Consolidated Financial Statements of

BENCHMARK BOTANICS INC.

For the years ended December 31, 2020 and 2019

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Benchmark Botanics Inc.

Opinion

We have audited the consolidated financial statements of Benchmark Botanics Inc. (the "Company") which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the accompanying consolidated financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information, which comprises the information included in the Company's Management Discussion & Analysis to be filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Herbert Wong.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 30, 2021

Benchmark Botanics Inc.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Note	2020	2019
		$	$
ASSETS			
Current Assets			
Cash		**250,371**	875,347
Restricted cash		**34,500**	34,500
Amounts receivable	4	**257,599**	151,269
Biological assets	5	**69,790**	102,258
Inventory	6	**472,898**	855,029
Prepaid expenses and deposits	7	**99,974**	73,541
Due from associate		**-**	83,631
		1,185,132	2,175,575
Deposits	9	**324,364**	272,050
Loans receivable	8	-	3,802,422
Investment in associate	10	-	1,784,178
Right of use assets	12	**1,250,430**	102,703
Property, plant and equipment	9	**11,467,527**	6,822,975
Goodwill	11	**1,653,777**	-
Intangible Assets	11	**2,910,000**	-
		18,791,230	14,959,903
LIABILITIES AND EQUITY			
Current Liabilities			
Bank Loan	14	**40,000**	-
Accounts payable and accrued liabilities	13	**2,646,823**	390,249
Debentures	14	**917,659**	-
Loans	14	**3,141,594**	-
Lease liabilities due within one year	12	**224,822**	38,362
		6,970,898	428,611
Lease liabilities	12	**1,093,128**	88,147
		8,064,026	516,758
Equity			
Share capital	16	**35,235,012**	29,582,289
Warrants reserve	16	**948,667**	506,667
Stock options reserve	16	**2,209,748**	2,403,215
Deficit		**(28,153,776)**	(18,049,026)
		10,239,651	14,443,145
Non-controlling interest	18	**487,553**	-
		10,727,204	14,443,145
		18,791,230	14,959,903

GOING CONCERN (Note 1)
COMMITMENTS (Note 21)
SUBSEQUENT EVENTS (Note 23)

Approved on behalf of the Board:

*"George Dorin"*________________ *"Mike Cosic"*________________

Director Director

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

Benchmark Botanics Inc.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Note	2020	2019
		$	$
Revenue		**1,055,504**	252,254
Excise taxes		**203,739**	16,477
Net revenue		**851,765**	235,777
Inventory production costs		**543,622**	101,869
Gross profit before fair value adjustments		**308,143**	133,908
Fair value changes in biological assets included in inventory sold and other inventory charges	6	**(504,680)**	(109,812)
Unrealized gain on changes in fair value of biological assets	5	**281,344**	312,527
Write-off of inventory		**(628,450)**	(243,246)
Gross profit		**(543,643)**	93,377
Expenses			
Amortization of tangible assets		**413,815**	309,514
Depreciation on intangible and right of use assets		**247,298**	58,140
Sales and marketing expenses		**207,046**	341,072
General and administrative expenses	22	**3,159,644**	3,993,484
Share-based compensation	16	**87,923**	884,606
		4,115,726	5,586,816
Loss before other income (expense)		**(4,659,369)**	(5,493,439)
Other income (expenses)			
Interest income	8	**196,058**	142,422
Impairment on tangible assets	9	**(6,780,991)**	-
Impairment on intangible assets	11	**(4,426,717)**	-
Gain on acquisition of associate	10	**1,986,516**	1,677,430
Loss on equity investments	10	**(1,363,694)**	(24,822)
		(10,388,828)	1,795,030
Net loss before income taxes		**(15,048,197)**	(3,698,409)
Income tax recovery		**(714,000)**	-
Net loss and comprehensive loss		**(14,334,197)**	(3,698,409)
Net loss and comprehensive loss attributable to:			
Equityholders of the Company		**(10,104,750)**	-
Non-controlling interests		**(4,229,447)**	-
Loss per common share – basic and diluted		**(0.05)**	(0.02)
Weighted average number of common shares outstanding		**184,771,718**	159,039,796

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

Benchmark Botanics Inc.

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Warrants Reserve	Share Subscriptions Received (Receivable)	Stock Options Reserve	Deficit	Total	Non-Controlling Interest	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	**-**	**5,783,615**
Shares issued for cash, net	28,250,000	11,300,000	-	-	-	-	11,300,000	-	11,300,000
Stock options exercised	1,266,667	467,190	-	-	(213,857)	-	253,333	-	253,333
Share-based compensation	-	-	-	-	884,606	-	884,606	-	884,606
Refund of share subscriptions received	-	-	-	(80,000)	-	-	(80,000)	-	(80,000)
Comprehensive loss for the year	-	-	-	-	-	(3,698,409)	(3,698,409)	-	(3,698,409)
Balance, December 31, 2019	**171,545,594**	**29,582,289**	**506,667**	**-**	**2,403,215**	**(18,049,026)**	**14,443,145**	**-**	**14,443,145**
Shares issued for cash, net	3,400,000	1,258,000	442,000	-	-	-	1,700,000	-	1,700,000
Shares issued for acquisition (Note 10)	26,999,958	3,780,000	-	-	-	-	3,780,000	4,717,000	8,497,000
Stock option exercised	1,666,666	614,723	-	-	(281,390)	-	333,333	-	333,333
Share-based compensation	-	-	-	-	87,923	-	87,923	-	87,923
Comprehensive loss for the year	-	-	-	-	-	(10,104,750)	(10,104,750)	(4,229,447)	(14,334,197)
Balance, December 31, 2020	**203,612,218**	**35,235,012**	**948,667**	**-**	**2,209,748**	**(28,153,776)**	**10,239,651**	**487,553**	**10,727,204**

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

Benchmark Botanics Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
OPERATING ACTIVITIES		
Net loss for the year	(14,334,197)	(3,698,409)
Items not involving cash:		
Fair value changes in biological assets included in inventory sold	504,680	353,058
Unrealized gain on fair value change of biological assets	(281,344)	(312,527)
Depreciation and amortization	661,113	367,654
Gain of acquisition of associate	(1,986,516)	(1,677,430)
Impairment on tangible assets	6,780,991	-
Impairment on intangible assets	4,426,717	-
Income tax recovery	(714,000)	-
Interest accretion on lease liabilities	109,699	21,725
Interest income	(183,077)	(142,422)
Loss on equity investments	1,363,694	24,822
Loss on write-off inventory	628,450	-
Share-based compensation	87,923	884,606
	(2,935,867)	(4,178,923)
Changes in non-cash working capital balances:		
Restricted cash	-	(34,500)
Amounts receivable	17,566	(26,569)
Biological assets	32,468	(68,266)
Inventory	(163,655)	(283,638)
Prepaid expenses and deposits	(72,032)	2,926
Due from associate	-	(83,631)
Accounts payable and accrued liabilities	74,082	(95,009)
Cash used in operating activities	(3,047,438)	(4,767,610)
INVESTING ACTIVITIES		
Cash from acquisition of subsidiary (note 10)	54,487	-
Deposits on acquisition of equipment	-	(272,050)
Acquisition of property, plant and equipment	(339,358)	(2,017,168)
Investment in associate	-	(131,570)
Loans receivable	-	(3,660,000)
Cash used in investing activities	(284,871)	(6,080,788)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issuance costs	2,033,333	11,553,333
Subscriptions received (repayment)	-	(80,000)
Loans received	905,000	-
Payment on lease liabilities	(231,000)	(77,700)
Cash provided by financing activities	2,707,333	11,395,633
Change in cash during the year	(624,976)	547,235
Cash, beginning of year	875,347	328,112
Cash, end of year	250,371	875,347
Supplemental cash flow information:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-
Non-cash financing and investing transactions:		
Shares issued for trademark fees	-	-

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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 registered and Records office is 700 - 595 Burrard Street | Vancouver, BC V7X 1S8.

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 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 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 December 31, 2020, the Company has an accumulated deficit of $28,153,776, a working capital deficiency of $5,785,766, and has generated negative cash flows from operations to date. For the year ended December 31, 2020, the Company incurred a net loss of $14,334,197 (2019 – $3,698,409). All of these matters and conditions indicate the existence of a material uncertainty that may 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 positive cash flows from profitable operations.

These 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 consolidated financial statements. Management's plans to meet the Company's current and future obligations are to raise equity capital through prospectus and private placements, rely on the financial support of its shareholders and parties related to the current shareholders, generate revenue from sales as well as explore other forms of financing that may be available to the Company.

2. BASIS OF PRESENTATION

a) Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by International Financial Reporting Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2021.

b) Basis of measurement
The 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 consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiary Potanicals Green Growers Inc. and controlled subsidiaries of 1139000 B.C. Ltd., 1161750 B.C. Ltd., and Canada Bond Biotechnology Co., Ltd. All significant intercompany transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Use of estimates and judgments

The preparation of the 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;
- Estimating the fair values of identifiable assets acquired and liabilities assumed in business combinations and the fair values of previously held equity interests and non-controlling interests in the acquiree;
- 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 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, intangible assets and goodwill;
- 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.

b) Revenue Recognition

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statement of comprehensive loss, represents revenue from the sale of goods less applicable excise taxes, expected price discounts, and allowances for customer returns. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

The Company's contracts with customers for the sale of dried cannabis consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract.

c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventories of harvested finished goods and packing materials are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent postharvest costs ("processing costs") are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the average cost basis. Products for resale and supplies and consumables are valued at cost.

e) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less costs to sell up to the point of harvest. Costs incurred to transform biological assets to the point of harvest ("production costs") are capitalized as they are incurred, which become the cost basis of the biological assets. While the Company's biological assets are within the scope of IAS 41 Agriculture, the Company applies a similar approach to IAS 2 Inventories in capitalizing direct and indirect costs of biological assets. These costs include direct costs such as nutrients, soil, seeds, and direct labour, as well as other indirect costs such as utilities, an allocation of indirect labour, property taxes, and depreciation of equipment used in the growing process. The biological assets are then revalued to their fair value less costs to sell at the end of the period. Gains or losses arising from changes in fair value less costs to sell are included under fair value adjustments within the consolidated statement of comprehensive loss.

f) Cash equivalents

Cash equivalents consist of highly liquid investments and bank overdrafts, excluding restricted cash, if any, that are readily convertible to cash with maturities of three months or less when purchased, or which are redeemable at the option of the Company.

g) Impairment

At each reporting date, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated to determine the extent of the impairment, if any. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets.

An impairment loss is recognized in operations if the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Property and equipment

Property and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Cost includes the acquisition price, any direct costs to bring the asset into productive use at its intended location, the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Major inspection cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Depreciation is computed on a straight-line basis based on nature and useful lives of the assets, except in the year of acquisition, when half of the rate is used. The significant classes of plant and equipment and their estimated useful lives are as follows:

Leasehold improvements	term of lease
Plant	25 years
Health Canada license	20 years
Production and other equipment	5 -10 years
Computer equipment and software	3 years
Furniture and fixtures	5 years
Vehicles	5 years

i) Financial instruments

The Company classifies it financial assets in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The Company classifies its financial liabilities in the following categories: at FVTPL or at amortized cost. The classification depends on the purpose for which the financial assets and liabilities are acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the consolidated statement of comprehensive loss in the period in which they arise. The Company’s cash and restricted cash are classified as FVTPL.

Financial assets at FVTOCI

Financial assets carried at FVOCI are financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. The Company has no financial assets classified as FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are initially recognized at fair value and are measured subsequent at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Interest income is recognized using the effect interest method, and is recognized in interest and other income on the consolidated statements of comprehensive loss. The Company has classified its accounts receivable, other receivable, due from associate and loans receivable as financial assets at amortized cost.

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the consolidated statement of comprehensive loss. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Impairment of financial assets at amortized cost

At each reporting date, the Company assesses whether there is objective evidence that a financial asset (other than a financial asset classified as FVTPL) is impaired. The criteria used to determine if there is objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) delinquencies in interest or principal payments; and
(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

The loss of a financial assets carried at amortized cost is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as at FVTPL, are measured at amortized cost using the effective interest method. The Company has classified its bank loan, accounts payable, debentures, loans and leases as financial liabilities at amortized cost.

Financial liabilities classified FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statement of comprehensive loss. The Company has no financial liabilities designated at FVTPL.

j) Share issuance costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported as deferred financing costs until the transactions are completed, if the completion of the transaction is considered probable. Share issue costs are charged to share capital when the related shares are issued. Costs relating to financing transactions that are not completed, or for which successful completion is considered unlikely, are charged to operations.

k) Share-based payments

The Company accounts for share-based payments awards granted to employees and consultants using the fair value method. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest, using the Black-Scholes option pricing model. The amount recognized as expense is adjusted to reflect the number of share options expected to vest at each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted earnings per share. Diluted earnings per share excludes all dilutive potential common shares if their effect is anti-dilutive.

m) Income taxes

Income tax expense comprises current and deferred tax and is recognized in operations except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for temporary differences in assets and liabilities arising in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, transactions relating to investments in jointly controlled entities to the extent that they will not reverse in the foreseeable future, and transactions arising on the initial recognition of goodwill. Deferred income tax is recognized at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

n) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

o) Functional and presentation currency

Items included in the financial statements of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The functional currency of the Company and its subsidiaries is the Canadian dollar. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

p) Reclassifications

Certain reclassifications have been made to conform the prior year's consolidated financial statements and notes to the current year's presentation.

(Expressed in Canadian Dollars)

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of:

	2020	2019
	$	$
Accounts receivable	116,199	86,172
GST receivable	141,400	65,097
Balance, end of year	257,599	151,269

5. BIOLOGICAL ASSETS

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

	2020	2019
	$	$
Balance, beginning of year	102,258	33,992
Unrealized gain on changes in fair value of biological assets	281,344	312,527
Production costs capitalized	283,078	458,524
Harvested cannabis transferred to inventory	(596,890)	(702,785)
Balance, end of year	69,790	102,258

As of December 31, 2020, the weighted average fair value less cost to complete and cost to sell was $5.00 per gram (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 year ended December 31, 2020, the Company's biological assets produced 119,378 grams of dried cannabis (2019 – 140,557 grams).

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

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

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

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

(Expressed in Canadian Dollars)

6. INVENTORY

	2020	2019
	$	$
Dry cannabis	319,436	831,260
Raw materials	153,462	23,769
Total	472,898	855,029

For the year ended December 31, 2020, the Company sold 227,355 (2019 – 39,037) grams of dried cannabis. Inventory expensed during the year ended December 31, 2020, was $543,622 (2019 - $101,869).

The fair value changes of biological assets included in inventory sold and other inventory charges for the year ended December 31, 2020 was $504,680 (2019 - $109,812). There was a net realizable value adjustment to inventory of $628,450 (2019 - $243,246).

7. PREPAID EXPENSES AND DEPOSITS

	2020	2019
	$	$
Prepaid expenses	25,737	38,886
Deposits	74,238	34,655
	99,975	73,541

8. LOANS RECEIVABLE

On January 28, 2019, the Company entered into a revolving loan agreement (the “Loan Agreement”) with 1139000 BC Ltd. (“1139”), an associated company as described in Note 10. Pursuant to the Loan Agreement, the Company agreed to make loans to 1139 from time to time. The loans were unsecured, bear interest at 8% per annum and matured on December 31, 2020. As of December 31, 2020, the loans receivable totaled $4,095,224 (December 31, 2019 – 3,802,422), which included a principal amount of $3,660,000 (2019 - $3,660,000) and accrued interest income of $435,224 (2019 - $142,422).

The loan receivable balance between the Company and 1139 has been eliminated as of December 31, 2020 on consolidation.

For the year ended December 31, 2020, the interest income of $196,058 was accrued up to August 31, 2020. As the Company gained ownership of 1139 on August 31, 2020, the loans receivable balance and interest income after the acquisition between the Company and 1139 has been eliminated as of December 31, 2020.

(Expressed in Canadian Dollars)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Plant	Building under Development	Greenhouse	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
Acquisition of 1139	6,560,751	-	-	4,948,617	-	135,210	56,962	6,599	-	11,708,139
Impairment	(1,141,564)	(803,160)	(915,604)	(3,920,663)	-	-	-	-	-	(6,780,991)
Additions	-	-	216,111	105,652	-	25,844	5,563	11,876	-	365,046
Balance, December 31, 2020	7,391,031	1,159,919	1,218,986	1,133,606	33,900	1,244,728	214,404	214,253	107,138	12,717,965
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
Acquisition of 1139	-	-	-	199,194	-	5,917	2,314	715	-	208,140
Charge for the year	-	78,523	-	78,779	9,888	135,422	53,144	49,102	34,644	439,502
Balance, December 31, 2020	-	233,368	-	277,973	33,900	379,538	170,312	101,365	53,982	1,250,438
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
December 31, 2020	7,391,031	926,551	1,218,986	855,633	-	865,190	44,092	112,888	53,156	11,467,527

As of December 31, 2020, the Company made deposits of $324,364 to purchase equipment for the Company's extraction facility which is currently under construction.

During the year ended December 31, 2020, the Company's Peachland operations incurred losses from operations and in December 2020, the Company announced it had decided to suspend growing and cultivation operations at Peachland, BC for an additional three months to reduce operating costs. The Company has concluded that these factors are indicators of impairment. As a result, the Company has estimated the recoverable amount of its Peachland operations to be $4 million using the fair value less cost of disposal, which was estimated using level 3 inputs based on information received from third parties.

At December 31, 2020, the Company concluded that indicators of impairment on the property acquired through the acquisition of 1139 were present and occurred after August 31, 2020. The Company estimated the recoverable amount of its 1139 property to be $7.5 million at year-end using the fair value less cost of disposal, which was estimated using level 3 inputs, based on appraisals obtained by the Company and evaluation of current market conditions.

(Expressed in Canadian Dollars)

10. ACQUISITION

The Company, through its wholly owned subsidiary, Potanicals Green Growers Inc., earned its initial 25% ownership interest in 1139000 B.C. Ltd. ("1139") by obtaining Health Canada's approval to extend its licence for cultivation and production of medical cannabis under the Cannabis Act to the Facility. The Company had the option to acquire from 1139's shareholders an additional 26% ownership interest in 1139 when the Facility reaches a Commercial Stage as defined by the Agreement. The Company would 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 1139 on December 6, 2019.

As at December 6, 2019, the fair value of 1139's identifiable net assets were $7,236,000. The Company recognized a gain of $1,677,430 on its acquisition of the 25% ownership interest of 1139, 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

On August 11, 2020, the Company entered into a share exchange agreement with shareholders of 1139 for the acquisition of an additional 5,199,000 common shares of 1139 from 1139's shareholders. Prior to the share exchange agreement, the Company owned 5,000,000 common shares of 1139. After the completion of the transactions contemplated under the share exchange agreement, the Company will own 10,199,000 Common shares, which will represent 51% of issued and outstanding share capital of 1139. Pursuant to the share exchange agreement, the Company issued to the shareholders of 1139 an aggregate of 26,999,958 common shares in exchange for their 5,199,000 common shares of 1139. On August 31, 2020, the Company completed the share exchange transaction contemplated under the share exchange agreement.

The following table outlines the investment in 1139 that is accounted for using the equity method for the period ended August 31, 2020:

	$
Balance, December 31, 2018	-
Initial recognition of the 25% ownership of 1139	1,809,000
Share of 1139 loss for the year	(24,822)
Balance, December 31, 2019	1,784,178
Share of 1139 loss for the period	(1,363,694)
Balance, August 31, 2020	420,484

The Company's acquisition of the additional 26% ownership interest of 1139 was determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase. The measurement of a business combination requires management estimation in determining the fair value of assets and liabilities acquired. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values. The excess of the fair value of 1139 over the fair value of the identifiable assets acquired and liabilities assumed was recognized as goodwill.

Under IFRS 3, to record the acquisition of control of 1139 on August 31, 2020, the Company remeasured its previously held 25% interest in 1139 to fair value with the remeasurement gain recorded in income.

(Expressed in Canadian Dollars)

10. ACQUISITION (continued)

The following table summarizes the fair value of net assets acquired and the fair value of the non-controlling interest on acquisition of 1139 on August 31, 2020:

	$
Cash	54,486
Prepaid expenses	6,715
GST receivables	123,896
Inventory	306,000
Property, plant & equipment	11,500,000
Goodwill	4,327,777
Licenses	4,745,000
Due to related parties	(4,473,910)
Bank loan	(40,000)
Accounts payable and accrued liabilities	(1,790,370)
Mortgage payable	(3,141,594)
Deferred tax liability	(714,000)
Net Assets	10,904,000
Non-controlling interest	(4,717,000)
Net Assets Acquired	6,187,000
Consideration paid in shares	3,780,000
Fair value of initial 25% interest	2,407,000
Orginal carrying cost	420,484
Gain on acquisition of initial 25% interest	1,986,516

11. INTANGIBLE ASSETS AND GOODWILL

Intangible assets

Intangible assets are recorded at cost less accumulated amortization and any impairment losses. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization of definite life intangibles is calculated on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Health Canada licenses - Useful life of the facility

The estimated useful lives, residual values and amortization methods are reviewed annually and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to the cash generating unit ("CGU") or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization.

Impairment of intangible assets and goodwill

Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually at year-end, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment. Goodwill

(Expressed in Canadian Dollars)

11. INTANGIBLE ASSETS AND GOODWILL (continued)

and indefinite life intangible assets are tested annually as of December 31 for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Indefinite life intangible assets are tested for impairment by comparing the carrying value of each CGU containing the assets to its recoverable amount. Goodwill is tested for impairment based on the level at which it is monitored by management, and not at a level higher than an operating segment. The allocation of goodwill to the CGUs or group of CGUs requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on either fair value less costs of disposal or value-in-use method. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying value of assets in the CGU. Any impairment is recorded in profit and loss in the period in which the impairment is identified. A reversal of an asset impairment loss is allocated to the assets of the CGU on a pro rata basis. In allocating a reversal of an impairment loss, the carrying amount of an asset shall not be increased above the lower of its recoverable amount and the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior period. Impairment losses on goodwill are not subsequently reversed.

At December 31, 2020, the Company identified impairment indicators and concluded that the carrying values of the Health Canada license and goodwill at 1139 were impaired. The recoverable amounts of the license and the cash generating unit were estimated using the fair value less costs of disposal, using discounted cash flow projections involving level 3 inputs.

The Company's intangible assets are comprised of the following:

	2020	2019
	$	$
Health Canada Licenses acquired on acquisition of 1139	4,745,000	-
Less: accumulated amortization	(82,283)	-
Impairment	(1,752,717)	-
	2,910,000	-

The net change on Goodwill is as follows:

	2020	2019
	$	$
Goodwill from acquisition of 1139 (note 10)	4,327,777	-
Impairment	(2,674,000)	-
	1,653,777	-

(Expressed in Canadian Dollars)

12. RIGHT OF USE ASSETS

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (office premises leases) as at and for the year ended December 31, 2020:

Cost	$
Balance, January 1, 2019	160,843
Addition	-
Balance, December 31, 2019	160,843
Addition	1,312,742
Balance, December 31, 2020	1,473,585
Accumulated depreciation	
Balance, January 1, 2019	-
Depreciation	58,140
Balance, December 31, 2019	58,140
Depreciation	165,015
Balance, December 31, 2020	223,155
Carrying amount as at December 31, 2019	102,703
Carrying amount as at December 31, 2020	1,250,430

Lease liabilities

The following is the continuity of lease liabilities as at and for the year ended December 31, 2020:

	$
Balance, January 1, 2019	182,484
Lease payments	(77,700)
Interest expense on lease liabilities	21,725
Balance, December 31, 2019	126,509
Addition	1,312,742
Lease payments	(231,000)
Interest expense on lease liabilities	109,699
Balance, December 31, 2020	1,317,950
Less: current portion	224,822
Lease liabilities – non-current	1,093,128

On adoption of IFRS 16, the Company recognized lease liabilities on office premises which had previously been classified as operating lease under IAS 17. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates applies to the lease liabilities. The weighted average incremental borrowing rate applied to the lease liabilities was 15% per annum. The weighted average lease term remaining as at December 31, 2020 is approximately 4.6 years.

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, 2021.

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.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
	$	$
Trade payables	2,197,442	327,188
Accrued liabilities	188,257	63,061
Total	2,385,699	390,249

(Expressed in Canadian Dollars)

14. LOANS

As of December 31, 2020, the Company had the following loans and borrowings:

	December 31, 2020	December 31, 2019
	$	$
Bank loan **(a)**	40,000	-
Short-term loans **(b)**	3,141,594	-
Debentures **(c)**	917,659	-
Total loans and borrowings	4,099,253	-
Current portion of long-term loans	4,099,253	-
Total current portion of liabilities and loans	-	-

a) Canada Emergency Business Account ("CEBA") loan

The Company, through its subsidiary 1139, applied for the CEBA loan from the Government of Canada. The loan is interest free until December 31, 2022. If the Company has repaid at least $30,000 of the loan amount on or prior to December 31, 2022, the remaining balance of the loan amount can be forgiven. The loan can be extended to December 31, 2025. Interest of 5% per annum will be charged during the extended term starting from January 1, 2023.

b) Short term loans

On January 24, 2020, the Company's subsidiary 1139, entered into a mortgage loan agreement (the "Loan") to borrow up to two loans in the amount of $1,600,000 and US$1,250,000. The Loan is interest bearing at 9.75% per annum, calculated monthly. The Borrower shall repay US$1,250,000 on or before January 31, 2021. This loan has been extended subsequent to the year end. The due date for this loan is January 31, 2022 after renewal with the same interest rate of 9.75% per annum. Interest and loan of $1,600,000 shall be repaid in full on the due date of July 31, 2021 (the "Due Date"). Subsequent to the year-end, the Company has extended this $1,600,000 loan to July 31, 2022 (note 22).

The Loan is secured by:

1. A mortgage and assignment of rents over the Property located at 13460 Rippington Road, Pitt Meadows BC and legally described as Parcel Identifier: 004-622-294 South Half Lot 23 Section 13 Block 6 North Range 1 East New Westminster District Plan 19021 (the "Property");
2. A General Security Agreement;
3. An Assignment of Insurance;
4. A General Assignment of Material Contracts and Project Documents; and
5. An Environmental Agreement and Indemnity.

If the Loan and any accrued and unpaid interest are not repaid on the Due Date, the Loan and the unpaid interest will bear interest at 18% per annum calculated daily.

c) Debentures

During the year ended December 31, 2020, the Company entered into eight short-term debentures to borrow a total of $905,000 at an interest rate of 10% per annum. The debentures are unsecured and due on July 31, 2021 and December 31, 2021. Certain debentures contain the option to convert the outstanding balance into common shares of the Company at a 20% discount off the closing market price of the Company's shares at the maturity date, subject to approval by the Company's Board and the CSE.

For the year ended December 31, 2020, interest expense in the amount of $12,659 (December 31, 2019 - $nil) was recorded.

The debenture balance as at December 31, 2020 includes principal balance in the amount of $905,000 (December 31, 2019 - $nil) and accrued interest of $12,659 (December 31, 2019 - $nil)

(Expressed in Canadian Dollars)

15. RELATED PARTY BALANCES AND TRANSACTIONS

The Company has identified its directors and senior officers as its key management personnel. No post-employment benefits, other long-term benefits or termination benefits were made during the years ended December 31, 2020 and 2019. Short-term key management compensation consists of the following:

	2020	2019
	$	$
Share-based payments	28,134	484,656
Salaries	166,250	389,125
Management fees	490,920	528,000
Consulting fees	48,000	72,000
Director fees	97,250	93,500
Rent	42,000	42,000

Related party balances and transactions

a) During the year ended December 31, 2020, the Company incurred $42,000 (2019 - $42,000) in lease payment to directors of the Company.

b) Included in the accounts payable, are consulting fees of $55,125 due to the former CEO, William Ying, and consulting fees of $73,500 due to the former President, Haifeng Liu.

16. SHARE CAPITAL

Common Shares Issued and Outstanding

At December 31, 2020, there were 203,612,218 issued and fully paid common shares (2019 - 171,545,594).

For the year ended December 31, 2020:

On March 6, 2020, the Company 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 was 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. The fair value of the warrants was $442,000 based on the residual value method, which was included in the warrants reserve balance as of December 31, 2020.

On August 31, 2020, the Company acquired 5,199,000 Common shares of 1139 from the shareholders. The Company now owns 10,199,000 Common shares of 1139, which represents a 51%, controlling interest in the issued and outstanding share capital of 1139. As consideration for the 5,199,000 Common shares of 1139, Benchmark issued to the shareholders of 1139 an aggregate of 26,999,958 Benchmark common shares.

During the year ended December 31, 2020, there were 1,666,666 shares issued on exercise of stock options for total proceeds of $333,333.

During the year ended December 31, 2019:

i. On June 6, 2019, the Company 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. 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 $1.00 for a period of 24 months from the closing date of the Private Placement.

ii. During the year ended December 31, 2019, there were 1,266,667 common shares issued on exercise of stock options for total proceeds of $253,333 and the Company reclassified $213,857 from contributed surplus to share capital upon exercise.

Escrow Shares

As at December 31, 2020, the Company has nil of its common shares held in escrow (December 31, 2019 - 11,752,200).

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

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.

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	(1,580,000)	$0.54
Granted on May 7, 2020	200,000	$0.35
Granted on June 1, 2020	500,000	$0.28
Outstanding, December 31, 2020	5,960,000	

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

Outstanding				Exercisable	
Number of options	Weighted average exercise price $	Weighted average remaining contractual life in years		Number of options	Weighted average exercise price $
2,100,000	$0.20	1.85		2,100,000	0.20
1,110,000	$0.60	2.60		1,110,000	0.60
950,000	$0.48	2.80		950,000	0.48
600,000	$0.45	3.06		400,000	0.45
500,000	$0.43	3.67		333,333	0.43
200,000	$0.35	4.35		66,667	0.35
500,000	$0.28	4.42		166,667	0.28
5,960,000	$0.34	3.25		5,126,667	0.38

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

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 year ended December 31, 2020, the Company recognized share-based payments of $nil (2019 - $114,833) related to these stock options.

On August 9, 2018, the Company granted an aggregate of 2,580,000 stock options to directors, officers, employees and consultants of the Company. These stock options have an exercise price of $0.60 and an expiry date of August 8, 2023. All of the options will vest over a two-year period with 1/3 of the stock options vesting immediately on the date of grant; 1/3 to vest one year thereafter and 1/3 to vest two years thereafter; such that all of the stock options are fully vested on August 9, 2020. During the year ended December 31, 2020, the Company recognized share-based (recoveries) payments of $(29,863) (2019 - $201,321) 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 year ended December 31, 2020, the Company recognized share-based payments of $39,036 (2019 - $180,207) 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 year ended December 31, 2020, the Company recognized share-based (recoveries) payments of $(88,842) (2019 - $298,043) 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 year ended December 31, 2020, the Company recognized share-based payments of $74,397 (2019 - $90,202) related to these stock options.

On May 7, 2020, the Company granted 200,000 stock options to an officer of the Company. These stock options have an exercise price of $0.35 and an expiry date of May 6, 2025. 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 May 6, 2022. During the year ended December 31, 2020, the Company recognized share-based payments of $19,583 (2019 - $nil) related to these stock options.

(Expressed in Canadian Dollars)

16. SHARE CAPITAL (continued)

On June 1, 2020, the Company granted 500,000 stock options to an employee and a consultant of the Company. These stock options have an exercise price of $0.28 and an expiry date of May 31, 2025. 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 May 31, 2022. During the year ended December 31, 2020, the Company recognized share-based payments of $73,612 (2019 - $nil) related to these stock options.

The weighted average fair value at grant date of the stock options granted during the year ended December 31, 2020 was $0.25 (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%	125%
Risk-free interest rate	0.38%	1.86%
Dividend yield	-	-
Expected life of options	5.0 years	5.0 years
Stock price on grant date	$0.30	$0.44
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
Warrants expired	(2,666,667)	$1.20
Balance at December 31, 2020	31,650,000	$1.04

The weighted average remaining contractual life of warrants outstanding as at December 31, 2020 is 0.51 years (2019 – 1.37 years).

Pursuant to the private placement closed on September 5, 2018, the Company issued 2,666,667 common share purchase warrants at fair value of $506,667. Each warrant is exercisable into one common share of the Company at an exercise price of $1.20 per common share for a period of two years, expired on September 9, 2020.

Pursuant to the private placement closed on June 6, 2019, the Company issued 28,250,000 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.

Pursuant to the private placement closed on March 6, 2020, the Company issued 3,400,000 common share purchase warrants at fair value of $442,000. 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.

17. INCOME TAX

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates:

	2020	2019
	$	$
Canadian Statutory income tax rate	27%	27%
Income tax recovery at statutory rates	(4,063,013)	(998,750)
Non-deductible and other items	(542,010)	374,391
Change in unrecognized deferred tax assets	3,891,023	1,372,961
Income tax recovery	(714,000)	-

(Expressed in Canadian Dollars)

17. INCOME TAX (continued)

Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial reporting and tax purposes. The significant components of deferred tax assets (liabilities) are as follows:

	2020	2019
	$	$
Non-capital losses	6,009,218	4,024,755
Share issuance costs	16,038	24,057
Property, plant and equipment	2,172,772	33,879
Intangible assets	(785,700)	-
Inventory	-	(114,488)
Investment in associate	-	(446,788)
Unrecognized deferred tax assets	(7,412,428)	(3,521,415)
Net deferred income tax assets	-	-

As at December 31, 2020, the Company had non-capital losses carried forward of approximately $22,257,000 which may be applied to reduce future years' taxable income, expiring as follows:

2029	$ 17,000
2030	121,000
2031	240,000
2032	215,000
2033	159,000
2034	690,000
2035	940,000
2036	813000
2037	2,026,000
2038	5,494,000
2039	5,731,000
2040	5,811,000
	$ 22,257,000

In assessing the realizability of deferred income tax assets, management considers whether it is probable that some portion of all of the deferred income tax assets will not be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to reverse. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of deferred income tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

18. NON-CONTROLLING INTEREST

The following table presents the summarized financial information about the Company's subsidiaries that have non-controlling interests. The information represents amounts before intercompany eliminations.

As of December 31, 2020	**Canada Bond**	**1139000 BC Ltd**	**Total**
Ownership Interest	**65%**	**51%**	
	$	$	$ -
Current assets	25,696	276,236	276,236
Non-current assets	-	12,063,777	12,063,777
Current liabilities		5,091,588	5,091,588
Non-current liabiliites	35,000	4,884,582	4,919,582
Revenue for the year ended	-	171,256	171,256
Net loss for the year ended	9,304	8,469,221	8,478,525
Non-controlling interest	3,256	4,226,191	4,229,447

(Expressed in Canadian Dollars)

18. NON-CONTROLLING INTEREST (continued)

The net change in the non-controlling interests is as follows:

	Canada Bond	1139000 BC Ltd	Total
	$	$	$
As of January 1, 2020	-	-	-
Acquisition and ow nership change	-	4,717,000	4,717,000
Net loss attibuted to non-controlling interest	(3,256)	(4,226,191)	(4,229,447)
As of December 31, 2020	(3,256)	490,809	487,553

19. FINANCIAL INSTRUMENTS

Fair values

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

	2020	2019
	$	$
Financial assets at fair value through profit or loss (i)	284,871	909,847
Financial assets at amortized cost (ii)	257,599	3,972,225
Financial liabilities at amortized cost (iii)	7,875,769	327,188

(i) Cash and restricted cash
(ii) Accounts receivables, other receivable, due from associate and loan receivable
(iii) Accounts payable, debentures, due to associates, loans and lease liabilities

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				
December 31, 2020	284,871	-	-	284,871
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, restricted cash and amounts 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 December 31, 2020 and 2019, the Company has no financial assets that are past due or impaired due to credit risk defaults.

19. FINANCIAL INSTRUMENTS (continued)

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.

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. As described in note 1, the Company's ability to continue as a going concern is dependent on its ability to raise additional financing and generate positive cash flow from profitable operations. Factors exist that indicate the existence of a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern and, thus, manage its liquidity risk.

The following are the contractual maturities of the Company's financial liabilities:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years and over
31-Dec-20					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,197,442	2,197,442	2,197,442	-	-
Debentures	917,659	917,659	917,659	-	-
Due to associates	261,124	261,124	261,124	-	-
Loans	3,141,594	3,141,594	3,141,594	-	-
Lease liabilities	1,317,950	224,822	224,822	270,193	822,935
	7,875,769	6,782,641	6,782,641	270,193	822,935
31-Dec-19					
Accounts payable	327,188	327,188	327,188	-	-

20. CAPITAL DISCLOSURES

The Company's definition of capital include share capital, warrants reserve, stock options reserve, net of deficit.

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.

21. COMMITMENTS

(a) On May 27, 2019, the Company entered into an Investment Cooperation Agreement with Zhengjiang Yatai Pharmaceutical Co., Ltd. and Rippington Investment Inc. to establish Yatai & BBT Biotech Ltd. ("Yatai & BBT"). Pursuant to the agreement, the Company will receive 3,500,000 shares, representing 25% of the initial issued shares of Yatai & BBT, and will cause its wholly-owned subsidiary, Potanicals Green Growers to use its existing Health Canada issued license to apply for a license for Yatai & BBT's facility for cannabis cultivation, processing, and sale. If the Company fails to help Yatai & BBT obtain cannabis cultivation, processing and sale licenses issued by Health Canada within a normal period of time, the 3,500,000 shares will be cancelled. At December 31, 2020, a license meeting Yatai & BBT's requirements has not been obtained and the Company has not recognized an investment in Yatai & BBT.

(Expressed in Canadian Dollars)

22. 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 years ended December 31, 2020 and 2019, the Company incurred the following general and administrative expenses:

	2020	**2019**
	$	$
Consulting fees	200,300	522,860
Director fees	97,250	93,500
Insurance	139,933	122,804
Interest on lease liabilities and loans	130,664	21,725
Investor relations	-	66,001
Management fees	490,920	548,000
Office and general	539,314	370,788
Professional fees	221,733	139,200
Short-term rent	48,462	61,226
Research and development	-	2,603
Salaries and benefits	1,076,609	1,605,528
Supplies	24,876	54,722
Travel and entertainment	88,992	365,911
Utilities	100,591	18,616
	3,159,644	3,993,484

23. SUBSEQUENT EVENTS

a) On February 24, 2021, the Company's subsidiary 1139, has renewed a mortgage loan agreement (the "Loan") to borrow up to two loans in the amount of $1,600,000 and US$1,250,000. The Loan is interest bearing at 9.75% per annum, calculated monthly. After renewals, the Borrower shall repay US$1,250,000 on or before January 31, 2022. Interest and loan of $1,600,000 shall be repaid in full on the due date of July 31, 2022 (the "Due Date").

b) On March 5, 2021, the Company granted 500,000 stock options to one officer and one director of the Company with an exercise price of $0.095 expiring of March 4, 2026. 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 March 4, 2023.

c) On March 17, 2021, Mr. William Ying resigned as Benchmark's Chief Executive Officer and director. The Company appointed Terry Wang as the Company's new interim Chief Executive Officer and a director.

d) On March 20, 2021, Mr. Haifeng Liu resigned as Benchmark's president and director. The Company appointed Mr. Leon Jiao as director to the Company's board of directors.

e) On October 2, 2020, the Company's wholly owned subsidiary, Potanicals Green Growers Inc. ("Potanicals"), received a notice that the United Food and Commercial Workers International Union, Local 1518 (the "Union"), applied for a certification to represent the employees of Potanicals' Peachland facility. Subsequent to the year-end, the Company reported that as of March 31, 2021, the employees at Potanicals' Peachland facility joined the Union and ratified their first collective agreement.

   Highlights of the collective agreement include:

   - An established, contract-backed grievance procedure for solving problems that arise in the workplace
   - A new, clearer wage scale with progression based on the number of hours an employee works
   - Five guaranteed paid sick days per year, so no one feels pressured to come to work sick