1.1 Date of Report

The following information, prepared as of December 18, 2019, should be read in conjunction with the audited financial statements of Wildflower Brands Inc. (formerly Wildflower Marijuana Inc.) (the "Company") for the years ended June 30, 2019 and 2018. The financial statements of the Company for the years ended June 30, 2019 and 2018 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 branding company focused on developing and designing reputable brands and quality products that incorporate the synergistic effects of plants and their extracts. Wildflower sells its products online and to retailers throughout the US and also produces and markets products in the regulated cannabis jurisdictions of Washington and California.

During the year ended June 30, 2019, the Company acquired the issued and outstanding shares of City Cannabis Corp. ("City Cannabis") in exchange for 60,000,000 common shares of the Company at a price of $0.65 per share for aggregate consideration of $39,000,000. City Cannabis has four licensed cannabis retail locations in British Columbia including premier locations at Granville and Robson and Cambie at 7th Avenue.

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 August 12, 2019, the Company announced that BC's Liquor and Cannabis Regulation Branch has issued a Cannabis Retail Store license to City Cannabis Co's 2317 Cambie Street location and their Comox Valley location on Vancouver Island. Wildflower recently acquired City Cannabis Co and with their third and fourth locations in B.C. City Cannabis is at the forefront of the BC retail cannabis market.

In May 2019, the Company had a variety of its CBD+ wellness products featured at Kim Kardashian's CBD baby shower. The Company's products were enjoyed by Ms. Kardashian and her closest friends and family as part of a curated CBD-themed party designed to provide guests with a soothing, relaxing holistic health experience.

In May 2019, the Company announced the signing of an agreement with Highmark Interactive to study the cognitive and functional neurological effects of cannabinoids through clinical research.

In March 2019, the Company announced the addition of Pure and Pure Plus tinctures to the Company's CBD+ Wellness line of products. The product launch is part of the Company's ongoing product development efforts to meet the wholesale and retail customer demands for its high-quality offerings. The Company will continue to expand its CBD+ lineup.

In February 2019, the Company announced Wildflower products had been selected for inclusion in the 2019 Four Seasons Hotel Hollywood Swag Bags, in partnership with Redfund Capital Corps and Karen Lee, founder of Kaleidoscope Health and Ripped Femme.

On December 18, 2018, the Company announced that it was pleased with the passing of the 2018 Farm Bill, which includes the Hemp Farming Act of 2018. The Bill unequivocally removes hemp as a designated controlled substance, legalizing CBD in all 50 states. In 2016, CBD products comprised the majority of the $68 million in domestic sales of hemp goods. According to the market research firm Brightfield Group, hemp legalization is predicted to catalyze the expansion of the hemp CBD market, reaching $22 billion by 2022. By clearly legalizing industrial hemp and essentially reclassifying it as a lawful agricultural commodity, CBD products will be able to gain further mainstream retail distribution. Wildflower products are already found in many traditional retail outlets in the health and wellness sector. With this clear statement in the form of the Hemp Farming Act, all retailers will begin to embrace CBD products as their increasing acceptance for health and wellness continues to grow. Wildflower will be able to leverage existing relationships along with the brand recognition Wildflower has earned to expand its distribution substantially.

1.3 Selected Annual Information

Expressed in Canadian Dollars

Year ended June 30,		**2019**	2018 (Restated)	2017
Net Sales		**7,085,223**	1,408,114	110,723
Net Loss for the year		**(4,954,532)**	(7,074,356)	(1,195,226)
Loss per share	(Basic)	**(0.076)**	(0.124)	(0.026)
	(Diluted)	**(0.076)**	(0.124)	(0.026)
Total Assets		**59,795,242**	13,758,127	758,056
Working capital (deficiency)		**(607,223)**	(4,962,621)	386,532
Total Long Term Liabilities		**4,293,187**	2,117,772	Nil
Shareholders' equity		**47,048,211**	5,257,201	539,304
Weighted average number of shares outstanding		**65,499,889**	56,933,741	46,793,091
Number of shares outstanding		**134,898,891**	63,324,751	51,115,425

1.4 Results of Operations

The Company had comprehensive loss for the year ended June 30, 2019 of $5,276,148 (2018: $7,529,013). The major differences in the reporting periods include:

- sales of $7,085,223 (2018: $1,408,114) includes licensing fees from sales through our partner in the Washington State I-502 market, online sales and sales to other retailers throughout the United States;
- cost of goods sold of $3,927,086 (2018: $915,997) related to the cost of the products and packaging sold during the period;
- accounting and audit fees of $153,049 (2018: $39,230) related to professional accounting and audit fees incurred during the period;

- accretion of $363,450 (2018: $41,515) recognized in order to update the present value of the convertible debenture issued during the period;
- advertising and marketing costs of $384,616 (2018: $313,068) related to advertising and marketing campaigns for the Company's cannabis products, as well as funds expended toward the branding of the retail locations in Manhattan under the Retail Worx agreement;
- bad debt expense of $1,198,808 (2018: $Nil) to recognize an allowance for doubtful accounts related to trade receivables;
- bank charges of $104,429 (2018: $30,207) related to charges incurred on the Company's bank account and credit card processing fees from online sales;
- consulting fees and management fees of $978,018 (2018: $473,735) related to fees paid to the Company's CEO, CFO, COO, and board of directors, as well as individuals providing business consulting services;
- depreciation of $259,865 (2018: $60,388) related to the depreciation of tangible and right-of-use assets;
- equipment lease expense of $3,941 (2018: $24,898) related to operating leases entered during the prior period;
- filing fees and transfer agent fees of $74,280 (2018: $41,976) related to fees paid to the Company's transfer agent and filing fees paid to regulatory bodies;
- general office and miscellaneous expenses of $430,393 (2018: $166,621) related to office supplies and incidental expenditures for the Company's Vancouver-based office, Washington State subsidiary office, and Californian subsidiary office;
- investor relations and shareholder communications of $691,532 (2018: $393,420) related to fees paid to investor relations personnel, and costs associated with public relations;
- legal fees of $626,213 (2018: $59,015) related to general corporate matters and acquisitions, including the acquisition of City Cannabis Corp.;
- product development of $42,400 (2018: $Nil) related to costs associated with developing new products;
- rent of $331,269 (2018: $101,191) related to office space in Vancouver and Washington;
- share-based payment expense of $331,222 (2018: $1,924,750) related to fair value of incentive stock options granted during the period;
- travel and accommodation of $182,336 (2018: $117,342) related to travel for business activities;
- wages and benefits of $1,515,177 (2018: $175,669) related to wages and related benefits paid to employees;
- write down of subscriptions receivable of $33,369 (2018: $Nil) related to an allowance made for subscriptions receivable from the prior year;
- write off of loan receivable of $179,867 (2018: $173,236) as the Company deemed the amounts to be unrecoverable;
- unrealized gain on marketable securities of $7,000 (2018: $3,150) related to the fair market adjustments of marketable securities;
- rent received of $81,629 (2018: $27,560) from tenants subletting office space from the Company on a month-by-month basis;
- unrealized foreign exchange loss of $109,129 (2018: gain of $293,896) primarily related to the effect of USD fluctuations on intercompany balances held in USD;

- interest expense of $901,406 (2018: $129,770) related to the interest accrued on the loans payable, promissory notes and convertible debentures issued during the period;
- gain on agreement revision of $810,262 (2018: $Nil) representing the difference in book value of the property and equipment deemed to have been disposed of under an industrial lease agreement and the present value of the lease obligations for the same property;
- financing costs of $110,304 (2018: $Nil) related to the payment made to extend the maturity date of a promissory note;
- gain on settlement of debt of $5,000 (2018: $Nil) related to the settlement of debt with a consultant;
- income tax expense of $16,380 (2018: $Nil); and
- exchange difference of $321,616 (2018: $454,657) related to translating the transactions of the Company's foreign subsidiaries with a functional currency other than the Canadian dollar.

1.5 Summary of Quarterly Results (*unaudited*)

Expressed in $ - Quarters ended	Jun 19 $	Mar 19 $	Dec 18 $	Sept 18 $	Jun 18 (Restated) $	Mar 18 (Restated) $	Dec 17 (Restated) $	Sept 17 (Restated) $
Sales	2,125,579	2,547,230	1,410,135	1,002,279	957,224	210,577	136,420	103,893
Net income (loss) for the period	(2,594,179)	(1,019,862)	176,700	(1,517,191)	(5,380,104)	(754,153)	(628,451)	(311,648)
Income (Loss) per share (basic & diluted)	(0.0429)	(0.0158)	0.0027	(0.02)	(0.113)	(0.001)	(0.000)	(0.01)
Total assets	59,795,242	16,797,126	14,491,582	14,174,549	13,758,127	4,492,724	1,864,900	1,555,932
Total long term liabilities	4,293,187	4,057,555	3,988,201	3,907,097	2,117,772	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 raise capital.

On April 5, 2018, the Company entered into a capital commitment agreement with an investor for a maximum investment of $10,000,000. The Company has a right to draw-down under the capital commitment for a term of 2 years. Shares will be issued to the investor at a price equal to higher of a floor-price set by the Company and a 10% discount to the market price of the Company's common shares on the immediately-preceding 15-day volume weighted average price during the acceptance period. The investor will hold freely-trading common shares of the Company through a share-lending facility provided by certain shareholders. The Company paid the following finder's fees on the agreement:

- Issued a promissory note in the amount of $125,000.
- Issued 2,680,000 share purchase warrants

As at June 30, 2019, the Company held $462,487 (June 30, 2018: $462,487) from the investor pursuant to the agreement. The balance has been included in subscriptions received as shares have not been issued. The agreement is currently under dispute as the Company believes a breach of contract has occurred.

At June 30, 2019, the Company had working capital deficiency of $607,223 (June 30, 2018: deficiency of $4,962,621).

1.7 Off-Balance Sheet Arrangements

At June 30, 2019, 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:

	Years ended June 30,	
	2019	2018
William MacLean (CEO)	**$ 180,000**	$ 125,000
Nash Meghji (director, former CEO)	**12,000**	12,000
Stephen Pearce (CFO, director)	**24,000**	24,000
Danna Baillie (former director)	**–**	9,000
Alfred Kee (COO)	**150,000**	16,597
Justin Turnquist (director)	**12,000**	3,000
	$ 378,000	$ 189,597

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:

	Years ended June 30,	
	2019	2018
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:

	Years ended June 30,	
	2019	2018
William MacLean (CEO)	**$ 21,983**	$ 18,500
Stephen Pearce (CFO, director)	**80,423**	72,776
Nash Meghji (director, former CEO)	**60,000**	48,000
Danna Baillie (director)	**–**	45,000
Alfred Kee (COO)	**1,136**	1,795
Justin Turnquist (director)	**15,000**	3,000
SAN Management Ltd. (company controlled by CFO)	**76,914**	10,000
Krystian Wetulani (City Cannabis Corp. director)	**1,541**	–
	$ 256,997	$ 199,071

During the period ended June 30, 2019, the Company granted Nil stock options (2018: 500,000) to directors and officers of the Company. The fair value of these stock options was $Nil (2018: $611,428).

1.9 Fourth Quarter

The Company had comprehensive loss for the three months ended June 30, 2019 of $2,229,982 (2018: $5,380,104). The major differences in the reporting periods include:

- sales of $2,125,579 (2018: $957,224) includes licensing fees from sales through our partner in the Washington State I-502 market, online sales and sales to other retailers throughout the United States;
- cost of goods sold of $1,154,609 (2018: $461,843) related to the cost of the products and packaging sold during the period;
- accounting and audit fees of $82,050 (2018: $9,838) related to professional accounting and audit fees incurred during the period;
- accretion of $104,176 (2018: $41,515) recognized in order to update the present value of the convertible debenture issued during the period;
- bad debt expense of $1,198,808 (2018: $Nil) to recognize an allowance for doubtful accounts related to trade receivables;
- bank charges of $32,195 (2018: $30,207) related to charges incurred on the Company's bank account and credit card processing fees from online sales;
- consulting fees and management fees of $440,123 (2018: $170,247) related to fees paid to the Company's CEO, CFO, COO, and board of directors, as well as individuals providing business consulting services;

- depreciation of $86,771 (2018: $60,388) related to the depreciation of tangible and right-of-use assets;
- equipment lease expense of $Nil (2018: $3,930) related to operating leases entered during the prior period;
- filing fees and transfer agent fees of $43,668 (2018: $20,400) related to fees paid to the Company's transfer agent and filing fees paid to regulatory bodies;
- general office and miscellaneous expenses of $222,776 (2018: $87,324) related to office supplies and incidental expenditures for the Company's Vancouver-based office, Washington State subsidiary office, and Californian subsidiary office;
- investor relations and shareholder communications of $313,619 (2018: $339,305) related to fees paid to investor relations personnel, and costs associated with public relations;
- legal fees of $565,536 (2018: $48,910) related to general corporate matters and acquisitions, including the acquisition of City Cannabis Corp.;
- product development of $42,400 (2018: $Nil) related to costs associated with developing new products;
- rent of $153,042 (2018: $25,029) related to office space in Vancouver and Washington;
- share-based payment expense of $Nil (2018: $1,161,713) related to fair value of incentive stock options granted during the period;
- travel and accommodation of $85,008 (2018: $46,061) related to travel for business activities;
- wages and benefits of $238,153 (2018: $161,331) related to wages and related benefits paid to employees;
- write down of subscriptions receivable of $33,369 (2018: $Nil) related to an allowance made for subscriptions receivable from the prior year;
- write off of loan receivable of $179,867 (2018: $173,236) as the Company deemed the amounts to be unrecoverable;
- unrealized gain on marketable securities of $2,100 (2018: loss of $1,750) related to the fair market adjustments of marketable securities;
- rent received of $48,320 (2018: $18,560) from tenants subletting office space from the Company on a month-by-month basis;
- unrealized foreign exchange loss of $378,982 (2018: gain of $280,866) primarily related to the effect of USD fluctuations on intercompany balances held in USD;
- interest expense of $348,816 (2018: $129,770) related to the interest accrued on the loans payable, promissory notes and convertible debentures issued during the period;
- gain on agreement revision of $810,262 (2018: $Nil) representing the difference in book value of the property and equipment deemed to have been disposed of under an industrial lease agreement and the present value of the lease obligations for the same property;
- gain on settlement of debt of $5,000 (2018: $Nil) related to the settlement of debt with a consultant;
- income tax expense of $16,380 (2018: $Nil); and
- exchange difference of $364,197 (2018: $454,657) related to translating the transactions of the Company's foreign subsidiaries with a functional currency other than the Canadian dollar.

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 June 30, 2019, the Company's issued and outstanding shares were 134,898,891 which have been issued for cumulative consideration of $17,787,419. As of the date hereof, the Company's issued and outstanding shares were 136,915,391.

Escrow

As at June 30, 2019, the Company's transfer agent held 25,000 (June 30, 2018: 25,000) shares in escrow. The release of these shares is subject to regulatory approval.

Subscription received and refundable

As at June 30, 2019, the Company had received subscriptions of $Nil (June 30, 2018: $39,000) related to participation in a private placement for which shares were issued subsequent to period end.

The Company received $Nil (2018: $462,487) from an investor pursuant to a capital commitment agreement (Note 19) for which shares have not been issued at June 30, 2019. The balance of $462,487 (2018: $462,487) remains as subscriptions received.

As at June 30, 2019, the Company had a subscription refundable of $7,500 (June 30, 2018: $7,500). It has not been paid back to the subscribers.

As at June 30, 2019, there were 2,769,231 shares issued that were not fully paid for subscriptions receivable of $1,818,005 (2018: $138,369) in relation to the private placements. These funds were received subsequent to June 30, 2019.

1.11 Financing

During the period ended March 31, 2019, the Company issued 30,000 units for gross proceeds of $39,000 pursuant to a private placement. 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 $2.50 for a period of 12 months from the date of closing of the private placement. Payment had been received prior to June 30, 2018 and was included in subscriptions received. The Company allocated $2,854 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

In addition, the Company closed a non-brokered private placement, issuing 362,359 units at a price of $0.85 per unit for gross proceeds of $308,005. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.50 for a period of two years from the date of closing of the private placement. The Company allocated $98,902 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

In addition, the Company closed a non-brokered private placement, issuing 30,000 units at a price of $0.85 per unit for gross proceeds of $25,500. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.50 for a period of two

years from the date of closing of the private placement. The Company allocated $8,188 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

In addition, the Company closed a non-brokered private placement, issuing 3,485,681 units at a price of $0.54 per unit for gross proceeds of $1,882,267. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $0.85 for a period of two years from the date of closing of the private placement. The Company paid cash finder's fees of $77,000 and issued 142,592 finder's warrants in connection with the private placement. The fair value of the finder's warrants is $36,681 and was estimated using the Black-Scholes pricing model on the date of issuance. The finder's warrants are exercisable for a period of two years from the date of closing at a price of $0.85.

In addition, the Company closed a non-brokered private placement, issuing 3,534,898 units at a price of $0.65 per unit for gross proceeds of $2,297,683. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of two years from the date of closing of the private placement, subject to certain acceleration and adjustment provisions. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $606,376 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance. The Company allocated $351,571 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

In addition, the Company closed a brokered private placement, issuing 3,561,202 subscription receipts at a price of $0.65 per unit for gross proceeds of $2,314,781. Each subscription receipt automatically converted into one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of two years from the date of closing of the private placement, subject to certain acceleration and adjustment provisions. The Company paid cash finder's fees of $473,980, other share issuance costs of $177,635, and issued 342,915 compensation options in connection with the private placement. The compensation options are exercisable for a period of two years from the date of closing to acquire one common share and one share purchase warrant of the Company at a price of $0.65. Each warrant entitles the holder to acquire one additional common share of the Company at a price of $1.00 for a period of two years from the date of closing. The fair value of the compensation options is $82,547 and was estimated using the Black-Scholes pricing model on the date of issuance. All securities issued pursuant to the placement are subject to a hold period of four months and one date from the date of closing. The Company allocated $620,711 of the gross proceeds to the warrants. The fair value of the warrants was estimated using the Black-Scholes pricing model on the date of issuance.

During the year ended June 30, 2019, the Company issued 800,000 share purchase warrants in connection with the Retail Worx agreement. Of the 800,000 share purchase warrants issued, 400,000 vested before all warrants were cancelled due termination of the Retail Worx agreement.

During the period ended June 30, 2019, 45,000 share purchase warrants expired unexercised and 800,000 were cancelled. As at June 30, 2019 and the date hereof, there were 12,604,251 share purchase warrants outstanding and 2,822,592 finders warrants outstanding.

During the period ended June 30, 2019, the Company granted 500,000 incentive stock options to consultants and employees; 100,000 of these options were granted at an exercise price of $1.35 per share for a period of five years, and 400,000 of these options were granted at an exercise price of $0.70 per share for a period of five years. Subsequent to June 30, 2019, 2,016,500 options were exercised for gross proceeds of $403,300 and 25,000 options expired unexercised.

Subsequent to June 30, 2019, the Company granted 7,150,000 incentive stock options to certain directors, officers, employees, and consultants. These options have an exercise price of $0.65 and are exercisable for a term of five years.

As at June 30, 2019, there were 5,925,000 incentive stock options outstanding, and as of the date hereof, there were 11,033,500 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.

In California the Company has various temporary licenses and has made applications for final licenses. Businesses operating in the cannabis industry must first obtain an application in the city it is operating and then apply for a State license. Currently, the Company has temporary licenses from the city of Los Angeles and State of California for retail, cultivation, manufacturing and distribution. Regulations are changing at both levels of government regularly. The Company has retained counsel specializing in cannabis regulations to review the California operations regularly to ensure compliance. The regulations encompass everything from how you grow and the nutrients that can be used to how the product is packaged and sold. All products sold must undergo extensive testing and have appropriate labelling. To the best of the knowledge of the Company, it is in compliance with California and Los Angeles 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. Currently, the U.S. federal government has adopted a forbearance approach to the enforcement of federal laws. While this forbearance is still in effect, this could change at any time and

without notice. Any change to the policy would cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

Voters in the states of Washington and California 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.

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.

Border Crossing Risk – There have been multiple cases of people getting banned from entry into the United States based on their affiliation with the cannabis industry. While there have been pronouncements that involvement in the cannabis industry in Canada will not prevent you from entering into the United States there is a considerable degree of uncertainty if you are operating in the cannabis industry in the United States. Management regularly crosses the border to conduct and manage its business and any ban from entering into the United States would have a detrimental effect on the Company's operations.

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 June 30, 2019. 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 Brands Inc. can be found on SEDAR at www.sedar.com., or at the Company's head office at:

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