BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the Company provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition and results of operations as at and for the years ended December 31, 2020 and 2019. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("Financial Statements") of the Company as at and for the years ended December 31, 2020 and 2019.

These consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

Entity	Ownership	Basis of accounting
Potanicals Green Growers Inc.	100%	Consolidated
1139000 B.C. Ltd. ("1139")	51%(1)	Consolidated
1161750 B.C. Ltd. ("1161")	51%(2)	Consolidated
Canada Bond Biotechnology Co., Ltd ("Canada Bond")	65%(3)	Consolidated

(1) Acquired 25% of its initial interest on December 6, 2019 and an additional 26% interest on August 31, 2020. The Company began consolidating 1139 and its subsidiary on August 31, 2020.
(2) Owned through 1139000 B.C. Ltd.
(3) Canada Bond was newly incorporated on August 13, 2020 under the British Columbia Business Corporation Act.

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 on a 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 13460 Rippington Road, Pitt Meadows BC V3Y 1Z1

This MD&A has been prepared as of April 30, 2021.

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 the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its projections or estimates about its future business operations, its planned expansion activities, the adequacy of its financial resources, and 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 the 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 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 cannabis 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 cannabis.

Benchmark, through Potanicals, has the ability to cultivate and produce pharmaceutical grade medical and recreational cannabis, and has multiple 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 license to produce cannabis oil. On September 28, 2018, the Company obtained a license to sell cannabis under the ACMPR. On July 26, 2019, the Company received a sales license from Health Canada. The Company 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 from November 13, 2020, the Company's 12,700 square foot indoor production facility (the "Peachland Facility") suspended its growing and cultivation operations to allow management to further review its business strategies. For the period from November 2020 to March 2021, the Company has only maintained a minimum number of staff as required under its licenses and to package, buy and sell inventory at the Peachland Facility.

The Company recently hired back five unionized employees at the Peachland Facility, including its master grower and a production assistant, while the Company continues to review its business strategy for this facility.

On August 30, 2018, the Company entered into an Earn-in and Shareholders' Agreement to acquire and develop a four-acre greenhouse facility (the "Pitt Meadows Greenhouse Operation") into a licensed cannabis cultivation operation. Located on a 5-acre property, the Pitt Meadows Greenhouse Operation is expected to have a total of 174,240 sq. ft of production capacity when fully operational. On August 31, 2020, the Company completed its 51% ownership and control of the Pitt Meadows Greenhouse Operation.

On August 17, 2020, the Company entered into an Independent Contracting Agreement for Cannabis Cultivation ("Independent Contracting Agreement") to provide a designated Cannabis Cultivation area (Area 4 with an estimated 12,000 sq.ft.) inside the Pitt Meadows greenhouse for a third-party grower ("the Grower") to do the cultivation. The Grower shall provide and bear all costs (utilities excluded) associated with cannabis cultivation. For all the cannabis the Grower produces under this Agreement, a ratio of its cannabis output of dried flowers shall be allocated between the Company and the Grower. The term of this Agreement shall continue for a period of 4 years and can be extended for consecutive 2-year periods. As of this MD&A date, the Grower has almost finished Area 4's renovation and is expected to start cultivation within the next several weeks.

On November 23, 2020, the Company entered into another similar Independent Contracting Agreement for Cannabis Cultivation for an additional designated Cannabis Cultivation area (Area 3 with an estimated 33,600 sq.ft.) for a third party to cultivate while bearing the associated costs. The Company will share output of dried flowers as our revenue. The third party has not started its renovation for Area 3 and the Company cannot predict the time when Area 3 can be used for cultivation.

Except for the above two Independent Contracting Agreements entered, the Company currently has suspended its own operations at the Pitt Meadows facility while management reviews strategic options for this facility.

Given the competitive environment for cannabis licensed producers in Canada, which some industry observers have identified as over-saturated, the Company is currently evaluating all its assets in order to develop a strategic plan intended to provide the highest return to shareholders.

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

Acquisition of 1139000 B.C. Ltd.

On August 30, 2018, the Company entered into an Earn-in and Shareholders' Agreement to acquire and develop the Pitt Meadows Greenhouse Operation. On November 29, 2019, the Company received a cultivation license for the Pitt Meadows Greenhouse Operation, and on December 6, 2019 received its 25% interest in 1139000 B.C. Ltd. ("1139").

The Company had the option to acquire from 1139's shareholders an additional 26% ownership interest in 1139 when the Pitt Meadows Greenhouse Operation reached a commercial stage as defined by the Earn-in and Shareholders' 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 July 7, 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 owned 10,199,000 common shares of 1139, which represents 51% of the issued and outstanding share capital of 1139. Pursuant to the share exchange agreement, the Company issued to the shareholders of 1139 an aggregate of 26,999,956 common shares in exchange for their 5,199,000 common shares of 1139. The above share exchange transactions were completed on August 31, 2020.

YATAI & BBT Biotech Ltd. Joint Venture

On May 27, 2019, Benchmark and Yatai Pharmaceutical Co., Ltd. ("Zhejiang Yatai") signed a definitive investment cooperation agreement (the "Cooperation Agreement"), whereby the parties agreed to set up a new joint venture company in Canada named YATAI & BBT Biotech Ltd. ("Yatai BBT"). As per the Cooperation Agreement, Yatai BBT was to have a share capital of $14 million of which Zhejiang Yatai would invest $7 million in cash, accounting for 50% of Yatai BBT's share capital. The Company would cause its wholly owned subsidiary Potanicals to use its existing Health Canada issued license to apply for a license to be acquired by Yatai BBT for cannabis cultivation, processing and sale. In exchange, the Company would receive 25% of Yatai BBT's share capital (with a deemed value of $3.5 million). Rippington Investment ("RI") would invest $3.5 million in cash, accounting for the remaining 25% of the Yatai BBT's share capital. RI is a private company incorporated under the *Business Corporations Act* (British Columbia). In 2019, Zhejiang Yatai made their $7 million investment into Yatai BBT, and RI made its first $1.5 million investment into Yatai BBT.

As of the date of this MD&A, the Yatai BBT joint venture has been put on hold. A license meeting Yatai BBT's requirements has not been obtained and the Company has not recognized an investment in Yatai BBT. As such, the Company has not recorded its investment in the 25% equity position in Yatai BBT.

Union Establishment at the Peachland Facility

On September 25, 2020, the Company's wholly owned subsidiary, Potanicals, received a notice that the United Food and Commercial Workers International Union, Local 1518 (the "Union"), had applied for a certification to represent the employees of Potanicals at 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 that employees will not feel pressured to come to work sick

By March 31, 2021, Potanicals hired back 5 additional unionized employees, including the master grower and a production assistant. However, the Company continues to review its business strategy for the Peachland Facility.

DEVELOPMENT AND SUBSEQUENT EVENTS

In November 2020, the Company suspended the growing and cultivation activities at Peachland to allow management the opportunity to evaluate business strategies and review strategic options. On March 9, 2021, the Company announced that it was actively exploring options to address the Company's financial liquidity issues. On March 18, 2021, the Company announced that a group of current shareholders was committed to working with the Company in order to determine follow-on investments required to achieve the Company's long-term strategic goals. In March 2021, both the Company's Chief Executive Officer and President resigned from the Company, and an Interim Chief Executive Officer was appointed. As at the date of this MD&A, except for the two Independent Contracting Agreements at the Pitt Meadows facility, none of the Company's growing and cultivation facilities are operating at the production stage as the Company works to finalize its strategic review and identify a full-time Chief Executive Officer.

Subsequent Events:

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

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 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 a director to the Company's board of directors.

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.

SELECTED ANNUAL INFORMATION

The following selected financial data with respect to the Company's financial condition and results of operations has been derived from the audited consolidated financial statements of the Company for the years ended December 31, 2020, 2019 and 2018, prepared in accordance with IFRS. The selected financial data should be read in conjunction with those audited consolidated financial statements and the notes thereto.

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Balance Sheet:			
Total assets	18,791,230	14,959,903	6,162,406
Total long-term liabilities	1,093,128	88,147	-
Operations:			
Net loss and comprehensive loss	(14,334,197)	(3,698,409)	(6,077,509)
Basic and diluted loss per share	(0.08)	(0.02)	(0.04)
Dividend per share	-	-	-

Summary of Quarterly Results

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

	Q4 2020 Dec-31	Q3 2020 Sep-30	Q2 2020 Jun-30	Q1 2020 Mar-31	Q4 2019 Dec-31	Q3 2019 Sep-30	Q2 2019 Jun-30	Q1 2019 Mar-31
Revenue	401,288	375,701	87,420	191,095	117,410	-	134,844	-
Gross profit before fair value adjustments	23,961	161,869	33,024	89,189	63,043	-	85,363	-
Fair value changes in biological assets included in inventory sold and other inventory charges	(223,204)	(166,183)	(36,327)	(78,966)	(279,953)	-	(73,105)	-
Unrealized gain (loss) on changes in fair value of biological assets	(40,612)	157,302	127,238	37,416	(35,101)	160,499	59,267	127,862
Operating expenses	1,171,591	1,053,672	947,361	943,102	1,265,484	1,397,452	1,420,243	1,503,637
Loss from operations	(1,492,021)	(1,448,559)	(823,426)	(895,363)	(1,531,993)	(1,226,953)	(1,358,718)	(1,375,775)
Other income (expenses)	(11,800,749)	1,383,410	5,496	(23,015)	(1,721,577)	(50,724)	(19,255)	(3,474)
Net income (loss)	(12,578,770)	(65,149)	(817,930)	(872,348)	189,584	(1,176,229)	(1,339,463)	(1,372,301)
Earnings (loss) per share - basic	(0.068)	(0.000)	(0.005)	(0.001)	0.001	(0.008)	(0.009)	(0.010)
Weighted average number of shares - Basic	203,612,218	179,667,000	176,612,260	172,517,023	171,545,594	154,993,506	146,569,351	142,576,705

Financial Results – Highlights for the year ended December 31, 2020

- During the year ended December 31, 2020, sales increased by $803,250 compared with the same period ended December 31, 2019.

- Net loss for the year ended December 31, 2020 was $14,334,197, compared to a net loss of $3,698,409 for the year ended December 31, 2019. The increase in net loss for the year ended December 31, 2020 is largely due to the impairment on tangible assets of $6,780,991 and the impairment on intangible assets of $4,426,717.

- Adjusted EBITDA in this MD&A equals to EBITDA before gain on acquisition of an associate, impairment on tangible assets, impairment on intangible assets, share-based compensation expenses, write-off of inventory, loss on equity investments and unrealized gain on changes in fair value of biological assets. For the year ended December 31, 2020, the Company reported an Adjusted EBITDA loss of $2,038,790 (2019 – an Adjusted EBITDA loss of $4,036,501)

- At December 31, 2020, the Company had negative working capital of $5,785,766 (December 31, 2019 - positive working capital of $1,746,964). The ongoing working capital deficiency has caused the Company to reduce the majority of its workforce both at the Peachland production facility and the head office.

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		Year Ended	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Revenue	**401,288**	117,410	**1,055,504**	252,254
Gross profit before fair value impacts in cost of sales	**23,961**	48,545	**308,143**	133,908
Gross margin before fair value impacts	6%	41%	29%	53%
Gross profit	**-320,430**	-266,509	**-543,643**	93,377
Operating expenses	**1,171,591**	1,265,484	**4,115,726**	5,586,816
Loss from operations	**-1,492,021**	-1,531,993	**-4,659,369**	-5,493,439
Other income (expense)	**-11,800,749**	-1,721,577	**-10,388,828**	1,795,030
Income tax (recovery)	-	-	**-714,000**	-
Net income (loss)	**-12,578,770**	189,584	**-14,334,197**	-3,698,409
EBITDA	**-12,386,764**	285,057	**-13,563,385**	-3,309,030
Adjusted EBITDA	**-161,899**	1,107,236	**-2,038,790**	-4,036,501
Loss per share				
Basic	**(0.068)**	(0.001)	**(0.080)**	(0.023)
Diluted	**(0.068)**	(0.001)	**(0.080)**	(0.023)
Weighted average number of shares				
Basic	**203,612,218**	171,545,594	184,771,718	159,039,796
Diluted	**203,612,218**	171,545,594	184,771,718	159,039,796

Revenue

	Three-Month Period Ended		Year Ended	
	12/31/2020	12/31/2019	**12/31/2020**	12/31/2019
Revenue	**401,288**	117,410	**1,055,504**	252,254
Excise taxes	**89,813**	16,477	**203,739**	16,477
Net revenue	**311,475**	100,933	**851,765**	235,777

Total revenue for the three months ended December 31, 2020 was $401,288 (2019 - $84,490) from retail sales for the adult-use market in Canada and $nil (2019 - $32,920) from sale of clones. The total quantity of cannabis sold during the three months ended December 31, 2020 was 105,414 grams (2019 - 14,520 grams) at an average sales price per gram of $3.81 (2019 - $5.82). The increase in sales volume and decrease in sales price is due to 55,171gram green house products sold at average sale price of $2.37 during this period of the year, which higher margin and premium indoor products were sold for the same period of last year.

Total revenue for the year ended December 31, 2020 was $1,055,504 (2019 - 252,254) from sales of dried cannabis to a licensed producer, retail sales for the adult-use market in Canada and sales of clones. The total quantity of cannabis sold during the year ended December 31, 2020 was 227,355 grams (2019 – 39,037 grams) at an average sales price per gram of $4.64 (2019 - $5.62).

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 direct labour, nutrients, soil, and seeds, as well as other indirect costs such as utilities, an allocation of indirect labour, 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 year ended December 31, 2020 were $543,622, as compared to $101,869 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 is made to inventory.

During the year ended December 31, 2020, the Company reported an unrealized gain on the changes in fair value of its biological assets of $281,344 (2019 - $312,527). 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.

During the year ended December 31, 2020, 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 (December 31, 2019 - $109,812).

During the year ended December 31, 2020, there was a net realizable value adjustment to inventory of $628,450 (2019 - $243,246).

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 three months ended December 31, 2020 was $23,961 (2019 - $48,545), or 6% (2019 – 41%) of net revenue respectively.

Gross margin before fair value impacts in cost of sales for the year ended December 31, 2020 was $308,143 (2019 - $133,908), or 29% (2019 - 53%) of net revenue respectively.

The decrease in the gross margin was mainly due to wholesales made without exercise taxes during the year ended December 31, 2019, compared to the retail sales during the year ended December 31, 2020. The decrease in gross margin is also due to low margin greenhouse products sales made during the year ended December 31, 2020.

Expenses

	Three-Month Period Ended		Difference	Year Ended		Difference
	12/31/2020	12/31/2019		12/31/2020	12/31/2019	
Amortization of tangible assets	162,563	112,635	49,928	413,815	309,514	104,301
Depreciation on intangible and right of use assets	-20,420	1,194	- 21,614	247,298	58,140	189,158
Sales and marketing expenses	17,536	144,583	- 127,047	207,046	341,072	- 134,026
General and administrative expenses	1,035,766	910,437	125,329	3,159,644	3,993,484	- 833,840
Share-based compensation	-23,854	96,635	- 120,489	87,923	884,606	- 796,683
Operating expenses	1,171,591	1,265,484	- 93,893	4,115,726	5,586,816	- 1,471,090

The $1,471,090 decrease in operating expenses for the year ended December 31, 2020 from the same period of last year was mainly due to:

- The decrease of $833,840 in general and administration expenses discussed below; and

- Share-based compensation expense decreased to $87,923 for the year ended December 31, 2020 from an expense of $884,606 for the year ended December 31, 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 December 31, 2020, general and administrative expenses were $1,035,766 compared to $910,437 for the three months ended December 31, 2019.

The increase of $125,329 in general and administrative expenses was primarily due to $59,438 increase in salary and wages, increase of $67,459 in interest expense on lease liabilities and loans, $20,347 increase in office general expense and $67,467 increase in professional fees, partially offset by $81,250 decrease in consulting fees, $64,019 decrease in management fees, and $14,524 decrease in insurance expenses.

Salary and benefits amounted to $389,851 for the three months ended December 31, 2020 compared to $330,413 for the three months ended December 31, 2019. The increase was primarily due to the Company's acquisition of 1139 on August 31, 2020, and 1139's salary and benefits were included in the consolidated financial statements.

For the year ended December 31, 2020, general and administrative expenses were $3,159,644 compared to $3,993,484 for the year ended December 31, 2019. General and administrative expenses decreased by $833,840 for the year ended December 31, 2020 versus the same period of 2019.

The decrease of $833,840 in general and administrative expenses was primarily due to $528,919 decrease in salary and wages, $276,919 decrease in travel and entertainment expenses, and $57,080 decrease in management fee and $322,560 decrease in consulting fees, partially offset by $108,939 increase in interest in lease liabilities and loans, $76,555 other office general expenses and $82,533 increase in professional fees.

Other income and expenses

For the year ended December 31, 2020, other income and expenses included interest income of $196,058, impairment on tangible assets of $6,780,991, impairment on intangible assets of $4,426,717, gain on acquisition of associate of $1,986,516 offset by a loss on equity investment of $1,363,694.

As of December 31, 2020, the Company had a loan receivable from 1139000 B.C. Ltd., a subsidiary of the Company, in the amount of $3,660,000. The loan accrues interest at 8% per year. Interest is calculated and accrued quarterly and payable all at demand. 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, the loans receivable balance and interest income after the acquisition between the Company and 1139 has been eliminated as of December 31, 2020.

During the year ended December 31, 2020, the Company's Peachland operations incurred losses from operations and in December 31, 2020, the Company announced it has 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 that the recoverable amount of its Peachland operations to be $4 million using the fair value less cost of disposal.

As 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 using the fair value less cost of disposal.

As per the above, for the year ended December 31, 2020, the Company recorded total impairment of $6,780,991 (2019 - $nil) for both the Peachland and 1139 Pitt Meadows facilities.

The Company also recognized a gain of $1,986,516 on its previously held 25% interest in 1139 on the acquisition of its additional 26% ownership interest of 1139 on August 31, 2020 as required by IFRS.

For the year ended December 31, 2020, the Company accrued a loss of $1,363,694 from investment in an equity investee (2019 - $24,822).

Income Taxes

The Company and its subsidiary recorded a deferred tax recovery in the amount of $714,000 for the year ended December 31, 2020, the tax effect of the impairment of tangible and intangible assets recorded in the year. There was no current or deferred income tax expenses recorded in 2019.

Net Loss and Comprehensive Loss

For the year ended December 31, 2020, net loss and comprehensive loss was $14,334,197 compared to a net loss of $3,698,409 for the corresponding period of 2019. The increase of net loss was mainly attributed to impairment recorded for both tangible and intangible assets, increase in loss on equity investment, offset by the decrease in the general and administrative expenses as discussed above, a reduction of share-based compensation expenses and gain on acquisition of associate incurred.

Adjusted EBITDA Reconciliation (Non-IFRS Measure)

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

	Three Months Ended December 31		**Years Ended December 31**	
	2020	**2019**	**2020**	**2019**
Net income (loss)	- 12,578,770	189,584	-14,334,197	- 3,698,409
Add				
Depreciation	162,563	112,635	413,815	309,514
Depreciation on intangible and right of use assets	- 20,420	1,194	247,298	58,140
Interest accretion on lease liabilities	49,863	3,369	109,699	21,725
EBITDA	**- 12,386,764**	**306,782**	**-13,563,385**	**- 3,309,030**
Fair value changes in biological assets included in inventory sold and other inventory charges	- 223,204	279,953	504,680	353,058
Unrealized (gain) loss on changes in fair value of biological assets	- 40,612	35,101	- 281,344	- 312,527
Gain on acquisition of associate	355,893	- 1,677,430	- 1,986,516	- 1,677,430
Impairment on tangible assets	6,780,991	-	6,780,991	-
Impairment on intangible assets	4,426,717	-	4,426,717	-
Write-off of inventory	-	-	628,450	-
Loss on equity investment	948,934	24,822	1,363,694	24,822
Share-based compensation expenses	- 23,854	96,635	87,923	884,606
Adjusted EBITDA	- 161,899	- 934,137	- 2,038,790	- 4,036,501

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, fair value changes in biological assets included in inventory sold, loss on equity investments and gain on acquisition of subsidiary.

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.

ACQUISITION OF ADDITIONAL 26% OWNERSHIP INTEREST OF 1139000 B.C. LTD. ("1139")

The Company acquired an additional 26% interest of 1139 through an exchange of shares agreement. Net assets acquired by the Company from 1139 was $6,187,000. Company paid a consideration in shares equivalent to $3,780,000 and resulted in a gain on the previously held 25% interest in 1139 of $1,986,516.

INTANGIBLE ASSETS AND GOODWILL

The Company, after obtaining control of 1139 through its acquisition of an additional 26% interest of 1139, booked an intangible asset of $4,745,000 and goodwill of $4,327,777. The table below provides details of the intangible asset and goodwill amounts.

	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	-

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

LIQUIDITY AND CAPITAL RESOURCES

Cash and restricted cash totaled $284,871 as of December 31, 2020, as compared to $909,847 as of December 31, 2019. As of December 31, 2020, the Company had working capital of ($5,785,766) (December 31, 2019 - $1,746,964 working capital).

The Company does not have sufficient cash to maintain its operations for the next 12 months and it is currently relying on its existing shareholders' loans to meet its short-term and long-term obligations.

Cash used in operating activities

For the year ended December 31, 2020, cash used in operating activities was $3,047,438 compared to cash used in operating activities of $4,767,610 for the same period ended December 31, 2019. This decrease mainly reflects a decrease in adjusted EBITDA.

Cash used in investing activities

For the year ended December 31, 2020 cash used in investing activities was $284,871 compared to cash used in investing activities of $6,080,788 for the year ended December 31, 2019.

Cash used in investing activities during the year ended December 31, 2020 was mainly for the acquisition of property, plant and equipment of $339,358 (2019 - acquisition of property and equipment $2,017,168)

Cash used in investing activities during the year ended December 31, 2019 mainly relates to the loan receivable provided to 1139 of $3,660,000.

Loan receivable was the loan made to 1139, an associate of the Company. The loan accrues interest at 8% per year, calculated and accrued quarterly. As of December 31, 2020, the Company owns and controls 1139. As a result, the loan receivable balance was eliminated.

Cash provided by financing activities

For the year ended December 31, 2020, cash generated from financing activities was $2,707,333 compared to cash generated from financing activities of $11,395,633 for the year ended December 31, 2019 as below:

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

The difference was mainly a result of $2,033,333 in proceeds from the issuance of shares and the exercise of stock options in the year ended December 31, 2020 compared to $11,553,333 in proceeds from the issuance of shares and the exercise of stock options for the same period ended December 31, 2019.

During the year ended December 31, 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 year ended December 31, 2019, there were 1,266,667 shares issued on exercise of stock options for total proceeds of $253,333. On September 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.

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, non-convertible and due on December 31, 2021.

COMMITMENTS

(a) 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. The Company is behind in its lease payments for the period from August 2020 to November 2020 in the total amount of approximately $117,200. The Company is working with the landlord to solve this matter by attempting to sublease the office space to others.

(b) 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. Yatai BBT Biotech Ltd. is currently on hold without any major business activities. 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.

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 year ended December 31, 2020 and 2019. Short-term key management and director 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, $55,125 was consulting fees due to the former CEO, William Ying, and $73,500 was consulting fees due to the former President, Haifeng Liu.

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:

	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) Amounts receivables, due from associate and loans receivable
(iii) Accounts payable, debentures, 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 (as prices) or indirectly (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 the 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 of December 31, 2020, and December 31, 2019, the Company has no financial assets that are past due or impaired due to credit risk defaults.

Currency Risk

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

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company uses cash to settle its financial obligations as they fall due. As of December 31, 2020, the Company had cash of $284,871 (December 31, 2019: $909,847). As of December 31, 2020, the Company had working capital of ($5,785,766) (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 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	-	-

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

- Estimating the stage of growth of the biological assets, the cannabis plants, up to the point of harvest, the expected future yields from the cannabis plants, their values during the growth cycle, costs to convert the harvested cannabis to finished goods, their sales price and net realizable value;
- 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 interim consolidated financial statements include the following:

- The evaluation of the Company's ability to continue as going concern (see Note 1);
- The determination of impairment in the carrying costs of inventory;
- The recognition and valuation of impairment of property and equipment, 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.

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 business requirements. There were no changes in the Company's approach to capital management during the year ended December 31, 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 of December 31, 2020, 2019, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	April 30, 2021	December 31, 2020	December 31, 2019
Common shares	203,612,218	203,612,218	171,545,594
Stock options	5,960,000	5,960,000	8,506,666
Share purchase warrants	31,650,000	31,650,000	30,916,667
Fully diluted shares	241,222,218	241,222,218	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. 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 2020 and 2019, 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 is 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 immediate area or at the Company premises.

Globally various international governments are instituting emergency measures which may restrict movement of persons within countries 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, 2020 and 2019).

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 material adversely affected.

Regulatory Risks

Some of the proposed activities of the Company will be subject to regulation by governmental authorities, including, but not limited to, Health Canada's Office of Controlled Substances. The Company's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company. Furthermore, although the operations of Potanicals are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce or sell medical cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of medical cannabis, or more stringent implementation thereof could have a substantial adverse impact on the Company.

Governmental Regulations and Risks

The Company's operations will be subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

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 and recreational 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 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.

Insurance and Uninsured Risks
The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

Although the Company maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

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.

Management of Growth
The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Internal Controls
Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has undertaken a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements, and materially and 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.

Terry Wang
Interim Chief Executive Officer
April 30, 2021