ended June 30, 2019.

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.

General and administrative expenses

For the three months ended June 30, 2020, general and administrative expenses were \$667,415 compared to \$1,076,760 for the three months ended June 30, 2019. General and administrative expenses decreased by \$409,345 from 2019 to 2020.

The decrease of \$409,345 in general and administrative expenses was primarily due to \$264,851 decrease in salary and wages, \$96,724 decrease in management fees, \$149,426 decrease in travel and entertainment expenses, offset by \$39,600 increase in insurance expenses.

Salary and benefits amounted to \$142,947 for the three months ended June 30, 2020 compared to \$407,798 for the three months ended June 30, 2019. The decrease was a result of the Company's receipt of \$278,120 from the Canadian Emergency Wage Subsidy.

For the six months ended June 30, 2020, general and administrative expenses were \$1,513,398 compared to \$2,045,148 for the six months ended June 30, 2019. General and administrative expenses decreased by \$531,750 from six months ended June 30, 2019 to the same period of 2020.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

The decrease of \$531,750 in general and administrative expenses was primarily due to \$307,843 decrease in salary and wages, \$161,147 decrease in travel and entertainment expenses, and \$96,724 decrease in insurance expenses, offset by \$52,313 increase in insurance expenses.

Other income and expenses

For the six months ended June 30, 2020, other expenses included interest income of \$146,000, and a loss on equity investment of \$117,489.

As of June 30, 2020, the Company had a loan receivable from 1139000 B.C. Ltd., an associate of the Company, in the amount of \$3,660,000. The loan accrues interest at 8% per year with a due date of December 31, 2020. Interest is calculated and accrued quarterly and payable all at the due date. As of June 30, 2020, \$288,422 interest income was accrued (2019 - \$22,729).

For the six months ended June 30, 2020, the Company accrued a loss of \$117,489 from investment in an equity investee (2019 - \$nil).

Income Taxes

The Company and its subsidiary did not accrue any income taxes for the six months ended June 30, 2020 and 2019 as no taxable income was generated.

Net Loss and Comprehensive Loss

For the six months ended June 30, 2020, net loss and comprehensive loss was \$1,690,278 compared to a net loss of \$2,711,764 for the corresponding period of 2019. The decrease of net loss was attributed to the decrease in the general and administrative expenses as discussed above and share-based compensation expenses.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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 June 30		Six Months Ended June 30	
	2019 (Unaudited)	2019 (Unaudited)	2019 (Unaudited)	2019 (Unaudited)
Net loss	-817,930	-1,339,463	-1,690,278	-2,711,764
Add				
Depreciation	82,388	65,339	151,681	130,357
Depreciation on right of use assets	9,027	21,852	18,054	43,704
Interest on lease liabilities	4,108	6,943	8,559	17,021
EBITDA	-722,407	-1,245,329	-1,511,984	-2,520,682
Fair value changes in biological assets included in inventory sold and other inventory charges	36,327	73,105	115,293	73,105
Unrealized gain on changes in fair value of biological	-127,238	-59,267	-164,654	-187,129
Loss on equity investments	67,504	0	117,489	0
Share-based compensation expenses	76,169	216,152	50,907	603,129
Adjusted EBITDA	-669,645	-1,015,339	-1,392,949	-2,031,577

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, and fair value changes in biological assets included in inventory sold.

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.

LIQUIDITY AND CAPITAL RESOURCES

Cash totaled \$596,547 as at June 30, 2020, as compared to \$875,347 as at December 31, 2019.

Cash used in operating activities

For the quarter ended June 30, 2020, cash used in operating activities was \$1,905,657 compared to cash used in operating activities of \$2,281,575 for the quarter ended June 30, 2019. This decrease mainly reflects a decrease in operating expenses, and less payments of accounts payable.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Cash used in investing activities

For the six months ended June 30, 2020 cash used in investing activities was \$379,458 compared to cash used in investing activities of \$1,798,136 for the six months ended June 30, 2019.

Cash used in investing activities during the period ended June 30, 2020 was mainly for the acquisition of property, plant and equipment of \$379,458 (2019 - acquisition of property and equipment \$98,136)

Cash used in investing activities during the period ended June 30, 2019 mainly relates to the loan receivable from 1139000 of \$1,700,000 (2019 - \$nil).

Loan receivable was the loan made to 1139000 B.C. Ltd., an associate of the Company. The loan accrues interest at 8% per year with a due date as at December 31, 2020, calculated and accrued quarterly and payable all at due date.

As at June 30, 2020, net property, plant and equipment was \$6,985,593, an increase of \$162,618 from \$6,822,975 as at December 31, 2019. Increase in property, plant and equipment is mainly due to the addition of plant, machinery and equipment of \$327,144 as part of Potanicals' production facilities, offset by the depreciation expenses of \$164,526.

Cash provided by financing activities

For the six months ended June 30, 2020, cash generated from financing activities was \$2,006,315 compared to cash generated from financing activities of \$11,353,606 for the six months ended June 30, 2019. The difference was mainly a result of \$2,033,333 in proceeds from the issuance of shares and the exercise of stock options compared to \$11,473,333 in proceeds from the issuance of shares and the exercise of stock options for the three months ended June 30, 2019.

During the six months ended June 30, 2020, there were 1,666,666 shares issued on the exercise of stock options for total proceeds of \$333,333. Also, the Company closed a non-brokered private placement financing for total gross proceeds of \$1,700,000.

During the six months ended June 30, 2019, there were 866,667 shares issued on exercise of stock options for total proceeds of \$173,333. On June 6, 2019, the Company has closed its non-brokered private placement financing (the "Private Placement") of 28,250,000 units (each, a "Unit") at a price of \$0.40 per Unit for total gross proceeds of \$11,300,000.

COMMITMENTS

- (a) 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.
- (b) 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,

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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.

- (c) 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 located at the Peachland facility. The total purchase price is \$1,650,000, of which \$1,465,000 was paid as of June 30, 2020.
- (d) The Company has entered into consulting agreements with its key management personnel. These agreements do not have specific expiry dates.
- (e) 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. The Company has not received an ownership interest in Yatai & BBT Biotech Ltd. as of June 30, 2020.

Subsequent to the period end, the Company received its third cultivation license, effective August 7, 2020, from Health Canada (note 18(b)).

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 personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the six months ended June 30, 2020 and 2019. Short-term key management and director compensation consists of the following:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	\$	\$
Share-based payments	40,898	325,545
Salaries	198,873	166,800
Management fees	152,000	249,000
Director fees	46,750	46,750
Consulting fees	30,000	36,000
	<u>468,521</u>	<u>824,095</u>

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Related party balances and transactions

- a) During the six months ended June 30, 2020, the Company incurred of \$21,000 (June 30, 2019 - \$21,000) 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.

FINANCIAL INSTRUMENTS

Fair values

The Company's financial instruments include cash, restricted cash, accounts receivable other receivables, due from associate, loan receivable, 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:

	June 30, 2020	December 31, 2019
	\$	\$
Financial assets at fair value through profit or loss (i)	631,047	909,847
Financial assets at amortized cost (ii)	4,192,654	3,972,225
Financial liabilities at amortized cost (iii)	329,988	327,188

- (i) Cash and restricted cash
(ii) Amounts receivables, due from associate and loans 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 data

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				
June 30, 2020	631,047	-	-	631,047
December 31, 2019	909,847	-	-	909,847

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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 June 30, 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 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 June 30, 2020, the Company had cash of \$631,047 (December 31, 2019: \$875,347). As of June 30, 2020, the Company had working capital of \$1,690,278 (December 31, 2019 - \$1,746,964 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
June 30, 2020					
Accounts payable	329,988	329,988	329,988	-	-
	329,988	329,988	329,988		
December 31, 2019					
Accounts payable	327,188	327,188	327,188	-	-

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.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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;
- 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.

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

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

business requirements. There were no changes in the Company's approach to capital management during the six months ended June 30, 2020.

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 June 30, 2020 and December 31, 2019, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	August 27, 2020	June 30, 2020	December 31, 2019
Common shares	176,612,260	176,612,260	171,545,594
Stock options	5,960,000	5,960,000	8,506,666
Share purchase warrants	34,316,667	34,316,667	30,916,667
Fully diluted shares	216,888,927	216,888,927	210,968,927

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.

Pandemic Risk

During December 2019 the World Health Organization ("WHO") announced that a disease COVID-19 ("Coronavirus") caused infection, and its transmission patterns could become a worldwide pandemic. During 2019 or early 2020, no employees at the Company had any reported cases of Coronavirus. However, Benchmark compiled a risk assessment, and implemented preventative and emergency response measures at its BC office and production sites in an attempt to manage this risk.

The Company and the world (Coronavirus are now present on every continent) are now dealing with the results of this worldwide Coronavirus pandemic. The global impact continues to evolve and may have various potential direct effects on our Canadian operations, our office and logistics related issues.

Effects on the business could be increased including long-term absenteeism of critical staff, supply chain issues, production issues due to missing critical supplies, transport issues, sales issues or other unknown effects and Benchmark may be required to delay or reduce the scope of certain of its operations or projects. All the possible scenarios may have a materially adverse impact on the Company's business. It might further create a business shutdown if an outbreak of the Coronavirus were confirmed in the area or at the Company premises.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

Globally various international governments are instituting emergency measures which may restrict movement of persons within country's and restrict persons traveling to or departing from numerous countries including Canada, the United States and China. These restrictions could restrict senior management of the Company from effectively managing operations or delay decisions due to an inability to obtain information or results. These restrictions could also cause the Company labour shortages.

These issues could delay the expansion plans previously announced due to supply chain issues, labour shortages or other issues.

The Company is not aware of restrictions on goods or supplies. However, if there were a restriction or the travel restrictions significantly affected the movement of goods there could be a disruption to the movement of cannabis related products thereby potentially disrupting or limiting sales and materially altering our revenue expectations and cash flows. A restriction on goods could also result in a disruption to supply chains and affect the Company's ability to continue production or operations.

The long term effects of the Coronavirus are not known nor is the length of the current restriction, but these changes or others could change how the global business world operates and this might affect global markets and cannabis prices in unknown ways that could materially affect the numerous judgements that the Company makes in assessing its critical accounting estimates and critical accounting judgements (see Notes in the audited consolidated financial statement of the Company for December 31, 2019 and 2018).

The Coronavirus could also have some additional but unforeseen effect on specifically Operations Risk, Funding Risk, Project Development Risk, Economic Uncertainty Risk, Social Risk and uncertain effects on cannabis price changes and the price and trading of the Company's common shares.

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

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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.

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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

Benchmark Botanics Inc.

Management's Discussion & Analysis

For the three and six months ended June 30, 2020

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
August 27, 2020