BENCHMARK BOTANICS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the three months ended March 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of Benchmark Botanics Inc. ("Benchmark" or 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 of the Company as at and for the three months ended March 31, 2021 and 2020. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto ("interim consolidated financial statements") of Benchmark as at and for the three months ended March 31, 2021 and 2020, and the audited consolidated financial statements and the notes thereto for the years ended December 31, 2020 and 2019.

These interim consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are included in the interim 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 interim 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 interim consolidated 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 May 28, 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.

Benchmark, through Potanicals, has the ability to cultivate and produce high 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.

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 "Peachland Facility"). The Peachland Facility is located at 4715 Paradise Valley Dr, Peachland BC V0H 1X3 and is a 12,700 square foot indoor production facility. It 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 medical and recreational cannabis.

Effective from November 13, 2020, 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 more 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, the Peachland Facility is in the process of resuming its cultivation and harvesting activities. It is anticipated that the Peachland Facility will start to harvest from July 2021 and currently has an estimated annual production capacity of 250kg-300kg of dried cannabis.

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 agreement with a third party to assist with the cultivation activities associated with an estimated 12,000 sq ft of space within the Pitt Meadows greenhouse ("Area 4"). The term of this agreement shall continue for a period of 4 years and can be extended for consecutive 2-year periods. As of the date of this MD&A, Area 4 is expected to start cultivation by mid-June 2021.

On November 23, 2020, the Company entered into another similar agreement with a separate party to assist with the cultivation activities associated with an estimated 33,600 sf ft of space within the Pitt Meadows greenhouse ("Area 3"). As of the date of this MD&A, it is still uncertain as to when cultivation is expected to start in Area 3.

Except for the above two agreements regarding Area 3 and Area 4, the Company has suspended 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 was to 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 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, Potanicals has only received a cultivation license for this location. Given the processing and sales licenses have not yet been obtained, 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.

As of March 31, 2021, the Company reported that 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 some unionized employees, including the master grower and a production assistant.

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 major 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. Subsequent to the period end, on May 1, 2021, the Interim Chief Executive Officer resigned, and the Company appointed a new Chief Executive Officer and Chief Financial Officer.

As at the date of this MD&A, the Company is in the process of resuming cultivation and harvesting activities at Peachland, and at Area 4 in Pitt Meadows.

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.

Summary of Quarterly Results

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

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
	Mar-31	Dec-31	Sep-30	Jun-30	Mar-31	Dec-31	Sep-30	Jun-30
Revenue	536,587	401,288	375,701	87,420	191,095	117,410	-	134,844
Gross profit before fair value adjustments	127,778	23,961	161,869	33,024	89,289	63,043	-	85,363
Fair value changes in biological assets included in inventory sold and other inventory charges	(81,532)	(223,204)	(166,183)	(36,327)	(78,966)	(279,953)	-	(73,105)
Unrealized gain (loss) on changes in fair value of biological assets	21,105	(40,612)	157,302	127,238	37,416	(35,101)	160,499	59,267
Operating expenses	1,001,267	1,171,591	1,053,672	947,361	943,102	1,265,484	1,397,452	1,420,243
Loss from operations	(933,916)	(1,492,021)	(1,448,559)	(823,426)	(895,363)	(1,531,993)	(1,226,953)	(1,358,718)
Other income (expenses)	-	(11,800,749)	1,383,410	5,496	(23,015)	(1,721,577)	(50,724)	(19,255)
Net income (loss)	(933,916)	(12,578,770)	(65,149)	(817,930)	(872,348)	189,584	(1,176,229)	(1,339,463)
Earnings (loss) per share - basic	(0.00)	(0.068)	(0.000)	(0.005)	(0.001)	0.001	(0.008)	(0.009)
Weighted average number of shares - Basic	203,612,218	203,612,218	179,667,000	176,612,260	172,517,023	171,545,594	154,993,506	146,569,351

Financial Results – Highlights for the three months ended March 31, 2021

- During the three months ended March 31, 2021, sales increased by $345,492 compared with the same period ended March 31, 2020.

- Net loss for the three months ended March 31, 2021 was $933,916, compared to a net loss of $872,348 for the three months ended March 31, 2020. The increase in net loss for the three months ended March 31, 2021 is largely due to the increase in operating expenses of $58,165.

- As of March 31, 2021, the Company had negative working capital of $6,586,827 (December 31, 2020 - negative working capital of $5,785,766). 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 (Unaudited)	
	3/31/2021	3/31/2020
Revenue	**536,587**	191,095
Gross profit before fair value impacts in cost of sales	**127,778**	89,289
Goss profit	**67,351**	47,739
Gross margin	24%	47%
Operating expenses	**1,001,267**	943,102
Loss from operations	**-933,916**	-895,363
Other income (expense)	**0**	23,015
Net loss	**-933,916**	-872,348
EBITDA	**-717,499**	285,057
Adjusted EBITDA	**-720,254**	1,107,236
Loss per share		
Basic	**(0.005)**	(0.001)
Diluted	**(0.005)**	(0.001)
Weighted average number of shares		
Basic	**203,612,218**	172,517.023
Diluted	**203,612,218**	172,517,023

Revenue

	Three-Month Period Ended (Unaudited)	
	03/31/2021	03/31/2020
Revenue	536,587	191,095
Excise taxes	130,019	32,835
Net revenue	406,568	158,260

Total revenue for the three months ended March 31, 2021 was $536,587 (2020 - $191,095) from retail sales for the adult-use market in Canada. The total quantity of cannabis sold during the three months ended March 31, 2021 was 110,464 grams (2020 - 29,587 grams) at an average sales price per gram of $4.85 (2020 - $6.46). The increase in sales volume and decrease in sales price is due to 56,865gram green house products sold at average sale price of $2.40 during this period of the year, which higher margin and premium indoor products were sold for the same period of last year. The increase in sales volume is a result of getting access to the province of Alberta for sales.

The Company currently can sell its recreation products to Alberta, British Columbia, Manitoba, and Saskatchewan.

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 three months ended March 31, 2021, was $278,790 (2020 - $68,971).

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 three months ended March 31, 2021, the Company reported an unrealized gain on the changes in fair value of its biological assets of $81,532 (2020 - $78,966). This represents the change in the carrying value of the Company's cannabis plants at the point of harvest.

The fair value changes of biological assets included in inventory sold for the three months ended March 31, 2021 was $81,532 (2020 - $78,966).

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 March 31, 2021 was $127,778 (2020 - $89,289), respectively, or 23.8% (2020 – 46.72%) of net revenue respectively.

The decrease in the gross margin before fair value impacts was mainly due to low margin greenhouse products sales made during the three months ended March 31, 2021 compared with higher margin and premium indoor products sold for the same period of last year.

Expenses

	Three-Month Period Ended		Difference
	3/31/2021	3/31/2020	
Amortization of tangible assets	65,371	69,293	(3,922)
Depreciation on intangible and right of use assets	101,183	9,027	92,156
Sales and marketing expenses	35,681	44,061	(8,380)
General and administrative expenses	862,214	845,983	16,231
Share-based compensation	(63,182)	(25,262)	(37,920)
Operating expenses	1,001,267	943,102	58,165

The $58,165 increase in operating expenses for the three months ended March 31, 2021 compared to the same period of last year was mainly due to:

- The increase in depreciation on intangible and right of use asset to $101,183 from $9,027 for the same period of last year;

- The slight increase of $16,231 in general and administration expenses discussed below; and

Offset by:

- Share-based compensation recovery increased to $63,182 for the three months ended March 31, 2021 from a recovery of $25,262 for the three months ended March 31, 2020.

> 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 March 31, 2021 compared to the same period last year, the increase of $16,231 in general and administration expenses was primarily due to $107,613 increase in mortgage interest, $27,696 increase in interest on short-term debentures, $30,559 increase in interest on lease liabilities, $33,857 increase in professional fees, and $62,823 increase in utilities, offset by $127,742 decrease in consulting fees, $70,869 decrease in salaries and benefits, and $30,154 decrease in travel expenses.

The $107,613 increase in mortgage interest and $62,823 increase in utilities were caused by the expenses incurred in 1139 which was consolidated into the interim consolidated financial statements since the acquisition of 1139 on August 31, 2020. The Company previously held 25% interest in 1139 and acquired its additional 26% ownership interest of 1139 on August 31, 2020.

Consulting fees decreased to $18,758 for the three-month period ending March 31, 2021 from $146,500 for the three months ended March 31, 2020. The Company terminated most of its consultants' agreements as part of adapting to the Covid-19 slow down.

Salary and wages were reduced to $309,803 for the three months ended March 31, 2021, compared to $380,672 for the three months ended March 31, 2020. This decrease was required by our response to the Covid-19 outbreak and is one of its impacts on the Company. The Company laid off some personnel beginning April 2020 given the reduced business activities during this special time.

Other income and expenses

There was no other income or expense incurred during the three months ended March 31, 2021. For the three months ended March 31, 2020, other income and expense included interest income of $73,000, and a loss on equity investment of $49,985.

As of March 31, 2021, the Company had a loan receivable from 1139, 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 three months ended March 31, 2021, the interest income of $73,200 was accrued (2020 - $73,000).

As the Company gained ownership of 1139 on August 31, 2020, the loan interest income between the Company and 1139 has been eliminated as of March 31, 2021 on consolidation. $73,000 interest income was accrued as other income for the period of March 2020.

For the three months ended March 31, 2020, the Company accrued a loss of $49,985 from investment in 1139.

Income Taxes

Benchmark and its subsidiary did not accrue any income taxes for the three months ended March 31, 2021 and 2020 as no taxable income was generated.

Net Loss and Comprehensive Loss

For the three months ended March 31, 2021, net loss and comprehensive loss was $933,916 compared to a net loss of $872,348 for the corresponding period of 2020. The increase in net loss for the three months ended March 31, 2021 is due to the increase in operating expenses of $58,165.

Adjusted EBITDA Reconciliation (Non-IFRS Measure)

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

	Three Months Ended March 31	
	2021	**2020**
Net loss	(933,916)	(872,348)
Add		
Depreciation	65,371	69,293
Depreciation on intangible and right of use assets	101,183	9,027
Interest accretion on lease liabilities	49,863	4,451
EBITDA	**(717,499)**	**(789,577)**
Fair value changes in biological assets included in inventory sold and other inventory charges	81,532	78,966
Unrealized (gain) on changes in fair value of biological assets	(21,105)	(37,416)
Loss on equity investment	-	49,985
Share-based compensation expenses	(63,182)	(25,262)
Adjusted EBITDA	(720,254)	(723,304)

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.

LIQUIDITY AND CAPITAL RESOURCES

Cash and restricted cash totaled $187,366 as of March 31, 2021, as compared to $284,871 as of December 31, 2020. As of March 31, 2021, the Company had working capital of ($6,586,827) (December 31, 2020 - ($5,785,766) 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 quarter ended March 31, 2021, cash used in operating activities was $513,612 compared to cash used in operating activities of $1,089,139 for the quarter ended March 31, 2020.

Cash used in investing activities

Cash used in investing activities during the period ended March 31, 2021 was mainly for the acquisition of property, plant and equipment of $1,393 (2020 - acquisition of property and equipment $273,772).

Cash provided by financing activities

For the three months ended March 31, 2021, cash generated from financing activities was $417,500 compared to cash generated from financing activities of $2,019,824 for the three months ended March 31, 2020 as below:

Proceeds from share issuance, net of share issuance costs	-	2,033,333
Loans received	**500,000**	-
Payment on lease liabilities	**(82,500)**	(13,509)
Cash provided by financing activities	**417,500**	2,019,824

The difference was mainly a result of $500,000 in proceeds from short-term debentures in the three months ended March 31, 2021 compared to $2,033,333 in proceeds from the issuance of shares and the exercise of stock options in the three months ended March 31, 2020.

During the three months ended March 31, 2021, the Company entered into short-term debentures to borrow a total of $500,000 at an interest rate of 10% per annum. The debentures are unsecured, non-convertible and due on December 31, 2021.

During the three months ended March 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.

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 three months ended March 31, 2021 and 2020. Short-term key management and director compensation consists of the following:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	$	$
Share-based payments	14,708	20,449
Salaries	24,000	53,273
Management fees	92,203	79,500
Director fees	21,375	22,875
Consulting fees	9,000	63,000
	161,286	239,097

Related party balances and transactions

a) During the three months ended March 31, 2021, the Company incurred $10,500 (2020 - $10,500) in rental expenses to a former director of the Company.

b) Included in the accounts payable, are consulting fees of $39,972 due to the former CEO, William Ying, consulting fees of $112,487 due to the former President, Haifeng Liu, and consulting fees of $4,657 due to the former CFO, David Li. The amount owed to former CEO have been paid off subsequent to the period end.

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:

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
	$	$
Financial assets at fair value through profit or loss (i)	187,366	284,871
Financial assets at amortized cost (ii)	312,355	257,599
Financial liabilities at amortized cost (iii)	8,196,016	7,875,769

(i) Cash and restricted cash
(ii) Amounts receivables and other 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				
March 31, 2021	187,366	-	-	187,366
December 31, 2020	284,871	-	-	284,871

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 March 31, 2021 and December 31, 2020, 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 March 31, 2021, the Company had cash of $187,366 (December 31, 2020: $284,871). As of March 31, 2021, the Company had working capital of ($6,586,827) (December 31, 2020 - ($5,785,766) 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-Mar-21					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,489,069	2,489,069	2,489,069	-	-
Debentures	1,445,355	1,445,355	1,445,355	-	-
Loans	3,141,594	3,141,594	3,141,594	-	-
Lease liabilities	1,079,998	150,876	150,876	191,468	737,654
	8,196,016	7,266,894	7,266,894	191,468	737,654
31-Dec-20					
Bank loan	40,000	40,000	40,000	-	-
Accounts payable	2,458,566	2,458,566	2,458,566	-	-
Debentures	917,659	917,659	917,659	-	-
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

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;
- The determination of impairment in the carrying costs of inventory;
- The recognition and valuation of impairment of property and equipment, intangible assets and goodwill; 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 three months ended March 31, 2021.

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 March 31, 2021 and December 31, 2020, and as of the date of this MD&A if all outstanding options and warrants were converted to shares:

	May 28, 2021	March 31, 2021	December 31, 2020
Common shares	203,612,218	203,612,218	203,612,218
Stock options	2,980,000	2,980,000	5,960,000
Share purchase warrants	31,650,000	31,650,000	31,650,000
Fully diluted shares	238,242,218	238,242,218	241,222,218

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 2021 and 2020, no employees at the Company had any reported cases of Coronavirus. However, Benchmark compiled a risk assessment, and implemented preventative and emergency response measures at its BC office and production sites in an attempt to manage this risk.

The Company and the world (Coronavirus 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.

Mike Cosic
Chief Executive Officer
May 28, 2021