



Management Discussion & Analysis

**For the Three and Twelve Month Period Ended September
30, 2018**

Introduction

This Management Discussion and Analysis (“MD&A” or the “document”) should be read in conjunction with the consolidated financial statements and related notes of James E. Wagner Cultivation Corporation (“JWC” or the “Company”) for year ended September 30, 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS). All amounts are expressed in Canadian dollars unless otherwise noted.

Forward Looking Statements

Certain statements set forth in this document, and which are other than statements of historical fact, may contain certain forward-looking information, and may include future oriented financial information or inferences. Such statements are based on the current expectations and certain assumptions of JWC’s management, and where the outcome of many of the expectations and assumptions are beyond JWC’s control. These statements might be identified by words such as “expect,” “look forward to,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate,” “will,” “project” or words of similar meaning. The Company has prepared this document based on information available to it, including information derived from public sources that has not been independently verified. Such statements contained herein may address but are not limited to, the (i) projected financial performance of JWC, (ii) completion of and the use of proceeds from the raising of capital by JWC, (iii) the expected development of JWC’s vision and growth strategy, (v) sources and availability of third-party financing for JWC’s ventures, and (vi) completion of JWC’s projects that are currently underway, in development or otherwise under consideration. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially and are not to be viewed as guarantees of future performance and undue reliance should not be placed on them. The forward-looking statements contained in this document speak only as of the date of this document, and JWC does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, other than as required under securities legislation.

Vision

JWC’s vision is to be the most efficient producer of the highest-quality cannabis on a global basis. Through its commitment to developing technologically-advanced growing systems and increased product innovation, JWC is passionately committed to driving the cannabis industry forward, while setting the standard for providing clean, consistent, aeroponically-grown cannabis products to medical patients and adult-use markets throughout Canada and the world.

Business Overview

James E Wagner Cultivation Corporation was founded by a family of experienced growers and their existing customers under the MMAR system in 2007. Our collective spent several years developing a proprietary, next-generation hydroponic system specifically designed for production of medical cannabis. This system, which has resulted in the development of several new cannabis cultivation technologies, can grow some of the world’s highest quality cannabis. Based on aeroponics techniques developed by NASA in the late 1990’s, the JWC patent-pending Growthstorm™ system avoids the use of soils or other growth

media, a source of both additional cost and increased risk of product contamination. Instead, the roots of our plants hang suspended in air, allowing unprecedented control of all plant growth factors.

In early 2012, the JWC collective included several growers and patients. We had developed our proprietary aeroponic method and gained expertise in several growing methods. We wanted to bring our methods and medicine to a wider market, but the strict limits of the MMAR prevented expansion. The Government issued the MMPR in June 2013, changing the landscape and JWC began working towards achieving a license and designing and building out a permanent location.

In December of 2014, JWC moved into its initial home in a quiet commercial/industrial park in Kitchener, Ontario. We quickly launched our application under the Marihuana for Medical Purposes Regulations (“MMPR”), later replaced by the Access to Cannabis for Medical Purposes Regulations (“ACMPR”), and began all of the needed preparations for beginning production. JWC forged important business relationships and partnerships which led to the commencement of the final construction stages of our state of the art pilot facility in December 2015.

On January 9, 2017, JWC received its license to Cultivate under the provisions of the ACMPR. The Company immediately began to grow cannabis using the proprietary Growth Storm aeroponic system while continuing to build out the pilot facility. In late 2017, the pilot facility was completed, and JWC continued to work towards achieving its sales license under the ACMPR.

On March 29, 2018, JWC received its sales license amendment under the provisions of the ACMPR. JWC began selling directly to patients during Q3 of fiscal 2018. JWC will also explore wholesaling opportunities where economically advantageous.

Looking forward, the Company is executing its strategy with construction underway at its second facility, a 345,000 square foot former automotive factory. The first set of eight grow rooms, including support areas, will be ready to begin cultivation in Q1 2019, with new sets of eight grow rooms being added every six to eight weeks. On November 8, 2018, the Company announced that it has received a partial occupancy certificate for the Manitou Drive location. The receipt of this partial occupancy certificate allows JWC staff to begin working in the facility, preparing for cultivation activities. The Company expects to fully complete the facility during fiscal 2020. JWC is actively working to fill out its patient roster, working with several clinics to source patients. JWC is also shipping wholesale lots to Canopy Growth Corporation for inclusion in their Craft Grow store. Sales through this channel began in November 1, 2018.

During 2018, the company put a Cannabis Extract program in place. The Company expects extracted cannabis oil to be an important product in both the medicinal and recreational markets. The Company has an agreement with MediPharm Labs Inc. JWC provides MediPharm with dried cannabis flower and MediPharm sends back extracted cannabis oil. The Company expects to start selling the extracted cannabis oil in Q1 2019. The Company also expects to sell extracted oils to its patients and through its offtake agreement with Canopy Growth Corp. Sales of extracted cannabis oil, through Canopy Growth Corp are expected to begin during Q1 2019.

JWC is going to take part in the recreational market in Canada and is expecting to open storefront locations in the Company’s hometown of Kitchener, Ontario. During 2018, the Company entered into agreements to lease two properties in Kitchener, which would be used as Company owned licensed physical locations where customers can purchase recreational cannabis and cannabis related products. The Company will

pursue all necessary licenses and approvals and will work to have these locations ready to open for business when Ontario allows recreational sales to take place in retail locations. Final guidelines on the opening of retail locations are expected to be made public in the near future, with a licensing process to begin in December 2018 and stores allowed to open in April 2019.

The Company is committed to continuing research and development efforts aimed at disrupting the Cannabis industry in Canada and globally. Refinements to the GrowthStorm™ technology are being researched and tested. Partnerships with other Companies, who are leaders in their fields, are being utilized to further enhance the Company's knowledge and experience all with the goal of producing a market leading product. Developments in environment and process control have led to increased yields and reduced crop loss and the Company expects to keep pushing the limits of expectations as it produces its products for patients and clients.

JWC is currently growing seven strains of cannabis at its initial facility. The Company is excited to begin cultivating at its second location. The Company expects to expand its number of strains significantly in anticipation of receiving its license to cultivate at the Manitou Drive location. The Company expects to expand the number of strains being grown to between 45 and 50. Efforts are currently underway to secure these additional strains using the Cannabis Act guidelines and regulations. The Company is excited to bring the strains it has sourced to its patients, and to the Canadian Adult use market, allowing JWC to continue to demonstrate that its GrowthStorm™ technology produces clean, consistent, aeroponically-grown cannabis.

Management is working to grow the business organically, ensuring fundamentals are in place to support the increased demand that will result from producing a consistent, superior product valued by the Adult-use and Medical markets in Canada.

Industry Overview

The MMAR

In 2001, the Canadian Government introduced the Medical Marijuana Access Regulations ("MMAR") in response to a Supreme Court of Canada ruling that it was unconstitutional to deny Canadians access to marijuana as a medicine. The program did not always run smoothly, plagued by slow and cumbersome application processes, overly restrictive requirements for a license, and lack of monitoring of growers by Health Canada. For over a decade the MMAR helped Canadians legally access a vital medicine, regardless of the program's internal flaws.

The MMPR

In the summer of 2012, the Government of Canada announced that they would be ending the MMAR program and replacing it with the Marijuana for Medical Purposes Regulations ("MMPR"). The MMPR was conceived and designed as a response to the perceived flaws in the MMAR. Community organizations were concerned about the potential threat posed by large numbers of home growers. Police were concerned that these growers were likely to produce excess marijuana and sell it illegally, as well as representing an attractive target for criminals. Under the MMPR, patients would no longer require a license from Health Canada; instead they would only require a prescription from their regular doctor. Instead of thousands of home growers, Health Canada would license larger scale producers, thereby

creating and regulating a medical marijuana industry. Patients would submit their prescription to a Licensed Producer (“LP”), select the medicine they want, and receive it through the mail.

The ACMPR

Late in 2016, the Government of Canada announced that they would be ending the MMPR program and replacing it with the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). The ACMPR was intended as a transitional organization, enacting changes that will help facilitate the transition to a fully legalized market. Few functional changes were introduced from a business perspective, although it did reorganize the licensing process from a single license, to a series of graduated licenses.

Legalization and Regulation of Non-Medical Use of Cannabis in Canada

During the October 2015 Canadian Federal election, the Liberal party promised to move Canada towards the legalization of Cannabis for non-medical use. The Liberal party won the majority of seats in Parliament, and during its initial Speech from the Throne, reaffirmed its intent to introduce legislation that would legalize, regulate and restrict access to marijuana. There have been several developments since this Throne Speech;

- On April 20, 2016, the Government announced its intention to introduce legislation to legalize the recreational use of marijuana by the spring of 2017.
- On June 30, 2016, Health Canada announced that a Task Force on marijuana legalization and regulation would be formed to consult with governments, industry, the public and all other relevant stakeholders. The Task Force would consist of high-level experts in the field of law enforcement, medicine, policy creation, and health care administration and they would provide recommendations on the design of a new legislative and regulatory framework.
- On November 30, 2016, the Task Force published its report: A Framework for the Legalization and Regulation of Cannabis in Canada. In the final report, the Task Force recommended that the Federal Government:
 - Regulate the production of cannabis and its derivatives (e.g., edibles, concentrates) at the federal level, drawing on the good production practices of the current cannabis for medical purposes system
 - Use licensing and production controls to encourage a diverse, competitive market that also includes small producers
 - Implement a seed-to-sale tracking system to prevent diversion and enable product recalls
 - Promote environmental stewardship by implementing measures such as permitting outdoor production, with appropriate security measures
 - Implement a fee structure to recover administrative costs (e.g., licensing)
 - Regulate CBD and other compounds derived from hemp or from other sources

The Task Force recommended that the wholesale distribution of cannabis be regulated by provinces and territories and that retail sales be regulated by the provinces and territories in close collaboration with municipalities.

The Task Force further recommended that personal cultivation of cannabis for non-medical purposes with the following conditions:

- A limit of four plants per residence

- A maximum height limit of 100 cm on the plants
 - A prohibition on dangerous manufacturing processes
 - Reasonable security measures to prevent theft and youth access
 - Oversight and approval by local authorities
- On April 13, 2017, the Federal government introduced Bill C-45, an Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts. The Bill, once it receives Royal Assent, would provide legal access to cannabis and to control and regulate its production, distribution and sale. The objectives of the Act are to prevent young persons from accessing cannabis, to protect public health and public safety by establishing strict product safety and product quality requirements and to deter criminal activity by imposing serious criminal penalties for those operating outside the legal framework.
 - On November 27, 2017 the Bill passed third reading and moved to the Senate for consideration. The Senate had agreed to hold a final vote on the legislation June 7, 2018. Assuming successful passage of the Bill, the Recreational market in Canada would open sometime in August 2018
 - On June 7, 2018 the Bill passed third reading in the Senate, but with many amendments, so it was sent back to the House of Commons for further consideration.
 - On June 18, 2018 the House of commons passed the Bill, removing several of the amendments the Senate had added, and sent the Bill back to the Senate where it was passed on June 19, 2018. The bill received Royal Assent on June 21, 2018.
 - On October 17, 2018, sales of Cannabis for recreational use became legal, as Canada became the second country in the world to allow the use of Cannabis for recreational purposes.

Operations

Selected Operational Information	For the 3 month period ended September 30, 2018	For the year ended September 30, 2018
Revenues	\$170,665	\$231,625
Operating Expenses	\$2,375,239	\$9,866,095
Loss from Operations	\$(2,305,025)	\$(9,005,095)
Net Loss	\$(2, 249,055)	\$(10,313,920)
Net Loss Per Share	\$0.03	\$0.14
Weighted Average Shares	87,601,685	73,844,994

Selected Operational Information	For the 3 month period ended September 30, 2017	For the year ended September 30, 2017
Revenues	\$2,283	\$3,172
Operating Expenses	\$2,976,283	\$3,884,992
Loss from Operations	\$(2,973,111)	\$(3,881,820)
Net Loss	\$(2,721,798)	\$(3,629,618)
Net Loss Per Share	\$0.05	\$0.07
Weighted Average Shares	58,535,240	49,453,163

Selected Operational Information	September 30, 2018	September 30, 2017
Cash and Cash Equivalents	\$8,504,790	\$6,858,659
Short Term Investments	\$6,017,153	-
Agricultural Produce & Biological Assets	\$2,607,433	\$249,843
Other Working Capital	\$483,917	\$278,276
Non-Current Assets	\$5,475,701	\$928,872
Long Term Debt	\$922,513	\$31,073
Shareholder's Equity	\$19,639,467	\$5,792,106

Net loss for the 12 months ended September 30, 2018 was \$10,313,920 or \$0.14 per share, an increased loss of \$6,684,302 or 184% from 2017. The increase is due to increased spending. The company was ramping up operations during 2017, building out the initial facility, and beginning cultivation activities in the completed areas of the facility. In 2018, the initial facility was completed and operations ramped up. Supporting functions have also been ramped up during 2018, with Business Development activity significantly increasing, and the reverse takeover ("RTO") transaction and concurrent financing taking place during the third quarter of 2018.

The Company received its sales license late in Q2 2018, with sales activities commencing during the third quarter. Sales include direct to patient and wholesale with the initial Offtake Agreement lot sent to Canopy Growth for inclusion on their Craft Grow shelf during the fourth quarter. Prior to the year end, the Company also shipped harvested product to our extraction partner, Medipharm. The Company expects to see sales of dried flower through the Craft Grow program and extracted oils from the Medipharm agreement during the first quarter of 2019.

Cost of Goods Sold

The Company has a license to sell cannabis to all eligible persons, where eligibility is defined by the ACMPR. Costs of production are accounted for as inventory of cannabis plants in the pre-harvest stage of production ("Biological Assets"). The value of plants in the pre-harvest stage are carried on the consolidated statement of financial position at fair value less the costs to sell at their point in the pre-harvest cycle. Costs to sell include all inputs directly contributing to the biological assets. Examples of these inputs are electricity, utilities, nutrients, testing, any direct materials used, direct labour costs and amortization costs for the equipment and technology used in the pre-harvest period. A corresponding non-cash unrealized fair value change is recognized through the consolidated statement of loss and comprehensive loss, reflecting the changes in fair value of the biological assets. All inventory (post harvest) sold has been expensed to cost of goods sold. It is expected that cost of goods sold will vary from period to period based on the volume of biological assets in the system, the strains being grown, and where the biological assets are in their life cycle.

For the twelve months ended September 30, 2018, the Company recognized \$2,365,026 (September 30, 2017 - \$249,842) related to the creation and biological transformation of biological assets.

Biological Assets	September 30, 2018	September 30, 2017
Carrying value, beginning of year	223,970	-
Increase due to plant creation	1,533,266	145,140
Effect of unrealized changes in fair value of biological assets	831,760	104,702
Transferred to inventory upon harvest	(1,514,167)	(25,872)
Carrying amount September 30	\$1,074,829	\$ 223,970

The significant assumptions used in determining the fair value of Biological Assets are;

- Market prices in the principal market
- Expected yields of each type of biological asset,
- Percentage of costs incurred at stage of biological transformation compared to the total cost expected to be incurred at the point of harvest including overhead and amortization of capital assets used in the biological transformation process,
- Fair value less cost to sell at point of harvest, and
- Expected rate of destruction for plant at various stages of biological transformation.

Operating Expense

	For the 12 months ended September 30	
	2018	2017
Advertising and promotion	\$362,454	\$118,579
Amortization and depreciation	243,508	143,758
Banking and service fees	9,538	1,398
Interest expense	297,801	42,263
Royalty expense	239,046	300,000
Membership and licenses	38,408	4,174
Office and administration	408,255	64,278
Professional fees	2,211,080	358,717
Rent	2,170,667	148,025
Repairs and maintenance	127,175	51,722
Utilities	229,435	31,681
Wages and benefits	1,733,004	2,620,397
Listing expense	1,795,724	-
	<u>\$9,866,095</u>	<u>\$3,884,992</u>

Total operating expenses increased to \$9,866,095 for the twelve months ended September 30, 2018, from \$3,884,992 in 2017. With the receipt of a Cultivation license in January 2017, JWC began to ramp up cultivation operations and, also, began working towards a Go Public transaction which increased business development activity and cost. These expenditures continued to increase with the Trillium Drive facility becoming fully built out in Q1 2018, and the Go Public transaction completed in Q3 2018. Looking at the year over year expenses, the variances can be explained as follows:

Advertising and Promotion

Spending in this category increased \$243,875 206% in 2018 compared to 2017. In support of the Go Public transaction and after receiving a sales license, spending has been increased for trade shows and promotional items. It should be expected that spending in this category will continue to increase in support of the Company now that it is publicly traded. JWC has negotiated agreements with media companies and is leveraging available marketing support to build awareness and show the value of the Company to current and potential investors.

Amortization and Depreciation

The Company has increased its spending to build the necessary infrastructure to support completion of its initial facility. This included spending on production furniture and equipment, growth system components and leasehold improvements. These items are capitalized and amortized to recognize the value they add to future periods. This also results in increased amortization and depreciation costs as these assets are being used to support operational activities. This category of expense is expected to grow as additional investment is made in infrastructure to support the growth strategy of the company.

Bank Charges and Service Fees

Bank charges and service fees increased in 2018 as JWC added a third party payroll service provider in Q1 of 2018. This work was done in house by staff prior to the decision to outsource. The increase is a net new expense.

Interest Expense

Interest expense has increased by \$255,538 or 605%, in 2018. The Canopy Rivers Debenture agreement was signed in Q4 of 2017. The variance year over year is being driven by the Debenture related expense. The Debenture was offset by the Canopy Rivers Royalty agreement at the time JWC received its sales license, at the end of Q2 2018.

Royalty

Royalty related expense is down \$60,954 or 20% in 2018 from 2017. The 2017 expense is related to a cancelled royalty agreement between the Company and Canopy which was replaced by the Canopy Rivers royalty agreement signed in Q4 2017. The fair value of the cancelled agreement was determined to be \$300,000 which was expensed in Q4 of 2017. The Royalty expense in 2018 is resulting from the Canopy Rivers royalty agreement, which came in to affect at the time of the Company receiving its sales license. This expense is expected to continue until the expiry of this agreement in Q2 2038.

Memberships and licenses

Membership and licensing expenses have increased in 2018. JWC joined the Canadian Cannabis Association during Q4 2017 and also joined the TSX Venture exchange during Q3 of 2018. The addition of these fees is driving the \$34,234 or 820% year over year increase.

Office Administration

Office and Administration expense is up \$343,977 or 535% in 2018. The focus of the company during the first half of fiscal 2017 was to get ready for and then begin to cultivate. The main driver of the increase is the expensing of a prepaid expense related to services offered as part of the Canopy Rivers Investment agreement to support JWC receiving its sales license and becoming a publicly traded company. Since JWC has achieved both milestones, management determined that there was no value remaining and expensed the full amount of the prepaid balance (\$200,000). This was a one time occurrence and will not be repeated in future periods. In addition, in 2018 JWC has continued to ramp up its cultivation but has also focused on business development activities and the build out of infrastructure to support its growth strategy. Office and administration expenditures increased to support these activities. As JWC continues to focus on activities to support growth, management expects this expense to increase accordingly.

Professional Fees

Similar to Office Administration expense, Professional fees are up significantly during 2018. JWC is focused on executing its business strategies including sourcing private placement financing, adding additional production capacity, protection of intellectual property, and taking the Company public and accessing additional opportunities to secure capital and investors. The Company has worked with Consultants, Legal Firms and Accounting Firms to execute their strategy and this has significantly increased the spend in this category by more than \$1.8 million or 516%. The run rate for this expense category is expected to decline over the short and medium term but will continue to exceed prior year levels.

Rent

Rent expense for the 2018 is up \$2,022,642 or 1,366% from 2017. During Q1 2018, JWC signed a lease for a significantly larger second facility. JWC took possession of this second facility February 1 2018, although JWC was able to get into the facility beginning in December 2017 to start cleaning and preparation work for construction. As a result of this, rent began to be recognized in December 2017. The addition of this second facility is the main driver of the increased spend. In addition, the Company added additional office space to support its growth strategy which is adding to the increased rent expense. The increased rent expense levels will continue and possibly increase as the Company continues to grow and execute on its strategies.

Repairs and Maintenance

Expenses related to repairs and maintenance increased by \$75,452, or 146%, in 2018 compared to 2017, as cultivation activities were ramped up requiring additional expenditures to support these activities, including increased spend on repairs and maintenance. The company expects this category of expense to continue to increase as we begin cultivation operations at the Manitou Drive facility.

Utilities

Utilities expense is up \$197,754 or 587% in for the year ended September 30, 2018 compared to 2017. The addition of a second facility, which is more than 20 times the size of the first facility, is the main reason for this increase.

Wages and Benefits

JWC has added staff to support the ramping up of production at the initial facility and to drive the business development activities in support of the Company strategy. Prior to the awarding of the cultivation license, JWC founding members were the only staff in Q1 2017, and a small number of staff were added in of the latter parts of 2017, but by the end of 2018, staffing had increased by almost 300% from a year earlier. In addition, during 2018 JWC received its sales license and began charging its production wages and benefits to cost of goods sold. Wages and benefits expense has decreased by 33% from 2017 to 2018, because of this change in accounting treatment. Overall employee levels have increased, and the rate of growth should be expected to increase as the Company begins hiring to staff its second facility, starting in Q1 of 2019.

Listing Expense

The listing expense is the cost to the Company of completing the Go Public transaction which was a one time expense incurred during Q3 of 2018.

Summary of Cash Flows for the twelve months ended September 30, 2018, and 2017

	September 30, 2018	September 30, 2017
Cash Flows Provided by (used in) Operating Activities	\$(6,981,107)	\$(1,953,478)
Cash Flows Used in Investing Activities	(10,926,983)	(582,744)
Cash Flows Provided by Financing Activities	19,664,221	9,393,371
Cash and Cash Equivalents Balance at End of Period	\$8,504,790	\$6,858,659

Capital & Liquidity

The cash and funds in trust on hand at September 30, 2018 were \$8,504,790 compared with \$6,858,659 as at September 30, 2017. The Company also had \$6,017,153 in short term investments that it could exchange for cash on demand.

During 2018, \$4,909,832 was used in investing activities compared to \$582,744 in 2017. The significant increase is reflective of the increased activity in building out the Trillium Drive pilot facility and building out the Manitou facility. We expect this category of spend to continue to increase, and we will see a significant increase in the magnitude of the spend as we continue to ramp up the build out at the Manitou facility in 2019 and in to 2020. There are five flowering rooms at Trillium and there will be more than 140 flowering rooms at Manitou once it is fully built out.

Financing activities from 2016, 2017 and 2018 were as follows:

On October 6, 2015, the Company completed a private placement financing of 242,608 Class D Special shares at \$0.07 per share for aggregate gross proceeds of \$18,000. The transaction was unbrokered and no transaction costs were associated with the transaction.

On March 11, 2016, May 16, 2016 and May 31, 2016, the Company completed a private placement financing of 3,773,913, 5,391,304 and 2,695,652 common shares at \$0.02 per share for aggregate gross proceeds of \$70,000, \$100,000 and \$50,000 respectively. The transaction was unbrokered and no transaction costs were associated with the transaction.

On May 16, 2016, the Company issued 5,391,304 common shares at \$0.02 per share in consideration for rental services with a fair value of \$105,797. The difference in value between the fair value of services received and the fair value of the shares issued has been recognized to contributed surplus.

On May 25, 2016, the Company issued 1,369,391 common shares at \$0.02 per share in consideration for \$20,000 of cash and legal services with a fair value of \$5,400. The transaction was unbrokered and no transaction costs were associated with the transaction.

On June 24, 2016, the Company issued 1,347,826 common shares at \$0.02 per share in consideration for \$23,000 of cash and office expenses with a fair value \$2,000.

On July 24, 2016, the Company completed a private placement financing of 539,130 common shares at \$0.02 per share for aggregate gross proceeds of \$10,000. The transaction was unbrokered and no transaction costs were associated with the transaction.

On October 3, 2016, the Company completed a private placement financing of 404,347 common shares at \$0.04 per share for aggregate gross proceeds of \$15,000. The transaction was unbrokered and no transaction costs were associated with the transaction.

On November 11, 2016, the Company completed a private placement financing of 582,260 common shares at \$0.11 per share for aggregate gross proceeds of \$64,800. The transaction was unbrokered and no transaction costs were associated with the transaction.

On February 13 and 28, 2017, the Company completed a private placement financing of 727,826 and 2,506,956 common shares at \$0.19 per share for aggregate gross proceeds of \$135,000 and \$465,000, respectively. The Company paid cash fees of \$25,000 for broker fees.

On April 7, 2017, 1,671,304 Class D Special shares were converted to 1,671,304 common shares. The transaction was unbrokered and no transaction costs were associated with the transaction.

On April 7, 2017, the Company completed a private placement financing of 539,130 common shares at \$0.35 per share with directors of the Company for aggregate gross proceeds of \$40,000 and directors' fees with a fair value of \$150,000. The transaction was unbrokered and no transaction costs were associated with the transaction.

On April 7, 2017, the Company completed a private placement financing of 5,933,130 common shares at \$0.35 per share for aggregate gross proceeds of \$2,090,950. Consideration for these shares was taken in the form of cash for \$2,029,675 and payment of professional fees with a fair value of \$61,275. The financing agreement entitles the shareholder to additional common shares equal to 10% and 5% of the number of common shares held without further payment if the Company has not completed a public listing by January 31, 2018 and July 31, 2018, respectively. These contingently issuable shares are accounted for as a derivative liability at fair value as their settlement is not wholly within the control of the Company. The fair value was determined by applying a probability weighing to the public listing event based on management's best estimate of the timing of its occurrence. The fair value at September 30, 2017 was determined to be \$275,000, with the change in fair value recognized in loss for the year ended September 30, 2017. 593,313 shares were issued on January 31, 2018 with a value of \$460,000 and the change in fair value of \$185,000 is recognized in the loss for the year. The Company paid cash fees of \$167,276 and issued 593,313 compensation warrants valued at \$154,470 for broker fees. Each compensation warrant entitles the holder to acquire one common share at \$0.35 for a period of thirty-six months from the date of closing.

On April 20, 2017, the Company issued 173,869 post-stock consolidation (645 pre-stock consolidation) common shares at \$0.35 per share post-stock consolidation (\$95 pre-stock consolidation) in consideration for legal fees with a fair value of \$61,275.

Between May 16, 2017 and June 24, 2017, the Company redeemed 2,560,869 common shares for \$0.28 per share for gross consideration of \$712,500. Transaction fees of \$60,000 were paid.

On August 9, 2017 and September 7, 2017, the Company completed a private placement financing of 5,419,339 and 1,078,260 common shares at \$0.46 per share for aggregate gross proceeds of \$2,013,000 and \$500,000, respectively. The Company paid a cash fees of \$161,040 and issued 864,765 compensation warrants for broker fees valued at \$296,241. Each compensation warrant entitles the holder to acquire one common share at \$0.46 for a period of thirty-six months from the date of closing. The financing agreement entitles the shareholder to acquire common share equal to 10% and 5% of the number of common shares held without further payment if the Company has not completed a public listing by June 1, 2018 and December 1, 2018, respectively. These contingently issuable shares are accounted for as a derivative liability at fair value as their settlement is not wholly within the control of the Company. The fair value of the contingently issuable shares on June 1, 2018 was \$1,119,100, which was recognized during the period and the shares were issued to the entitled shareholders.

On August 9, 2017, 8,895,652 common shares were issued as part of the investment agreement with Canopy for a value of \$3,212,500. Transaction fees of \$200,000 were paid.

On October 27, 2017, the Company issued 998,469 common shares in consideration for rental services with a fair value of \$500,040.

On December 14, 2017, the Company issued 278,730 common shares in consideration for rental services with a fair value of \$149,930.

On December 28, 2017, the Company completed a private placement financing of 1,540,565 common shares at \$0.65 per share for aggregate gross proceeds of \$1,000,125. Transaction costs were \$87,338. The financing agreement entitles the shareholder to acquire common shares equal to 10% and 5% of the number of common shares held without further payment if the Company has not completed a public listing by June 1, 2018 and December 31, 2018, respectively. These contingently issuable shares are accounted for as a derivative liability at fair value as their settlement is not wholly within the control of the Company. The fair value was determined by applying a probability weighing to the public listing event based on management's best estimate of the timing of its occurrence. The fair value of these shares was determined to be \$178,250, which was recognized during the period with the shares issued to entitled shareholders on June 1, 2018.

On April 27, 2018, the Company closed a brokered private placement financing of 16,078,447 subscription receipts at a price of \$1.15 per Subscription Receipt for gross proceeds of \$18,490,214. Each subscription receipt entitles the bearer to one common share of the resulting issuer and one half of one warrant to purchase an additional share at a cost of \$1.50 per share for a period of 24 months. In connection with the financing, the Company has agreed to pay the agents a cash fee equal to six percent (three percent for President's List subscribers) of the gross proceeds financing and to issue compensation options to the Agents equal to six percent of the number of Subscription Receipts sold in connection with the financing. Each compensation option shall be exercisable for one common share of the resulting issuer at an exercise price of \$1.15 per share for a period of two years from the closing of the financing.

Stock Options

During the year ended September 30, 2017, the Company granted 6,739,130 stock options to executives and employees of the Corporation. Each option is exercisable into one common share at \$0.46 per common share for a period of two years. The Company determined the estimated fair value of the options granted using the Black Scholes stock option valuation model to be \$1,942,900.

As part of the Reverse Takeover transaction, the Company acquired stock options which were awarded to executives and Directors of AIM1 Ventures Inc. The stock options were issued on September 7, 2017 by AIM1 Ventures Inc. The AIM1 stock options vested immediately, became exercisable on the Grant Date and must be exercised by September 7, 2022. The Stock Option plans were merged as part of the RTO transaction.

During the fourth quarter of 2018, the Company granted 300,000 stock options to the external Directors on the Board of Directors. Each option is exercisable into one common share at \$0.78 per common share for a period of five years. The Company determined that the fair value of the options granted using the Black Scholes stock option valuation model to be \$198,000. This amount was expensed in full during the fourth quarter, as the options vested immediately upon issue.

XiB Consulting Inc

In December 2017, JWC signed an engagement letter with XiB Consulting Inc. XiB supported JWC through the Reverse Take Over (“RTO”) Transaction (the “Transaction”) which closed June 7, 2018. As part of this agreement, warrants were granted to XiB in two tranches. Each tranche was for 1,078,260 warrants, each of which can be exchanged for one common share of JWC. The first tranche of 1,078,260 can be exchanged at a price of \$0.65, while the second can be exchanged at \$0.74. All 2,156,520 warrants expire 18 months after the completion of the RTO, which would be December 7, 2019. For more information, please see the section on the Transaction. Additional information can be found in the section on the Transaction.

First Canadian Capital Corp

In July 2018, the Company signed a consulting agreement with First Canadian Capital Corp (“FCC”) to supply consulting services consisting of Investor Relations and Corporate Communications. The Company agreed to compensate FCC with a monthly fee of \$6,000. The Company also agreed to grant FCC an option to purchase a total of 300,000 common shares of the Company. The 300,000 consultant options are broken in to 4 tranches, each tranche consisting of 75,000 warrants. The first tranche vested immediately upon the execution of the agreement in July 2018. The second tranche vested on the three month anniversary of the agreement, while the third and fourth tranche will vest on the six and 12 month anniversary of the agreement, respectively.

Share Capital

The following tables show the outstanding securities of the Company as at October 1, 2016, September 30, 2017 and September 30, 2018 and additional details on the outstanding options and warrants.

There is an unlimited number of Common Shares authorized.

	October 1, 2016	2017 Activity	September 30, 2017	2018 Activity	September 30, 2018
Common Stock	42,219,304	22,799,552	65,018,856	22,971,489	87,990,346
Warrants		1,347,826	1,347,826	2,541,193	3,889,019
Broker Warrants		1,458,078	1,458,078	8,405,921	9,863,999
Stock Options		6,739,130	6,739,130	495,305	7,234,435
Fully Diluted	42,219,304	32,344,586	74,563,890	34,413,908	108,977,799

Number of Options/Warrants	Exercise Price per Option/ Warrant	Number Exercisable	Expiry Date
197,861	\$0.35	197,861	April 11, 2020
864,765	\$0.46	864,765	August 11, 2020
1,347,826	\$0.46	1,347,826	August 11, 2019
6,739,130	\$0.46	6,739,130	September 1, 2019
1,078,260	\$0.56	1,078,260	December 7, 2019
1,078,260	\$0.74	1,078,260	December 7, 2019
283,525	\$0.48	283,525	September 7, 2019
762,150	\$1.15	762,150	June 7, 2020
8,039,223	\$1.50	8,039,223	June 7, 2020
300,000	\$1.15	75,000	July 19, 2020
300,000	\$0.78	300,000	August 27, 2023
20,987,453	\$0.91	20,762,453	

Off Balance Sheet Arrangements

The Company has no Off-Balance Sheet arrangements.

Contractual Obligations

The Company enters contractual obligations from time to time relating to the on-going business activities. As at September 30, 2018, the Company has the following commitments:

Lease on Trillium Drive Facility

The Company leases its Pilot Facility on Trillium Drive in Kitchener Ontario. The lease runs through to July 30, 2021 with an option for the Company to renew for an additional 5 years. The current monthly rent is \$7,762.50 which increases to \$8,073 per month on April 1, 2019.

Canopy Rivers

On August 11, 2017, the Company executed three agreements with Canopy Rivers Corporation, a wholly owned subsidiary of Canopy Growth Corporation. The following is a description of each agreement:

Investment Agreement

- Canopy Rivers subscribed for 5,391,304 common shares of JWC for \$2,500,000 (\$0.46 per share)
- Canopy Rivers acquired 3,504,347 common shares from existing shareholders for \$975,000 (\$0.28 per share)
- Canopy Rivers was issued 1,347,826 common share purchase warrants exercisable for \$0.46 per common share for two years from the execution date (August 11, 2019)

Debenture Agreement

- Debenture due on February 10, 2019
- \$2,500,000 fully drawn down on the effective date
- Interest accrues from the effective date on the principal sum outstanding until payment is made
- Interest accrues at a rate of 8% per annum, calculated and compounded annually, and payable quarterly in arrears on the final day of each consecutive three-month period, commencing on September 30, 2017

Due Date	Interest Due	Principal Due
September 30, 2017	\$27,945	
December 31, 2017	\$50,974	
March 31, 2018	\$49,315	
June 30, 2018	\$49,863	
September 30, 2018	\$50,411	
December 31, 2018	\$50,411	
February 10, 2019	\$22,466	\$2,500,000

Note that the purchase price for the Royalty Agreement is \$2,500,000 and it is agreed that the Debenture will be considered fully paid in principal on the date that JWC receives its sales license amendment at the Trillium Drive facility. The Company received its sales license amendment on March 29, 2018 and the Debenture was immediately set off and replaced by the commencement of the Royalty agreement.

Royalty Agreement

- Effective on the Commencement Date, which is the date on which JWC receives its sales license amendment at the Trillium Drive facility

- JWC agrees to pay to Canopy Rivers a royalty equal to \$0.375 per gram of Cannabis Produced at or from the Applicable Operations. The minimum annual Royalty payment per Contract Year shall equal \$487,500.
- Applicable Operations refers to the Trillium Drive facility and does not include the Manitou Road facility, or any other facility that the Company operates during the term of this agreement
- This agreement shall automatically terminate on the twentieth anniversary of the Commencement Date.

Canopy Growth Corporation

On August 11, 2017 the Company executed an agreement with Canopy Growth Corporation, the Offtake Agreement.

Offtake Agreement

- Once JWC receives its sales license amendment, JWC shall sell to Canopy Growth, Specified Genetics (the “Offtake Cannabis”) in accordance with the pricing scale and delivery schedule
- JWC must deliver a minimum of 150 kg of Offtake Cannabis during the first contract year, and
- A minimum of 325 kg of Offtake Cannabis during each Contract Year thereafter, including any renewals
- The commencement date for this agreement is January 1, 2018 and the agreement shall automatically terminate on the second anniversary of the commencement date, unless renewed based on the terms of the agreement.
- The agreement can be renewed on the second anniversary of the commencement date for a period of two years at the sole and absolute discretion of Canopy Growth Corporation
- The agreement can be renewed for an additional two years on the fourth anniversary of the commencement date by mutual written agreement of the two parties.
- The Company is on track to meet or exceed the minimum of 150 kg for the first contract year.

Sales License Amendment

On March 29, 2018 the Company received notification from Health Canada that it had received its Sales License Amendment at the Trillium Drive Facility. This amendment allows the Company to begin selling dried flower and plants. The company commenced sales activities in the third quarter of 2018.

Manitou Road Facility

On February 1, 2018, JWC entered into an agreement to lease a 345,000 square foot facility in Kitchener Ontario. The Manitou Road facility was formerly an automotive manufacturing plant and the Company will be converting it to the largest aeroponic growing facility in the world. The lease runs for 15 years, to January 31, 2033. JWC was able to negotiate a phased in rent schedule. Rent for the facility will be \$98,007.95 per month for the first year, \$115,252.75 per month for the second year, \$132,497.55 per month for the third year, \$135,371.68 per month for the fourth year, and \$169,861.28 per month in the fifth year. The rent then increases to \$175,609.55 per month for years six through ten, and \$201,476.75 per month for the final five years of the lease. In addition, the landlord gave an additional monthly credit of \$79,166.66 per month for February through April 2018. In April 2018 the Company and the Landlord amended the lease and the share purchase agreement. The landlord has agreed to pay the Company a Construction Allowance equal to \$458,333.28 plus HST. This amount represents the additional monthly credit of \$79,166.66 for May 2018, and \$54,166.66 per month for June through December of 2018. The Company has provided the landlord with 1,277,199 shares in the Company as consideration for the rent credit and construction allowance. The shares were transferred to the landlord during Q1 2018.

Reverse Takeover Transaction

On June 7, 2018 the Company, formerly AIM1 Ventures Inc. ("AIM1") completed its acquisition of James E. Wagner Cultivation Ltd. ("Old JWC") by way of a three-cornered acquisition and amalgamation among the Company, Old JWC and 2622627 Ontario Inc., a wholly owned subsidiary of AIM1. Immediately prior to the transaction, the Company changed its name from AIM1 Ventures Inc. to James E. Wagner Cultivation Corporation. In connection with the acquisition and amalgamation transaction, the amalgamated entity (named James E. Wagner Cultivation Ltd.) is a wholly owned subsidiary of the Company.

AIM1 had 1,954,914 common shares issued and outstanding immediately prior to the closing of the Transaction. Upon the completion of the Transaction, AIM1 had 87,591,349 Issuer Shares issued and outstanding with the former Old JWC shareholders holding 85,636,435 (approximately 97.8%).

The transaction does not qualify a business combination under IFRS 3, because the accounting acquiree (AIM1) did not meet the definition of a business.

As a result, for accounting purposes, the transaction is being accounted for as a reverse take over asset acquisition with Old JWC being identified as the acquirer and the net assets of AIM1 being treated as the acquired assets and a share based payment under IFRS 2 related to the acquisition of the public company listing. Accordingly, the consolidated financial statements are presented as a continuation of Old JWC, which has a financial year end of September 30. Consideration paid by the acquirer is measured at the fair value of the equity issued to the shareholders of AIM1, \$2,248,151 (1,954,914 shares at \$1.15/share), with the excess amount above the fair value of the net assets acquired, treated as a listing expense in profit and loss. Transaction costs of \$141,120 are allocated between the listing cost and the equity raise.

The assets acquired and liabilities assumed at their fair value on the acquisition date are as follows.

	Amount
Consideration	\$ 2,248,151
Transaction costs paid	\$ 141,120
Less: Transaction costs attributable to equity raise	\$ (35,057)
	\$ 2,354,214
Identifiable assets acquired	
Cash	\$ 558,490
Listing expense	\$ 1,795,724

Subsequent Events

Alumina Partners

On November 6, 2018 JWC entered into an agreement with Alumina Partners for a draw-down equity facility of up to \$18,000,000. The agreement allows JWC, at its discretion, to sell to Alumina Partners units of the Company, on a private placement basis completed in tranches, with a total value of up to \$2 million per tranche, over a 24 month period. Each unit will consist of one common share and one warrant in the capital of the Company. The purchase price of the units will be agreed to by the parties at the time of drawing down each tranche. Alumina Partners will be eligible to purchase each Unit at a discount to the market price of the Common Shares traded on the TSX Venture Exchange. The purchase price of the warrants will be set at a 50% premium to the price of the Common Shares in the applicable tranche. Each warrant will allow Alumina Partner to acquire one common shares for five years from the

date of issuance. This agreement has been put in place to provide the Company with a potential source of funding for completion of the Manitou Drive facility currently under construction.

Risks and Uncertainties

This section is included to provide the reader with information that needs to be considered by existing and potential investors. It is important to understand that the information in this section is an overview and should not be considered a comprehensive list. JWC may face risks and uncertainties not included in this section, or not currently known to the Company and its management, or management has deemed the risk immaterial. It is important to understand that all risks to JWC's business have the potential to impact its operations materially.

General Business Risk and Liability

The nature of JWC's business subjects it, from time to time, to claims or complaints from investors or others in the ordinary course of business. The legal risks facing JWC, its directors, officers, employees or agents, in this respect, include potential liability for violations of securities laws, breach of fiduciary duty, or misuse of investors' funds. It is possible that violations of securities laws and/or breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of JWC to carry on its existing business. It is possible that JWC could incur significant costs in connection with such potential liabilities.

Limited Operating History

The Company entered the medical cannabis industry in 2013 and is subject to the risks common to entering a new area of investment including under-capitalization, cash shortages, scarcity of trained knowledgeable personnel, and scarcity of financial and other resources. There is no assurance that JWC will be successful in achieving an acceptable return on investment for its shareholders and the likelihood of success must be considered given the early stage of operations for the Company.

History of Losses

JWC has incurred losses since its incorporation. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. It should also be understood, that JWC anticipates experiencing increased operating expenses as it continues to grow the business. If operating revenues do not increase to offset these expected increases in expense, JWC will not be profitable. There is no assurance that JWC will be successful in achieving an acceptable return on investment for its shareholders and the likelihood of success must be considered given the early stage of operations for the Company.

No History of Dividends

JWC has not paid dividends in the past and does not expect to pay dividends in the near future. JWC expects to reinvest earnings in the Company to finance the expansion of operations, and the development of the business. Any decision to declare dividends, in the future, will be made at the discretion of the Board of Directors of the Company and will depend on, among other things, financial results, cash requirements, contractual obligations, domestic and international industry environment and other factors the Board may consider relevant. As a result, investors may not receive any return on their investment in JWC common shares unless they sell them for a higher price than they paid at the time of purchase.

Dilution

The Company does not generate any significant revenues from operations to date and does not have sufficient financial resources to undertake on its own all of its planned activities. The Company has financed its operations primarily through the sale of securities or common shares in the Company. Despite the expectation that the Company will shortly be able to begin selling product, this dependence on the sale of securities to finance planned expansion is expected to continue in the near future. Investors should expect this financing will result in dilution to the Company's existing shareholders.

Capital and Liquidity Risk

The Company's ability to invest and enhance shareholder value is dependent on the available liquid capital, the profitability of ongoing operations and the willingness to utilize debt and issue equity.

Due to the size of the Company, and the limitation on available financial resources, if the Company exceeds growth expectations, or finds investment opportunities it may require debt or equity financing. There is no assurance the Company will be able to obtain additional financial resources that are required to take advantage of these opportunities, or to compete in its markets on favourable commercial terms.

Dependence on Key Personnel

The loss of key members of the Executive team and/or the Operations teams could cause disruptions to the execution of the Company's business strategy and the day to day operations of the business until the person or persons are replaced. It should be noted that recruitment activities are expensive and time consuming and resources are scarce.

The Company may be unable to retain its key employees or source, train, assimilate or retain other necessary qualified employees, which could impact the Company's growth and execution of its business strategy.

Reliance on Licenses

The continuation of the Company's business of growing, storing and distributing medical cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. James E. Wagner Cultivation Ltd. was granted a license (the "License") by Health Canada on January 9, 2017 designating JWC as a "Licensed Producer," as such term is defined in the ACMPR. The License is valid until January 9, 2020, at which point, JWC must apply to Health Canada for a renewal.

Failure to comply with the requirements of the License or any failure to maintain the License would have a material adverse impact on the business, financial condition and operating results of the Company. Although JWC believes it will meet the requirements of the ACMPR for future extensions or renewal of the License, there can be no guarantee that Health Canada will extend or renew the License or that, if extended or renewed, the License will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the License, or should it renew the License on different terms, the business, financial condition and results of the operation of the Company would be materially and adversely affected.

Volatile Market Price for Resulting Issuer Shares

The market price for the Company's shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding shares;
- sales or perceived sales of additional shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities and have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident regarding the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of the Company's shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company's shares may be materially adversely affected.

Reliance on the Facilities

JWC has a single facility which is licensed to produce medical cannabis under the ACMPR, the Trillium Drive Facility. JWC's operations and the conditions of the JWC Facility are, and will be, subject to hazards inherent in the medical cannabis industry, including equipment defects, equipment malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the facilities. Any adverse change or event affecting the JWC Facility may have a material and adverse effect on the Company's business, results of operations and financial condition. JWC must remain compliant with the covenants of its leases

as its licenses are tied to a facility, and failure to remain compliant could put the Company's license(s) at risk.

Expansion of the Facilities

Any expansion of the JWC Facility is subject to various potential problems and uncertainties and may be delayed or adversely affected by several factors beyond the Company's control. These uncertainties including, the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, the Company may not be able to achieve the intended economic benefits from the expansion of operations at existing facilities, which in turn may affect the Company's business, prospects, financial condition and results of operations.

Holding Company Status

The Company is a holding company and essentially all its operating assets are the capital stock of its subsidiaries. JWC conducts substantially all its business through its subsidiaries, which generate substantially all of its revenues, and its investors are therefore subject to the risks attributable to its subsidiaries. The Company's cash flow and its ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of the Company's subsidiaries to pay dividends and other distributions will depend on each subsidiary's operating results, applicable laws and regulations regarding the payment of dividends and distributions, and any contractual restrictions on distributions in debt instruments, among other things. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, debtholders and trade creditors will generally be entitled to the payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

Unfavorable Publicity or Consumer Perception

The success of the medical cannabis industry may be significantly influenced by the public's perception of cannabis' medicinal applications. Medicinal cannabis is a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to medical marijuana will be favourable. The medical cannabis industry is an early stage business that is constantly evolving with no guarantee of viability. The market for medical cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on the Company's (and the Company's subsidiaries') operational results, consumer base and financial results.

Third Party Transportation

The Company is required to rely on third party transportation services to deliver their product to their customers. The Company is exposed to the inherent risks associated with relying on third party transportation services providers, including logistical problems, delays, loss or theft of product and increased shipping costs. Any delay in transporting the product, breach of security or loss of product, could have a material adverse effect on the Company's business, financial performance and results of operations. Further, any breach of security and loss of product during transport could affect the Company's status as a Licensed Producer.

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 continued implementation and improvement of their operational and financial systems and for each to expand, train and manage their respective employee bases. The inability of the Company to deal with growth may have a material adverse effect on business, financial conditions, results of operations and prospects.

Reliance on Management

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of senior management and key employees. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other entities, or are otherwise engaged, and will continue to be engaged, in activities that may put them in conflict with the business strategy of the corporation. Consequently, there is a risk that such officers or directors will be in a position of conflict. Conflicts, if any, will be subject to the procedures and remedies available under the Ontario Business Corporations Act.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Company's shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Credit, Liquidity, Interest, Currency and Commodity Price Risk

The Board of Directors has overall responsibility for the establishment and oversight of JWC's risk management framework.

The Company does not use derivative instruments or hedges to manage risks because JWC's exposure to credit risk, interest rate risk and currency risk is small.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. JWC is exposed to credit risk through its cash, which is held in a respected Canadian financial institution, and its government remittances receivable. JWC believes this credit risk is minimal.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. JWC is exposed to short-term interest rates through the interest earned on cash balances and deposits; however, management does not believe this exposure is significant.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. JWC manages liquidity risk through the management of its capital structure. In order

to meet its financial obligations, JWC will need to generate cash flow from sales or through the disposition of property to raise additional funds.

Cash is stated at amounts compatible with those prevailing in the market, are highly liquid, and are maintained with financial institutions for high liquidity.

Litigation

A civil claim has been instigated by a former employee and former director of James E. Wagner Cultivation Ltd., which is a wholly owned subsidiary of James E. Wagner Cultivation Corp and its directors. The claim is for monetary damages and certain declaratory relief arising out of the termination of his employment, an alleged right to participate in an employee stock option plan and bonus pool, and his alleged oppression as a shareholder.

The corporation has retained outside counsel to defend all defendants. On an initial assessment, the corporation believes that it has strong defense to the claim and that material outflow of resources from a past event is not probable. The corporation intends to vigorously defend the claims asserted against all defendants.

Upon receipt of the statement of claim, and on review of all relevant facts and circumstances, it was determined that the claim does not constitute a material event, and accordingly it was not publicly reported.

Intellectual Property

The success of JWC's business depends in part on its ability to protect its ideas and technology. JWC has submitted applications for patents on its intellectual property, including the Growth Storm system and a proprietary trimmer.

Even as JWC moves to protect its technology with trademarks, patents, copyrights or by other means, JWC is not assured that competitors will not develop similar technology, business methods or that JWC will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as does Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources such that said actions meaningfully impact our ability to successfully grow our business.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect JWC's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people and water use. The effect of these factors cannot be accurately predicted.

Risks Relating to the Medical Cannabis Industry

Regulatory Risks

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur, and the Company and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company's ability to grow, store and sell medical cannabis in Canada is dependent on its License from Health Canada, maintaining such License in good standing. Failure to: (i) comply with the requirements of the License; and (ii) maintain this License would have a material adverse impact on the business, financial condition and operating results of the Resulting Issuer.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or may give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Company's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The medical cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

JWC is a Licensed Producer under the ACMPR. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business with an agricultural product in a regulated industry, the Company will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. The Company's brand and products may not be effectively promoted as intended. The medical cannabis industry is marked by competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or restrictions on the Company's manufacturing operations. Changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to current operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject not only to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis, but also to regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment in the jurisdictions in which they operate. Changes to such laws, regulations and guidelines, including changes related to government taxes and levies, may materially and adversely affect the Company's businesses, financial conditions and results of operations.

Legalization of Recreational Cannabis

On October 17, 2018, the legalization of recreational cannabis use occurred in Canada. However, the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis will remain subject to extensive regulatory oversight. Such extensive controls and regulations may significantly affect the financial condition of market participants and prevent the realization of such market participants of any benefits from an expanded market for recreational cannabis products.

In order to support the costs of running a recreational cannabis regulatory regime, Health Canada has made the industry aware of its intentions to put a cost recovery program for the following fees: (i) screening licence applications; (ii) conducting security screenings; (iii) reviewing applications to import or export cannabis for scientific or medical purposes; and (iv) an annual regulatory fee of a proposed 2.3% of revenue for non-medical cannabis producers which was confirmed in regulations which came into force on October 17, 2018. In addition, the province of Manitoba announced a socially responsibility fee of 6% of revenue from adult-use cannabis sales payable by all provincially licensed cannabis retailers beginning in 2019.

The cumulative impact of fees and taxes by Provincial and Federal Governments or Government agencies is unknown as the applicable regulatory regimes continue to evolve.

Restrictions on Sales and Marketing

The medical cannabis industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the JWC's businesses, operating results and financial conditions.

Competition

The market for the medical cannabis products appears to be sizable. Both Health Canada and the Government of Canada, respectively, have only issued a limited number of licenses under the ACMPR regime to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there were 143 Licensed Producers as of December 12, 2018. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. The Company expects significant competition from other Licensed Producers. Some companies applying for production licenses

may have significantly greater financial, technical, marketing and other resources, may be able to devote greater resources to the development, promotion, sale and support of their products and services, and may have more extensive customer bases and broader customer relationships.

To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company. If JWC and its subsidiaries are not successful in investing sufficient resources in these areas, their ability to compete in the market may be adversely affected, which in turn could materially and adversely affect the Company's business, financial conditions and results of operation.

Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agriculture Business

The Company's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, including pests, plant diseases and similar agricultural risks. Although the Company expects to grow its products in a climate controlled, monitored, indoor location, using a technology that limits exposure of the plants to the usual substrates and climate that lead to agriculture related risks, there is no guarantee that changes in outside weather and climate will not have a material adverse effect on the Company's ability to cultivate medical cannabis, although Management is confident this risk is not as significant as it would be for other Licensed Producers.

Vulnerability to Rising Energy Costs

The Company's medical cannabis growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably. The Company has entered into an agreement with an Energy Retailer which has fixed the rate charged for electricity for five years. This agreement reduces the Company's exposure to rising energy costs but does not eliminate them.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if its products are alleged to have caused loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. 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 Company may be subject to various product liability claims, including that the Company's products caused death, injury, illness, or other loss. A product liability claim or regulatory action against the Company could result in increased costs, adversely affect the Company's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of the Company.

There can be no assurance that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. An inability to obtain sufficient insurance coverage on reasonable terms could prevent or inhibit the commercialization of the Company's products.

Product Recalls

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distract from day to day operations.

Operating Risk and Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. While the Company believes its insurance, coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company may be exposed. The Company may also be unable to maintain insurance at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. 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 the Company's financial performance and results of operations.

MD&A PREPARATION

This MD&A was prepared as of December 17, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements for the three and twelve months ended September 30, 2018. This MD&A is intended to assist the reader's understanding of James E. Wagner Cultivation Ltd. and its operations, business, strategies, performance and outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at www.sedar.com

Managements Responsibility for Financial Statements

The information provided in this report, including the consolidated financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to decide future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the company's assets are safeguarded and to facilitate the preparation of relevant and timely information.