1.1 Date of Report

The following information, prepared as of March 1, 2018, should be read in conjunction with the condensed consolidated interim financial statements of Wildflower Marijuana Inc. (the "Company") for the six months ended December 31, 2017 and 2016. The condensed consolidated interim financial statements of the Company for the six months ended December 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

1.2 Overall Performance

Nature of Business & Overall Performance

The Company is a cannabis company focused on developing and designing branded cannabis products. Wildflower sells its CBD+ products online and to retailers throughout the US and also produces and markets its THC products in regulated cannabis jurisdictions.

The Company is incorporated under the British Columbia Business Corporations Act and is a reporting issuer in British Columbia, Alberta and Ontario. Its common shares are listed for trading on the Canadian Securities Exchange under the symbol "SUN".

Other Activities

On November 22, 2017 the Company announced that it had won the recognition from High Times as the second best CBD product of 2017. High Times, a New York based monthly magazine founded in 1974, is the longest running and one of the leading news sources for the cannabis culture published its "10 Best CBD Products of 2017" featuring the Wildflower CBD+ Capsules as number 2, https://hightimes.com/cbd/best-cbd-products/9/, the only CBD capsule on the list.

On November 14, 2017, the Company announced that it had successfully launched its products into over 100 stores. While the majority of the stores are in the Washington State regulated market, Wildflower continues to grow its retail presence in the health and wellness stores located throughout the United States including New York, Miami, Los Angeles and Seattle. Online sales began a few months ago and has seen month over month increases. The Company is working with various affiliate on-line partners to bring awareness to our lineup of products and continue to grow our e-commerce revenues. With the relaunch of King Extracts in California under the Wildflower banner, King has sourced warehouse space, negotiated distribution agreements, finalized production and built up an inventory of both Wildflower and King products.

In April 2017, the Company signed a wholesale brokerage agreement with one of the world's largest retail brokers, making the Company the first cannabis company to transition from the specialized cannabis market to mainstream retail distribution.

The Company's full line of hemp derived CBD+ products including CBD based topical, soaps, capsules and vaporizers will be distributed throughout the United States where CBD is legal in all 50 States.

With 165 offices in the United States and Canada and employing 40,000 people, the wholesale broker provides Wildflower a large sales force to market and build out the retail distribution for its CBD+ products. As sales terms and conditions are set by the Company, including timing and pricing, and negotiated by the wholesaler with the retailer, it allows the Company to do a staged roll-out with an initial focus on health and wellness retailers to allow the Company to ramp up production and prepare for the larger national retailers.

The Company is coordinating orders with its production capabilities. Production facilities are being expanded and streamlined in order to meet the expected demand. As the first cannabis company to make the transition from specialized medical and cannabis markets to mainstream retail distribution, the Company is preparing specialized marketing and educational tools for the sales force.

In August 2017, the Company signed a formal agreement acquiring the King Extract brand (the "Agreement"), its trademarks and all proprietary formulations. Currently, King is in over 50 retail outlets but is poised for growth having recently signed on with one of the largest distributors in California giving the Company access to over 600 retail cannabis stores. King has also secured a steady supply of quality, pesticide free oil that can meet the demand of both the King and the Company's products.

With a population of over 39 million, California has the 6th largest economy in the world and is the largest cannabis market. With the passing of proposition 64, California approved the legalization of recreational cannabis this past November. The Company's expansion into California comes at an ideal time for the Company to gain brand awareness and market share prior to full legalization.

As part of the Agreement, King managing partner, Eric Bava will step in and run all California operations for the Company. In consideration, King will receive 500,000 common shares of the Company (issued). The Company will also issue an additional 500,000 common shares within the first year when sales reach US$180,000 in any given month and a further 500,000 common shares if sales increases at a minimum of 15% per month in the aggregate over the following 6 months. In addition, the Company will pay an amount equal to 50% of the net profits from the King business until the earlier of, (i) 2 years from signing a definitive agreement; and (ii) the Company shares trading at price of CAN$1.25 or greater for 10 consecutive trading days. Any shares issued will be subject to a one year hold period from the date of issue provided King is still receiving its net profits, otherwise there will be a four month hold period from the date of issue. In addition, the Company has granted 250,000 stock options at a price of $0.50 per share for a period of five years.

On January 3, 2018, the Company announced the fulfillment of its initial purchase order, previously announced on December 14, 2017, through its California distribution partner. The purchase order comes through the Company's King Brand.

In June 2017, the Company launched an e-commerce website, offering consumers a secure on-line payment platform for its full line of CBD based products. Initial e-commerce will focus on the US market where CBD products are legal for sale and transport through the United States.

In addition, the Company announced that its CBD products will be available for purchase on Amazon.com, the world's largest online retailer. The Company's efforts at launching its products on platforms such as Amazon.com will help it gain an early hold in the market and position it for significant growth.

The Company launched a new vaporizer in November 2016 into the Washington State recreational market. The vaporizer is available in two cannabidiol ("CBD") and three tetrahydrocannabinol ("THC") blends. Following the beta launch of the Company's vaporizer earlier this year, the Company, in conjunction with its licensee, perfected various blends, conducted rigorous testing and sought consumer and industry leaders feedback.

The CBD and THC products will be made available to all I-502 cannabis retailers (Washington State) through an agreement with a Washington State processor. Currently there are approximately 320 I-502 retailers.

The Company is developing a comprehensive on-line marketing campaign for its CBD products. The CBD blends are derived from industrial hemp with negligible THC content and can be sold on-line legally in most US States. The CBD vaporizer to be launched in I-502 retail outlets will be a slight variation of the online version containing marginally more THC. Other distribution targets include 4,600 Natural and Health Food stores, 800 Vitamin and Supplements outlets as well as Pharmacies and retail stores throughout Washington State.

1.3 Selected Annual Information

Expressed in Canadian Dollars

Year ended June 30,		**2017**	2016	2015
Net Sales		**110,723**	Nil	Nil
Net Loss for the year		**(1,195,226)**	(963,738)	(1,505,274)
Loss per share	(Basic)	**(0.026)**	(0.025)	(0.045)
	(Diluted)	**(0.026)**	(0.025)	(0.045)
Total Assets		**758,056**	333,800	345,036
Working capital		**386,532**	111,490	99,445
Total Long Term Liabilities		**Nil**	Nil	Nil
Shareholders' equity		**539,304**	166,692	258,303
Weighted average number of shares outstanding		**46,793,091**	38,777,826	32,093,277
Number of shares outstanding		**51,115,425**	43,183,260	35,571,770

1.4 Results of Operations

The Company had comprehensive loss for the six months ended December 31, 2017 of $327,748 (2016: $318,442). The major differences in the reporting periods include:

- sales of $852,663 (2016: $29,653) includes licensing fees from sales through our partner in the Washington State I-502 market, sales of our King Brand, online sales and sales to other retailers throughout the United States;
- cost of goods sold of $133,807 (2016: $18,318) related to the cost of the products and packaging sold during the period;
- accounting and audit fees of $23,782 (2016: $14,707) related to professional accounting and audit fees incurred during the period;
- advertising and marketing costs of $155,597 (2016: $Nil) related to advertising and marketing campaigns for the launch and sales expansion of Company's cannabis products;
- consulting fees and management fees of $166,946 (2016: $97,771) related to fees paid to the Company's CEO, CFO and board of directors, as well as individuals providing business consulting services;
- depreciation of $19,557 (2016: $7,544) related to the depreciation of tangible and intangible assets;
- equipment lease expense of $17,169 (2016: $Nil) related to operating leases for production equipment entered during the period;
- filing fees and transfer agent fees of $15,106 (2016: $10,907) related to fees paid to the Company's transfer agent and filing fees paid to regulatory bodies;
- general office and miscellaneous expenses of $90,833 (2016: $14,839) related to office supplies and incidental expenditures for the Company's Vancouver-based office and Washington State subsidiary office;
- investor relations and shareholder communications of $15,410 (2016: $7,232) related to fees paid to investor relations personnel, and costs associated with public relations;
- rent of $45,844 (2016: $18,264) related to office space in Vancouver and Washington;
- share-based payment expense of $470,602 (2016: $133,162) related to fair value of incentive stock options granted during the period;
- travel and accommodation of $32,093 (2016: $4,977) related to travel;
- wages and benefits of $1,624 (2016: $11,471) related to wages paid to Canadian employees;
- website design and hosting costs $1,339 (2016: $1,792) related to maintenance of the Company's website and related hosting charges;
- gain on assignment of an amount receivable previously written off of $16,100 (2016: $Nil);
- rent received of $6,000 (2016: $4,000) from tenants subletting office space from the Company on a month-by-month basis; and
- unrealized loss on available for sale marketable securities of $7,000 (2016: $Nil) related to the fair market adjustment of available for sale marketable securities.

The Company had comprehensive loss for the three months ended December 31, 2017 of $16,099 (2016: $219,725). The major differences in the reporting periods include:

- sales of $748,771 (2016: $17,664) includes licensing fees from sales through our partner in the Washington State I-502 market, sales of our King Brand, online sales and sales to other retailers throughout the United States;
- cost of goods sold of $84,238 (2016: $10,534) related to the cost of the products and packaging sold during the period;

- accounting and audit fees of $18,032 (2016: $8,957) related to professional accounting and audit fees incurred during the period;
- advertising and marketing costs of $97,258 (2016: $Nil) related to advertising and marketing campaigns for the launch and sales expansion of the Company's cannabis products;
- consulting fees and management fees of $89,790 (2016: $54,271) related to fees paid to the Company's CEO, CFO and board of directors, as well as individuals providing business consulting services;
- depreciation of $9,904 (2016: $4,036) related to the depreciation of tangible and intangible assets;
- equipment lease expense of $7,682 (2016: $Nil) related to operating leases for production equipment entered during the period;
- filing fees and transfer agent fees of $8,412 (2016: $6,670) related to fees paid to the Company's transfer agent and filing fees paid to regulatory bodies;
- general office and miscellaneous expenses of $48,874 (2016: $7,713) related to office supplies and incidental expenditures for the Company's Vancouver-based office and Washington State subsidiary office;
- investor relations and shareholder communications of $7,659 (2016: $3,537) related to fees paid to investor relations personnel, and costs associated with public relations;
- rent of $22,733 (2016: $2,014) related to office space in Vancouver and Washington;
- share-based payment expense of $349,565 (2016: $133,162) related to fair value of incentive stock options granted during the period;
- travel and accommodation of $19,667 (2016: $2,820) related to travel;
- wages and benefits of $529 (2016: $4,750) related to wages paid to Canadian employees;
- website design and hosting costs $772 (2016: $626) related to maintenance of the Company's website and related hosting charges; and
- rent received of $3,000 (2016: $4,000) from tenants subletting office space from the Company on a month-by-month basis.

1.5 Summary of Quarterly Results (*unaudited*)

Expressed in $ - Quarters ended	Dec 17 $	Sept 17 $	Jun 17 $	Mar 17 $	Dec 16 $	Sept 16 $	Jun 16 $	Mar 16 $
Sales	748,771	103,893	58,372	22,698	17,664	11,989	Nil	Nil
Net Income (loss) for the period	(16,099)	(304,648)	(711,221)	(165,563)	(219,725)	(98,717)	(510,261)	(100,957)
Income (Loss) per share (basic & diluted)	(0.000)	(0.01)	(0.014)	(0.003)	(0.005)	(0.002)	(0.012)	(0.003)
Total assets	1,864,900	1,555,932	758,056	982,583	548,159	385,659	333,800	388,049
Total long term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

1.6 Liquidity and Capital Resources

The Company is currently focused on developing and designing branded products in the cannabis and healthcare sectors. This activity is capital intensive at all stages and subject to the fluctuations in political views, government regulations, market prices, market sentiment, inflation, and other risks.

The Company currently has limited income, and relies primarily on equity financing to fund its business activities and administrative activities. Material increases or decreases in the Company liquidity will be substantially determined by the Company's ability to move its application forward with Health Canada, as well as its continued ability to raise capital.

At December 31, 2017, the Company had working capital of $1,570,144 (June 30, 2017: $386,532).

1.7 Off-Balance Sheet Arrangements

At December 31, 2017, the Company had no material off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any other obligations that trigger financing, liquidity, market or credit risk to the Company.

1.8 Related Party Transactions

The Company incurred the following charges from directors of the Company, companies controlled by directors of the Company or companies with common directors for management and consulting fees and directors fees:

	Six months ended December 31,	
	2017	2016
William MacLean (CEO)	**$ 60,000**	$ 60,000
Nash Meghji (director, former CEO)	**$ 6,000**	$ 6,000
Stephen Pearce (CFO, director)	**$ 12,000**	$ 12,000
Donna Baillie (director)	**$ 6,000**	$ 6,000
	$ 84,000	$ 84,000

The Company had the following amounts due from directors of the Company, companies controlled by directors of the Company or companies with common directors for prepaid rent and expenses:

	Six months ended December 31, 2017	Year ended June 30, 2017
Flying A Petroleum Ltd.	**$ (6,720)**	$ (6,720)
	$ (6,720)	$ (6,720)

The Company had the following amounts due to directors and former directors of the Company:

	Six months ended December 31, 2017	Year ended June 30, 2017
William MacLean (CEO)	**$ 23,500**	$ 24,248
Stephen Pearce (CFO, director)	**$ 64,985**	$ 57,564

Nash Meghji (director, former CEO)	**$**	**42,000**	$	36,000
Donna Baillie (director)	**$**	**42,000**	$	36,000
SAN Management Ltd. (Company controlled by CFO)	**$**	**10,000**	$	10,000
	$	**182,485**	$	163,812

No stock options were granted to directors or officers during the periods ended December 31, 2017 and 2016.

1.9 Fourth Quarter

Not applicable.

1.10 Share Capital

The Company's authorized capital consists of 100,000,000 common shares without par value and 100,000,000 preferred shares. As at December 31, 2017, the Company's issued and outstanding shares were 56,115,663 which have been issued for cumulative consideration of $11,874,085. As at the date hereof the Company's issued and outstanding shares are 58,819,329.

Escrow

As at December 31, 2017, the Company's transfer agent held Nil (June 30, 2017: 25,000) shares in escrow. The release of these shares is subject to regulatory approval.

Subscription refundable

As at December 31, 2017, the Company had a subscription refundable of $7,500 (June 30, 2017: $7,500). It has not been paid back to the subscribers.

1.11 Financing

During the period ended December 31, 2017, the Company completed a private placement of 965,244 units at $0.47 per unit for total proceeds of $453,665. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional share of $0.75 for a period of two years from closing.

Subsequent to the period ended December 31, 2017, the Company completed a private placement, issuing 1,333,333 units at a price of $1.50 per unit for gross proceeds of $2,000,000. Each unit consists of one common share of the Company and one-half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of the Company at a price of $2.25 for a period of 24 months from the date of closing of the private placement. Once resale restrictions of the shares have expired upon the Company's shares trading at or about a weighted average trading price of $3.25 for 20 consecutive trading days, the Company may give notice that the warrants will expire 30 days from the date of providing such notice. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing.

During the six months ended December 31, 2017, the Company issued 3,534,994 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $674,498. Subsequent to December 31, 2017, the Company issued 1,340,333 common shares pursuant to the exercise of share purchase warrants for gross proceeds of $310,083. As at December

31, 2017, there were 2,045,577 share purchase warrants outstanding. As of the date hereof, there are 1,371,910 share purchase warrants outstanding.

During the six months ended December 31, 2017, the Company granted 1,050,000 incentive stock options; 250,000 options were issued to consultants at an exercise price of $0.50 per share for a period of five years, and 500,000 options were issued to consultants at an exercise price of $0.40 per share for a period of five years, and 300,000 options were issued to employees and consultants at an exercise price of $0.62 per share for a period of five years.

Subsequent to December 31, 2017, the Company granted 200,000 incentive stock options to consultants at an exercise price of $1.55 per share for a period of five years.

As at December 31, 2017 there were 5,455,000 incentive stock options outstanding, and as of the date hereof, there were 5,655,000 incentive stock options outstanding.

1.12 Proposed Transactions

There are no proposed transactions at the date of this report.

1.13 Forward Looking Statements

Statements throughout this MD&A that are not historical facts may be considered “forward-looking statements.” Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks may be forward-looking statements which reflect management’s expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as “may”, “will”, “should”, “could”, “anticipate”, “believe”, “expect”, “intend”, “plan”, “potential”, “continue” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to management.

Readers are cautioned not to place undue reliance on these forward-looking statements as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company's business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

In particular, this MD&A contains forward-looking statements pertaining to the following:

(i) projections of market prices and costs;
(ii) expectations regarding the ability to raise capital and to conduct product development and research and development; and
(iii) expectations regarding the regulation of the cannabis industry and the ability to navigate those regulations.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. As a consequence, actual results may differ materially from those anticipated in the forward-looking statements and the Company is under no obligation to update unless required by applicable securities laws.

1.14 Risks and Uncertainties

Operating History and Financial Resources - The Company has a very limited history of operations, is in the early stage of development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no history of earnings. Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

Historically the Company has financed its operations through equity financing. While the Company has begun to generate revenues, these revenues are not currently sufficient to support the Company's existing operation or expansion. There is no assurance the Company will be able to maintain the current level of revenue or access further equity. Due to the fact the Company operates a cannabis business certain financing options such as bank financing are not currently available to the Company. If the Company is unable to sustain or grow its revenue and not be able to attract further equity financing, the Company would suffer significant financial damage.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Regulatory Risks - The activities of the Company will be subject to intense regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon 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.

The Company currently licenses its products, packaging, design, name and marketing skills to a licensee in the state of Washington. While Washington has developed comprehensive rules and regulations, the Company does not touch the regulated product, however, it must still ensure compliance with Washington's cannabis laws as its licensee is required to follow these rules to the extent necessary for packaging, labelling, marketing and selling materials and the necessary warnings. Washington state operates a seed to sale tracking system with 3 levels of licenses, the producer license, the processor license and the retail license. The Company has licensed its brand and technology to a producer/processor licensee. To the best of the knowledge of the Company, it and its licensee are in compliance with Washington state cannabis rules and regulations.

U.S. Federal Laws - Our business operation is dependent on state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of cannabis, which would negatively impact our proposed business.

The concepts of "medical marijuana and "retail marijuana" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under U.S. federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The U.S. federal government had previously adopted a forbearance approach to the enforcement of federal laws. However, on January 3, 2018, the Attorney General of the United States revoked the so-called "Cole Memo" which provided for this forbearance. This revocation essentially allows any State attorney general to pursue criminal action against parties which may contravene federal marijuana laws. While the State attorneys in both California and Washington have publicly stated they do not intend to pursue actions against any marijuana companies, any change to this position would cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

Voters in the state of Washington approved and implemented regulations to legalize cannabis for adult use. The state laws are in conflict with the Federal Controlled Substances Act, which makes marijuana use and possession illegal on a national level. The current U.S. administration has continued the policy of forbearance against enforcement of these laws but has also made statements which suggest they may change this policy however currently the policy is that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the administration will not change its stated policy regarding the low-priority enforcement of federal laws. Additionally, any new administration that follows could change this policy and decide to stringently enforce the federal laws. Any such change in the federal government's enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

Voters in the State of California also approved the legalization of cannabis for adult use. As of January 1, 2018, marijuana is currently legal according to California State law provided you are properly licensed under the California regime. While cannabis is legal in California, there is still a considerable degree of uncertainty as to what laws apply and how they are to be interpreted. Currently, the Company works with licensed producers to sell its products into California and works with a separate licensed producer to distribute its products.

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect our operations. Local, state and federal marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require us to incur substantial costs associated with legal and compliance fees and ultimately require us to alter our business plan. Furthermore, violations of these laws, or alleged violations, could disrupt our business and result in a material adverse effect on our operations. In addition, we cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to our business.

Regulation that may hinder the Company's Ability to Establish and Maintain Bank Accounts - The U.S. federal prohibitions on the sale of marijuana may result in producers being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from producers the Company may have licensing agreements with. Producers at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and producers they work with. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that producers the Company works with may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Product Liability, Operational Risk - As a licensing company (in the case of the Company) and a manufacturer and distributor of products (in the case of our CBD products) designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis-infused products based on the Company's recipes and brands involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur.

The Products Manufactured and Sold by the Company and those Provided to Producers who License those Products May Become Subject to Regulation Governing Food and Related Products - Should the Federal government legalize cannabis nation-wide, it is possible that the U.S. Food and Drug Administration ("FDA") would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of cannabis and cannabis-infused products. Clinical trials may be needed to verify efficacy and safety of the medical cannabis. It is also possible that the FDA would require that facilities where cannabis is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, the Company cannot foresee the impact on its operations and economics. If the Company or the producers it works with are unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Company or producer may be unable to continue to operate in its current form or at all.

We license our products and brand, which limits our ability to manage third-party risks associated with these licensees - Licensees have control over their operation and the management thereof. These licensing arrangements involve risks such as the possibility that a licensee might become bankrupt, have economic or business interests or goals that are inconsistent with our business interests or goals, take actions that are contrary to our instructions or to applicable laws and regulations, or do something to damage our brand. In addition, we may be unable to take action due to regulatory constraints. Consequently, actions by a licensee or other third-party could expose us to claims for damages, financial penalties and reputational harm, any of which could have an adverse effect on our business and operations.

Preparing our financial statements requires us to have access to information regarding the results of operations, financial position and cash flows of our licensees. Any deficiencies in our licensees' internal controls over financial reporting may affect our ability to report our financial results accurately or prevent or detect fraud. Such deficiencies also could result in restatements of, or other adjustments to, our previously reported or announced operating results, which could diminish investor confidence and reduce the market price for our shares. Additionally, if our licensees are unable to provide this information for any meaningful period or fail to meet expected deadlines, we may be unable to satisfy our financial reporting obligations or timely file our periodic reports.

Non-compliance with federal, provincial or state laws and regulations, or the expansion of current, or the enactment of new laws or regulations, could adversely affect the Company's Business - The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon 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.

While cannabidiol ("CBD") can be found in certain strains of marijuana, which faces significant restrictions on use and distribution under the United States Controlled Substances Act ("CSA"), the Company is not sourcing CBD from marijuana.

While oil derived from industrial hemp stalk that has naturally occurring THC content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("FDA") will not regulate the use of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of 1994 ("DSHEA"), or would otherwise be permitted for use under the DSHEA. The FDA has taken steps to pursue companies that manufacture hemp-infused products that make health and medical claims about their products, and may take steps to pursue companies that manufacture these products. This may include the Company's products, which would adversely effect the Company's financial performance.

The Company relies on the supply of hemp stalk oil extracts, which is imported into the United States from other countries, as the United States Drug Enforcement Administration ("DEA") has taken a position that CBD is a marijuana derivative and, therefore, a Schedule I drug. Currently, the definition of "marijuana" in the CSA does not include the plant's "mature stalks", which are used to create hemp (which only contains trace amounts of THC and has no psychoactive effect). Hemp stalk oil is not scheduled under the CSA and therefore, is also not under the enforcement authority of the DEA. Currently, the DEA does not take jurisdiction over hemp stalk oil products, but controls hemp cultivation, and companies that wish to cultivate hemp in the United States must apply for a permit with the DEA. If in future DEA takes jurisdiction to regulate hemp stalk oil products, the Company may become subject to additional licensing requirements, which may require additional capital. There is no assurance that the Company will be able to obtain any such licenses, or be eligible to apply for such licenses, which would adversely affect the Company's business.

1.15 Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure. The Chief Executive Officer and Chief Financial Officer are not required to certify the design and evaluation of its disclosure controls and procedures due to the inherent limitations on the ability of these officers to design and implement such disclosure controls and procedures on a cost effective basis.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2017. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

1.16 Other MD&A Requirements

Additional information relating to Wildflower Marijuana Inc. can be found on SEDAR at www.sedar.com., or at the Company's head office at:

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