MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Month Period Ended February 28, 2018

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Valens GroWorks Corp. ("VGW" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended February 28, 2018. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 - Continuous Disclosure Obligations. This discussion should be read in conjunction with the unaudited interim condensed consolidated financial statements for the Company for the three month periods ended February 28, 2018 and 2017 and related notes thereto and the audited annual consolidated financial statements of the Company for the years ended November 30, 2017 and 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The results for the three month period ended February 28, 2018 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at April 30, 2018 unless otherwise indicated.

All financial information contained in this MD&A is current as of April 30, 2018 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Additional information regarding the Company is available on SEDAR at www.sedar.com, and the Company's website www.valensgroworks.ca. The date of this MD&A is April 30, 2018.

FORWARD-LOOKING INFORMATION

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of commodity prices develop as expected; that the Company receives regulatory and governmental approvals as are necessary on a timely basis; that the Company is able to obtain financing as necessary on reasonable terms; that there is no unforeseen deterioration in the Company's activity costs; that the Company is able to continue to secure adequate transportation as necessary for its exploration activities; that the Company is able to procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that exploration activity timetables and capital costs for the Company's planned projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Company's estimates in relation to its natural resource interests are within reasonable bounds of accuracy and that the geological, operational and price assumptions on which these are based are reasonable; that no environmental and other proceedings or disputes arise; and that the Company maintains its ongoing relations with its employees, consultants and advisors.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

The forward-looking statements contained herein are based on information available as of April 30, 2018.

DESCRIPTION OF BUSINESS & OUTLOOK

The Company was incorporated under the laws of British Columbia on January 14, 1981. The Company's common shares trade under the trading symbol "VGW" on the Canadian Securities Exchange ("CSE") as a biotechnology company, and has an aggressive buildout strategy in progress. The Company seeks to capture a broad spectrum of medical cannabis users, and adult recreational users once legalized, as well as clinical trial and R&D clients, in pursuit of its ambitious seed-to-sale and farm-to-pharma objectives. The Company also provides management, consulting, testing and support services to domestic and international licensees, as well as financial support to fully-licensed third-party operations.

The Company operates through its two wholly-owned subsidiaries, VAL and Supra, both based in the Okanagan Valley of British Columbia. VAL was incorporated under the Business Corporations Act of the Province of British Columbia on April 14, 2014, holds a Health Canada Dealer's License and is undergoing an expansion and additional licensing in anticipation of commercial cannabis production. Supra was incorporated under the Business Corporations Act of the Province of British Columbia on December 10, 2015 and is a Health Canada licensed cannabis testing lab providing sector-leading analytical and proprietary services to Licensed Producers and ACMPR patients.

Both subsidiaries are involved in a collaborative research partnership with BC-based universities UBC Okanagan and Thompson Rivers to explore the vast range of bio products that can be made from cannabis plant materials. Supra, in collaboration with Thermo Fisher Scientific (Mississauga) Inc., is developing a "Centre of Excellence in Plant Based Medicine Analytics" at the Company's 17,000 square foot facility located on two acres in Kelowna.

The Company operates in two related Health Canada-licensed business segments involved in the scientific research of phytopharmaceutical material, specifically producing cannabis and cannabis related products. VAL's Dealer's License allows for the possession of cannabis and related active ingredients to conduct research and possess, produce and package cannabis and cannabis derivatives. It can also undertake research and begin development of products for future market opportunities. Supra's Dealer's License allows for the possession of cannabis and related active ingredients, as well as the production of extracts for the purpose of analysis. Additional capabilities are under application designed to enhance commercialization.

SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES

Corporate Developments

On January 13, 2017 the Company announced the completion, by the Regional Inspectorate of the Office of Controlled Substances of Health Canada, of their final inspection of VAL's 17,000 square foot R&D facility, the final stage required to achieve licensing under our application for a Controlled Drugs and Substances Dealer's License to enable the cultivation and processing of marijuana (such as creating extracts or derivatives) for the purpose of research, for processing manufacturing derivatives, and for transporting product to other locations (including related packaging, possession, sale, delivery and research activities). Final pre-inspection preparation included the installation of significant enhanced physical security measures, the establishment of specified record keeping procedures, and the engagement of a Qualified Person In Charge (QPIC).

On February 27, 2017 the Company entered into a share exchange agreement with Supra whereby the Company acquired all of the issued and outstanding shares of Supra for the issuance of 3,000,000 common shares of the Company. Supra holds a Health Canada Dealer's License with the ability to possess and produce extracts from cannabis and related active ingredients for scientific purposes. The Transaction closed on April 5, 2017, the date the Company issued the common shares. The fair value of the common shares issued was $3,900,000 and were valued using the trading price of the shares on the closing date. The Company has accounted for the acquisition as a purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combinations. As at the closing date of the only asset held by Supra was the License therefore the full purchase price has been allocated to the License.

In May 2017, VAL was issued a Health Canada Dealer's License which allows VAL to possess, produce, process, package, import, export and sell cannabis as well as related active ingredients at its facility in Winfield, B.C.

On December 22, 2017 announced it has been granted Health Canada approval for the manufacture and packaging of cannabis oil products for sale to Licensed Producers, Licensed Dealers and approved Clinical Trials. This additional capability accelerates revenue expectations from our existing Health Canada Licenses for the first quarter of 2018.

On February 28, 2018, the Company entered into a Letter of Intent with to acquire 19.9% interest in R Gold Ventures Inc. ("R Gold"), a privately-held corporation with multi-location cannabis retail stores through franchising, with a full line of premium lifestyle consumables and hard goods. Through this initial purchase the Company will establish a presence into the opening retail recreational cannabis market by collaborating with a robust lifestyle brand and retail model. R Gold is one of Canada's most well-established cannabis brands with a talented and diverse team.
It is contemplated that the Company will acquire 19.9% of R Gold for consideration of:

i. a cash payment of $700,000 to R Gold to be utilized under a pre-approved use of the proceeds plan approved by the parties;
ii. the issuance of 550,000 common shares of the Company to R Gold;
iii. the entry into of an exclusive supply agreement between the parties; and
iv. the grant by R Gold to the Company of a right of first refusal with respect to sale of any securities of R Gold.

On March 9, 2018 announced the successful completion of its initial batch of supercritical CO2-extracted cannabis oil. The Company's current 400 kg per month processing capacity is expected to increase to 1,000 kg over March, and to 6,000 kg per month with the addition of several double-capacity machines, scheduled for delivery starting mid-April.

On March 20, 2018, the Company issued 5,000 common shares in connection with the exercise of warrants for gross proceeds of $7,500.

Equity Transaction during the three month period ended February 28, 2018

On January 9, 2018, the Company closed the second and final tranche of a non-brokered private placement and issued 1,287,300 units at a price of $1.00 per unit. The Company received cash proceeds of $1,287,300. Each unit consisted of one common share of the Company and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.50 for 12 months from the closing, subject to acceleration conditions.

On January 12, 2018, the Company issued 520,653 common shares in connection with the exercise of warrants for gross proceeds of $598,750.

On February 13, 2018 announced the closing of the second and final tranche of its previously announced non-brokered private placement of common shares in the capital of the Company at a price of $1.40 per share. In total the Company raised an aggregate of $12,384,894 pursuant to the over-subscribed Offering, through the issuance of 8,846,353 common shares. In connection with the financing the Company paid a finders' fee equal to 8% of the proceeds raised from subscribers introduced by certain finders' of which a portion was settled through the issuance of 70,565 common shares. The net proceeds of the Offering will be used to fund additional growing and oil extraction capacity at existing facilities, to increase the size of the facilities, and for general corporate purposes.

On February 23, 2018, the Company granted 1,000,000 stock options to a consultant of the Company exercisable into common shares at a price of $2.50 per common share and expiring on February 23, 2023.

Equity Transaction during the year ended November 30, 2017

On December 20, 2016, the Company closed the first tranche of a non-brokered private placement and issued 994,576 units at a price of $0.65 per unit. The Company received cash proceeds of $288,976 and settled accounts payable of $357,500. On January 11, 2017, the Company closed the second and final tranche of a non-brokered private placement and issued 1,158,614 units at a price of $0.65 per unit. The Company received cash proceeds of $394,100 and settled promissory notes payable of $350,000 and accounts payable of $9,000. Each unit consisted of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of $1.15 up to 12 months from closing, subject to acceleration conditions.

On April 5, 2017, the Company issued 3,000,000 common shares with a value of $3,900,000 to acquire 100% of Supra;

On May 3, 2017, the Company cancelled 33,333 common shares that were issued to a vendor for services that were not completed. As the shares were issued prior to RTO transaction with VAL., $nil was reversed on the cancellation;

On May 8, 2017, the Company entered into a shares-for-debt agreement with an arm's length creditor. The Company issued 23,862 shares at a price of $1.45 per common share settling $34,600 in accounts payable;

On August 14, 2017, the Company closed the first tranche of a non-brokered private placement and issued 3,250,615 units at a price of $1.00 per unit. The Company received cash proceeds of $250,000 and settled convertible notes of $1,036,539, promissory notes payable of $1,658,865 and settled accounts payable of $305,211 on the transaction. On October 3, 2017, the Company closed the second and final tranche of the non-brokered private placement and issued 85,000 units at a price of $1.00 per unit. The Company received cash proceeds of $85,000 on the transaction. Each unit consisted of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of $1.50 for 12 months from closing, subject to acceleration conditions;

On November 30, 2017, the Company closed the first tranche of a non-brokered private placement and issued 737,700 units at a price of $1.00 per unit. The Company received cash proceeds of $429,700, settled accounts payable of $300,000 and recognized subscriptions receivable of $8,000 on the transaction. Each unit consisted of one common share and one-half of a common share purchase warrant, with each whole warrant entitling the holder to purchase one common share at a price of $1.50 for 12 months from closing, subject to acceleration conditions. The second and final tranche closed subsequent to year end; and

During the year ended November 30, 2017, the Company also issued:

i. 945,942 common shares due to the exercise of warrants with prices between $0.75 and $1.15 per warrant. The common shares had a total value of $710,059 of which the Company received cash proceeds of $436,726, settled accounts payable of $260,725 and recognized subscriptions receivable of $12,608;

ii. 191,666 common shares due to the exercise of options with prices between $0.30 and $0.65 per stock option. The Company received gross proceeds of $92,500 on the exercise and recognized a reversal of the fair value of the stock options of $108,076 on the transaction; and

iii. 90,000 common shares for services rendered during the year valued at $143,000 of which $38,000 has been recognized as an obligation to issue shares.

RESULTS OF OPERATIONS

For the three month period ended February 28, 2018, the Company reported a loss of $3,777,446 ($0.06 per share), compared to $878,009 ($0.08 per share) for the comparable period in 2017. The increase in the loss reported is primarily due to increase in share based payments expense and consulting fees, further discussed below.

SELECTED FINANCIAL INFORMATION

The following table sets out selected annual financial information for the last three financial years. The financial data has been prepared in accordance with IFRS.

	2017 $	2016 $	2015 $
Operating expenses	(5,163,436)	(8,474,173)	(724,320)
Loss and comprehensive loss	(4,383,453)	(8,332,638)	(591,796)
Basic loss per common share	(0.08)	(0.16)	(0.04)
Diluted loss per common share	(0.08)	(0.16)	(0.04)
Working capital deficiency	(826,544)	(3,802,846)	(2,294,491)
Total assets	8,897,497	2,747,234	1,548,864
Total liabilities	1,688,825	3,887,158	2,441,364

At November 30, 2017, the Company had not yet achieved profitable operations and has accumulated losses of $13,608,861 (2016 -$9,225,408; 2015: 892,770) since inception. These losses resulted in a net basic loss per share for the year ended November 30, 2017 of $0.08 (2016 - $0.16; 2015 - $0.04).

SUMMARY OF QUARTERLY RESULTS

Results for the most recent quarters ending with the last quarter for the three month period ended February 28, 2018, prepared using accounting principles consistent with IFRS:

	Three Months Ended			
	February 28, 2018 $	November 30, 2017 $	August 31, 2017 $	May 31, 2016 $
Consulting income	-	17,320	15,615	7,789
Loss and comprehensive loss	(3,777,446)	(798,973)	(1,032,270)	(1,674,201)
Basic and diluted loss per share	(0.06)	(0.01)	(0.02)	(0.03)

	Three Months Ended			
	February 28, 2016 $	November 30, 2016 $	August 31, 2016 $	May 31, 2016 $
Consulting income	-	-	-	42,500
Loss and comprehensive loss	(878,009)	(7,947,202)	(196,538)	(147,323)
Basic and diluted loss per share	(0.02)	(0.16)	(0.02)	(0.01)

Yearly results will vary in accordance with the Company’s project acquisition and financing activities.

First Quarter ended February 28, 2018

During the quarter ended February 28, 2018, operating expenses totaling $3,882,298 (2017 – $954,413), primarily consisting of consulting fees of $702,891 (2017 – $38,785), advertising and promotion of $154,038 (2017 – $8,039), office and miscellaneous of $266,156 (2017 – $14,417), professional fees of $67,721 (2017 – $24,360), share-based payments of $2,299,126 (2017 – $534,770), and wages and salaries of $142,109 (2017 – $100,421).

The table below details the changes in major expenditures for the three month period ended February 28, 2018 as compared to the corresponding three month period ended February 28, 2017:

Expenses	Change in Expenses	Explanation for Change
Consulting fees	Increase of $664,106	Increase in external consultants and Officers due to increase activities across the Company.
Advertising and promotion	Increase of $145,999	Increase due to Media Consultants and marketing activities
Office and miscellaneous	Increase of $251,739	Increase due to higher administration activities across the Company.
Professional fees	Increase of $43,361	Decrease due to higher legal costs in the prior year associated with the reverse takeover transaction.
Share-based payments	Increase of $1,764,356	Increase due to Black & Scholes valuation of 1,000,000 options granted in Q1 2018 compared to 320,000 options granted during the comparable period.
Wages and salaries	Increase of $41,688	Increase due to new hires across the Company.

Year ended November 30, 2017

The operating expenses for the year ended November 30, 2017 totaled $5,163,436 (November 30, 2016 - $8,474,173), including share-based payments issued during the year, valued at $2,399,609 (November 30, 2016 - $399,295) calculated using the Black Scholes option pricing model. Comparatively, the major expenses for the year ended November 30, 2017 were consulting fees of $449,326 (November 30, 2016 - $Nil), depreciation of $105,288 (November 30, 2016 - $13,665), interest expense of $242,649 (November 30, 2016 $Nil), management fees of $775,710 (November 30, 2016 - $179,313), professional fees of $165,513 (November 30, 2016 – $259,909), rent of $281,310 (November 30, 2016 - $250,766) and wages and salaries of $464,281 (November 30, 2016 - $53,879).

The table below details the changes in major expenditures for the year ended November 30, 2017 as compared to the corresponding year ended November 30, 2016:

Expenses	Change in Expenses	Explanation for Change
Share-based payments	Increase of $2,000,314	Increase due to Black & Scholes valuation of options granted in the year and vesting of prior year options.
Consulting fees	Increase of $449,326	Increase in external consultants due to increase activities across the Company,
Depreciation	Increase of $91,623	The Company acquired equipment during the year which increased depreciation in the period.
Interest expense	Increase of $242,649	Increase due to interest on convertible loans and promissory notes payable.
Management fees	Increase of $596,397	Increase due to higher administration activities across the Company.
Professional fees	Decrease of $94,396	Decrease due to higher legal costs in the prior year associated with the reverse takeover transaction.
Rent	Increase of $30,544	Increase due to reimbursement of additional expenses included in rent fee during the current year and monthly fee increase stipulated on lease agreement.
Wages and salaries	Increase of $410,402	Increase due to new hires across the Company.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at February 28, 2018 and November 30, 2017, the Company's liquidity and capital resources are as follows:

	February 28, 2018 $	November 30, 2017 $
Cash and cash equivalents	10,474,558	291,623
Receivables	312,813	126,454
Prepaid expenses	241,949	444,204
Total current assets	11,029,320	862,281
Payables and accrued liabilities	2,147,328	828,318
Promissory notes payable	-	860,507
Working capital (deficit)	8,881,992	(826,544)

As at February 28, 2018, the Company had a cash position of $10,474,558 (November 30, 2017 - $291,623), primarily derived from the net proceeds of private placements. As at February 28, 2018, the Company had a working capital of $8,881,992 (November 30, 2017 –$826,544 working capital deficit).

The Company's continuation as a going concern is dependent upon successful results from its acquisition efforts and its ability to attain profitable operations and generate funds therefrom and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with current cash on hand, proceeds from the exercise of warrants and stock options, and further private placements. There is no assurance that the Company will be successful in raising additional capital on commercially reasonable terms or at all. See "Risks and Uncertainties".

OFF-BALANCE SHEET AGREEMENTS

The Company has not engaged in any off-balance sheet arrangements such as obligations under guarantee contracts, a retained or contingent interest in assets transferred to an unconsolidated entity, any obligation under derivative instruments or any obligation under a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company or engages in leasing or hedging services with the Company.

COMMITMENTS

Lease Commitment

During the year ended November 30, 2015, the Company entered into a lease agreement with a company jointly owned by two directors of the Company. under the agreement the Company is required to make monthly lease payments. The term of the lease is seven years with the option to renew for an additional three-year term. If the Company decides not to continue with the lease they will forfeit all leasehold improvements made up to the termination date. The lease payments under the agreement are as follows:

Lease Year	Per Month	Per Annum
1 – 2	$16,500	$198,000
3 – 4	$16,995	$203,940
5 – 7	$17,505	$210,060

Based on the lease payments the remaining commitments are:

Short term (December 1, 2017 - November 30, 2018)	$ 203,940
Long term (December 1, 2018- December 31, 2022)	647,170
	$ 851,110

Executive Employment Agreement

On March 1, 2017, the Company entered into a three-year executive employment agreement with an officer of the Company. Under the agreement, the officer will be paid $60,000 per year and will be issued a total of 320,000 common shares over the term of the agreement of which 240,000 will be issued in equal increments every three months and the remaining 80,000 will be issued at the discretion of the Board. During the year ended November 30, 2017, the Company issued 60,000 common shares with a value of $75,000 and recognized an obligation to issue shares of $25,000. If the agreement is terminated without cause the Company will be required to pay the full amount required under the agreement and an additional fee of 12 months' salary.

CONTINGENCY

During the year ended November 30, 2015, a small claims action was brought against the Company from a vendor the Company had used for services in the year. The outcome of the claim is uncertain. The Company has completed the requisite filings and is working to resolve the claim.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company. The remuneration of the Company's directors and other key management personnel during the three month period ended February 28, 2018 and 2017 are as follows:

	2018 **$**	2017 $
Management fees	618,141	55,750
Rent	63,041	69,309
Wages and salaries	11,494	67,250
Share-based payments	-	440,575
Purchase of property, plant and equipment	293,331	-
	986,007	632,884

As at February 28, 2018, accounts payable and accrued liabilities included $723,455 (November 30, 2017 - $409,296) payable to directors, officers and companies controlled or related to directors and/or officers. Amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.

As at February 28, 2018, accounts receivable included $88,592 (November 30, 2017 -$22,500) due to the Company from various directors and officers and companies related thereto.

Convertible Notes

On February 9, 2017 and April 18, 2017, the Company entered into convertible loan agreements (the “Loans”) with a Company owned by a director and the director of the Company (“the “Lender”). Each Loan was for $500,000 with a term of one year and interest rate of 10% to be paid on settlement. The Lender had the option but no obligation to exchange all or part of the Loan and accrued interest into common shares through the planned August 2017 private placement. If converted, the terms and conditions of the common shares would be equivalent to those issued in the private placement. As the conversion feature of the Loan did not meet the fixed-for-fixed criteria the Loan was considered to have an embedded derivative feature. The derivative was assessed to be immeasurable at the grant date and the full value of the loan was recognized as a liability.

On August 14, 2017, on the completion of the private placement, the Lender exercised his option to convert the Loan into common shares and was issued 1,036,539 common shares at a price of $1.00 for full settlement.

Promissory Notes

During the year ended November 30, 2017, the Company entered into promissory note agreements with two directors of the Company, two companies related through the directors and a shareholder of the Company with an effective date of October 30, 2016 (“the Notes”). Under the agreements, a total of $2,675,373 in outstanding payables was converted into Notes. Interest accrues on the outstanding balance of the Notes at a rate of 9% and compounds semi-annually. The Notes are due on demand after October 31, 2017.

The Company settled $2,008,865 of the Notes through the issuance of 2,197,327 common shares through the private placements completed on January 11, 2017 and August 14, 2017.

During the three month period ended February 28, 2018, the Company recorded total interest on the Notes of $17,374 (2017 - $3,646). During the three month period ended February 28, 2018 the remaining outstanding balance of the Notes was settled and $nil (November 30, 2017 - 860,507) remains outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the financial statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i) The inputs used in calculating the fair value for share-based compensation expense included in profit or loss.

ii) The valuation of shares issued in non-cash transactions, including the settlement of debt and RTO transaction. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

iii) Collectability of promissory note receivable from MKHS, LLC and estimated completion date of the Farmtek greenhouse currently under construction to calculate the present value of the promissory note.

NEW ACCOUNTING STANDARDS AND INTERPRETATION

Accounting standards not yet effective

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9 which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument.

IFRS 9 amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in other comprehensive income, and guidance on financial liabilities and derecognition of financial instruments. The amended standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, IASB issued IFRS 15 to replace IAS 18 – Revenue, which establishes a new single five-step control-based revenue recognition model for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company has initially assessed that there will be no material reporting changes as a result of adopting IFRS 9 and 15; however, enhanced disclosure requirements are expected.

IFRS 16 – Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15.

The Company has not yet completed the process of assessing the impact of IFRS 16 will have on its consolidated financial statements, or whether to early adopt this new requirement.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

1. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
2. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
3. Level 3 – inputs that are not based on observable market data.

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**February 28, 2018**
Fair value through profit and loss financial asset				
Cash	$ 3,468,808	$ 7,005,750	-	$ 10,474,558
Total financial assets at fair value	$ 3,468,808	$ 7,005,750	-	$ 10,474,558

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**November 30, 2017**
Fair value through profit and loss financial asset				
Cash and cash equivalents	$ 291,623	-	-	$ 291,623
Total financial assets at fair value	$ 291,623	-	-	$ 291,623

Cash and cash equivalents is classified as fair value through profit or loss and is measured using level 1 inputs of the fair value hierarchy, except for guaranteed investment certificates which are classified as level 2.. The fair value of the Company’s receivables, accounts payable and accrued liabilities and promissory notes payable approximate their carrying values due to their short-term nature. They are classified as loans and receivables.

Loans and long-term debt are measured at amortized cost. The fair value of the Company’s promissory note receivable is presented on an amortized costs basis and will be accreted to its face amount over the term to maturity of the loan at an effective interest rate.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and promissory note receivable. The Company's cash and cash equivalents is held through large Canadian financial institutions and the Company's promissory note receivable is guaranteed by MKHS.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company currently does not have sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and cash equivalents. The Company is exposed to liquidity risk.

Market risk

The only market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, the MKHS promissory note receivable and accounts payable and accrued liabilities that are denominated in US dollars. As at February 28, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $199,000 (2017 - $120,000). A 10% depreciation of the US dollar relative to the Canadian dollar would have had the equal but opposite effect.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of raw materials, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to maintain operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as shareholders' equity (deficiency).

The Company has historically relied on the equity markets to fund its activities. Current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company currently is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management.

RISKS AND UNCERTAINTIES

Many factors could cause our actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" in our draft Listing Statement dated May 5, 2016 filed with the CSE and available on www.thecse.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

• Our ability to grow, store and sell medical marijuana in Canada is dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;

• The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada;

• The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;

• Third parties the Company does business with may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities;

• The operation of the Company can be impacted by adverse changes or developments affecting the facilities of the Company's wholly-owned subsidiaries;

• The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;

• The Company's growth strategy contemplates outfitting its facilities with additional production resources. A variety of factors could cause these activities to not be achieved on time, on budget, or at all. As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises;
• The Company and its wholly-owned subsidiaries have limited operating histories;

• The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;

• Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;

• There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;

• The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity;

• The Company and its wholly-owned subsidiaries face 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;

• The products of the Company's wholly-owned subsidiaries could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its wholly-owned subsidiaries could face increased operational scrutiny by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses;

• Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;

• The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;

• The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;

• The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;

• The Company could fail to integrate acquired companies into the business of the Company;

• Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;

• The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;

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

• The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings;

• 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; and

• In recent years, securities markets have experienced extremes in price and volume volatility. The market price of securities of many early stage companies, among others, have experienced fluctuations in price which may not necessarily be related to the operating performance, underlying asset values or prospects of such companies. It may be anticipated that any market for the Company's shares will be subject to market trends generally and the value of the Company's shares on a stock exchange may be affected by such volatility.

• Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

• The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

• The Company's directors and officers may serve as directors and officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act, British Columbia ("Corporations Act") in dealing with conflicts of interest. These provisions state, where a director/officer has such a conflict, that the director/officer must at a meeting of the board, disclose his interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

ADDITIONAL DISCLOSURE FOR ISSUERS WITHOUT SIGNIFICANT REVENUE

Dividends
The Company has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for oil and gas exploration and development. Any future determination to pay dividends will be at the discretion of the board of directors and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the board of directors deem relevant.

Management's Responsibility for Financial Statements
The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of 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 financial statements.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Nature of the Securities
The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

Proposed Transactions
There are currently no significant proposed transactions except as otherwise disclosed in this MD&A. Confidentiality agreements and non-binding agreements may be entered into from time to time, with independent entities to allow for discussions of the potential acquisition and/or development of certain properties.

Approval
The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information
Additional information related to the Company is available for view on SEDAR at www.sedar.com.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCING REPORTING

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

OUTSTANDING SHARES, OPTION, AND WARRANTS

The Company has one class of common shares. Below is a summary of the common shares issued and outstanding as at February 28, 2018 and the date of this report:

	As at February 28, 2018	As at April 30, 2018
Common shares	72,192,879	72,192,879
Stock options	5,426,667	4,451,667
Warrants	2,680,308	2,036,658

Stock options
The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report the Company has 5,426,667 options outstanding.

Options outstanding	Exercise price $	Expiry date
40,000	3.00	October 10, 2018
20,000	3.00	November 27/28, 2018
141,667	0.30	August 31, 2020
50,000	0.30	September 22, 2020
2,400,000	0.65	November 30, 2021
1,625,000	1.00	July 19, 2022
150,000	1.00	November 7, 2020
1,000,000	2.50	February 23, 2023
5,426,667		

Warrants
As of the date of this report the Company has 2,680,308 warrants outstanding.

Warrants outstanding	Exercise price $	Expiry date
1,625,308	1.50	August 13, 2018
42,500	1.50	October 2, 2018
103,750	1.50	November 5, 2018
265,100	1.50	November 30, 2018
643,650	1.50	January 9, 2019
2,680,308		

DIRECTORS AND OFFICERS

Tyler Robson – Chief Executive Officer, Director
David Gervais – Director
John Cullen – Director
Rob O'Brien - Director

OTHER REQUIREMENTS

Additional disclosure of the Company's technical reports, material change reports, news releases and other information can be obtained on SEDAR at www.sedar.com.

On Behalf of the Board,

VALENS GROWORKS CORP.

"Tyler Robson"	*"John Cullen"*
Tyler Robson	John Cullen