VALENS GROWORKS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and Nine Month Periods Ended August 31, 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 nine month period ended August 31, 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 condensed interim consolidated financial statements for the Company for the nine month period ended August 31, 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 nine month period ended August 31, 2018 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at October 30, 2018 unless otherwise indicated.

All financial information contained in this MD&A is current as of October 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 October 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 October 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 three wholly-owned subsidiaries, Valens Agritech Ltd ("VAL"), Supra THC Services Inc. ("Supra") and Valens Farms Ltd. ("Farms"), all based in the Okanagan Valley of British Columbia, Canada. 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. 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. Farms was incorporated under the Business Corporations Act of the Province of British Columbia on July 19, 2018 to hold the Company's interest in its joint venture project with Kosha Projects Inc.

Val and Supra are both 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 25,000 square foot facility located on two acres in Kelowna, B.C.

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.

Subsequent to the quarter ended August 31, 2018, VAL was granted their LP license to cultivate and produce oil under the Access to Cannabis for Medical Purposes Regulations ("ACMPR").

SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES

Corporate Developments

On October 29, 2018 the Company announced it signed a share purchase agreement (the "Agreement") with Australian-based RotoGro International Limited ("RotoGro") to sell one of the Company's wholly owned subsidiaries, Supra THC Services Inc. ("Supra"), which currently holds the Company's second Dealers License, for total consideration of $11,000,000. The purchase price will be paid at four milestones and will be comprised of $2,000,000 in cash, and 18,900,000 shares of RotoGro with a current estimated value of $9,000,000. Prior to closing the transaction, the Company will transfer all assets currently held in Supra, excluding the Dealer's License, to the newly created subsidiary Valens Labs Ltd.

On October 10, 2018 the Company announced the closing of the $27,303,801 bought deal financing, pursuant to which the Company issued 12,820,513 units at a price of $1.95 per unit which is comprised of one common share of the Company and one half share purchase warrant exercisable at a price of $2.54 per share for a period of twenty four months from the date of closing. In addition the Company issued 1,130,977 common shares of the Company and 961,539 share purchase warrants as partial exercise of the underwriters over-allotment option.

On September 21, 2018 the Company signed a manufacturing and sales license agreement with Tarukino Holdings Inc. (“Tarukino”). Under the agreement, Tarukino granted Valens the exclusive Canadian rights to the production and distribution of its proprietary emulsion technology that transforms cannabis oil and oil-based terpenes into water-soluble forms for use in beverages, edibles, topicals and other consumer products. The agreement also provides Valens with the exclusive rights to produce, sell and distribute, in Canada, when and where permitted, Tarukino branded products including Happy Apple™, a cannabis-infused sparkling cider, and Pearl20™, a cannabis infused food and beverage mixer. In exchange for these exclusive Canadian rights, the Company has agreed to grant Tarukino 4,300,000 shares of the Company on signing the agreement, 1,000,000 warrants that vest based on certain future milestones and a decreasing royalty on revenue related to the associated products and technologies over the term of the agreement. The warrants are exercisable at prices ranging from $3.50 to $4.00 per share for a five-year term from the date of issuance.

On September 7, 2018 the Company signed a letter of intent with Medigrowth Australia Pty Ltd. (“Medigrowth”) for the Company to supply premium cannabis flower and oil product offerings to Medigrowth for sale and distribution in the Australian market, for the Company to supply premium cannabis flower and oil product offerings to Medigrowth for research and development initiatives and for the Company to provide cultivation, extraction and lab service expertise to Medigrowth to support research and development partnerships with Australian universities, governments and other institutions.

On September 5, 2018 the Company announced the resignation of Mr. John Cullen from the board of directors and Dr. Rob O’Brien from the board of directors and from his position at Chief Science Officer. At the same time the Company announced the appointment of Mr. Chris Irwin, Mr. Nitin Kaushal, Mr. Ashley McGrath and Mr. Chris Buysen to the board of directors of the Company.

On August 29, 2018 the Company signed a letter of intent with Colombian based licensed producer Eticann S.A.S. Zomac (“Eticann”) for the Company to purchase cannabis materials from Eticann, the exclusive right for the Company to provide extraction services for Eticann’s premium cannabis oil product offering, and the provision of extraction expertise to Eticann for toll processing in Colombia and surrounding markets. The letter of intent also provides the Company the option to purchase 50% of the issued and outstanding shares of Eticann.

On June 20, 2018 the Company entered into a joint venture agreement with Kosha Projects Inc. (“Kosha”) for the construction of a purpose built $75 million, 400,000 square foot commercial cannabis production facility. The joint venture will see Kosha contribute land and all facility development and construction costs and related expertise. The Company will provide design, outfitting and budgetary guidance, consulting and advisory services. The Company will operate the facility to produce premium cannabis grown specifically for extraction. Upon initial construction and development cost recovery by Kosha, the Company is entitled to a 51% interest in the assets and each of Kosha and the Company will earn 50% of revenues from operations.

On June 14, 2018 the Company announced that its wholly owned subsidiary, Supra, has obtained ISO 17025 accreditation for cannabis testing. Supra is the first Dealer’s License using cannabis as it’s matrix in Canada to achieve this accreditation providing a significant strategic advantage to the Company.

As the Company continues to focus on numerous growth opportunities in the market, on June 7, 2018, the Company announced that it continues to strengthen its management team with the addition of three key members:

- Mr. Chris Buysen, MPAcc, CPA, CA – Chief Financial Officer. Mr. Buysen brings over 15 years of diverse financial experience working as a senior financial executive in a wide range of industries including retail, pharmacy and consumer packaged goods.

- Ms. Chantel Popoff – Vice President Valens Agritech. Ms. Popoff has over 15 years of hands on senior management and regulatory experience in the retail pharmacy, health food and consumer packaged goods space.

- Mr. Scott Young – Vice President of Investor Relations and Business Development. Mr. Young has spent the last 15 years working in the capital market sectors of Canada, the United States and Europe. He has helped numerous start-up companies through his networks in energy, mining, technology and biotechnology.

On March 9, 2018 announced the successful completion of its initial batch of supercritical CO2-extracted cannabis oil. With the delivery of two Vitalis Q-90 CO2 extraction machines in March 2018 the Company's monthly extraction capacity increased 600% as the Company continues to focus on growth opportunities in the Canadian and International markets.

On February 28, 2018, the Company entered into a Letter of Intent to acquire a 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.

In July 2018 the letter of intent with R Gold was terminated.

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 Kelowna, B.C.

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.

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 25,000 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).

<u>Equity Transaction during the nine-month period ended August 31, 2018</u>

On October 14, 2018 the Company granted 2,652,000 options to purchase common shares of the Company exercisable at a price of $1.95 per share and expiring on October 13, 2023, to employees, officers and consultants of the Company. The options vest quarterly over a three-year period and are granted pursuant to the terms of the Company's stock option plan.

During the nine months ended August 31, 2018 the Company issued 541,905 common shares in connection with the exercise of warrants for gross proceeds of $630,626. Subsequent to the end of the quarter on September 12, 2018 the Company issued 156,000 common shares in connection with the exercise of warrants for gross proceeds of $234,000, on September 19, 2018, an additional 30,000 common shares for gross proceeds of $45,000 and on October 4, 2018, an additional 5,000 common shares for gross proceeds of $7,500.

On July 9, 2018 the Company granted 625,000 stock options to an officer and employees of the Company exercisable into common shares at a price of $1.07 per common share and expiring on July 9, 2023. Subsequent to the end of the quarter on

September 5, 2018, the Company issued 400,000 common shares in connection with the exercise of stock options for gross proceeds of $400,000 and on October 10, 2018, the Company issued an additional 1,686,538 common shares in connection with the exercise of stock options for gross proceeds of $1,525,000.

On April 18, 2018, the Company entered into a consulting agreement with a former director of the Company. Under the terms of the agreement, the Company is to issue 20,000 common shares of the Company to the former director. On August 1, 2018, the Company issued the shares and recorded a corresponding expense of $22,200.

On March 29, 2018, the Company issued 73,000 common shares to a consultant of the Company valued at $129,940.

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.

On February 9, 2018 the Company announced the closing of the 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 $12,385,870 pursuant to the over-subscribed Offering, through the issuance of 8,847,050 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 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 1, 2018, the Company entered into a one-year consulting agreement for the provision of investor relations and market awareness services. Under the terms of the agreement, in addition to the base consulting fee, the Company has committed to issue 500,000 common shares of the Company in equal quarterly tranches. During the nine-month period ended August 31, 2018, 250,000 common shares valued at $277,500 were issued per this agreement.

Equity Transaction during the year ended November 30, 2017

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.

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

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.

RESULTS OF OPERATIONS

For the nine month period ended August 31, 2018, the Company reported a loss of $8,524,225 ($0.12 per share), compared to $3,583,358 ($0.07 per share) for the comparable period in 2017. The increase in the loss reported is primarily due to increase in management and consulting fees, wages and salaries and share based payments, 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 four quarters ending August 31, 2018, with comparatives for the four quarters ending August 31, 2017, all prepared using accounting principles consistent with IFRS:

	Three Months Ended			
	August 31, 2018 $	May 31, 2018 $	February 28, 2018 $	November 30, 2017 $
Consulting income	14,575	22,741	-	17,320
Loss and comprehensive loss	(2,305,550)	(2,441,229)	(3,777,446)	(798,973)
Basic and diluted loss per share	(0.03)	(0.03)	(0.06)	(0.01)

	Three Months Ended			
	August 31, 2017 $	May 31, 2017 $	February 28, 2017 $	November 30, 2016 $
Consulting income	15,615	7,789	-	-
Loss and comprehensive loss	(1,032,270)	(1,674,201)	(878,009)	(7,947,202)
Basic and diluted loss per share	(0.02)	(0.03)	(0.02)	(0.16)

Quarterly results will vary in accordance with the Company's operating and financing activities.

Variances quarter over quarter can be explained as follows:

Three months ended August 31, 2018

During the three months ended August 31, 2018, operating expenses totaling $2,443,425 (2017 – $1,128,882), primarily consisting of management and consulting fees of $441,823 (2017 – $295,830), wages and salaries of $404,525 (2017 – $61,477), depreciation $436,086 (2017 - $21,501), share-based payments of $241,514 (2017 – $575,475), office and miscellaneous of $226,009 (2017 – $31,398), advertising and promotion of $217,331 (2017 – $1,291), and travel and business development of $94,791 (2017 – $9,290).

The table below details the changes in major expenditures for the three month period ended August 31, 2018 as compared to the corresponding three month period ended August 31, 2017:

Expenses	**Change in Expenses**	**Explanation for Change**
Management and consulting fees	Increase of $145,993	Increase due to build out of management team to support future growth.
Wages and salaries	Increase of $343,048	Increase due to addition of operations and other key employees across the Company to support higher levels of activity.
Depreciation	Increase $414,585	Addition of lab and extraction equipment to support growth opportunities for the Company, and first quarter of leasehold improvement and intangible asset depreciation as operations have commenced in the facility.
Share-based payments	Decrease of $333,961	Decrease due to timing of options being granted and respective vesting.
Office and miscellaneous	Increase of $194,611	Increase due to higher administrative activities across the Company.
Advertising and promotion	Increase of $216,040	Marketing programs and other promotion contracts signed to support the Company.
Travel and business development	Increase of $85,501	Increased travel costs with higher levels of activity within the Company.

Nine months ended August 31, 2018

During the nine months ended August 31, 2018, operating expenses totaling $8,880,977 (2017 – $3,866,585), primarily consisting of management and consulting fees of $2,100,171 (2017 – $528,116), wages and salaries of $818,467 (2017 – $300,912), depreciation $661,839 (2017 - $64,275), share-based payments of $3,119,707 (2017 – $2,281,445), office and miscellaneous of $582,963 (2017 – $82,387), advertising and promotion of $494,824 (2017 – $45,431), and travel and business development of $331,874 (2017 – $42,096).

The table below details the changes in major expenditures for the nine month period ended August 31, 2018 as compared to the corresponding nine month period ended August 31, 2017:

Expenses	**Change in Expenses**	**Explanation for Change**
Management and consulting fees	Increase of $1,572,055	Increase due to build out of management team to support future growth of the Company and investor relations and other consultants to support specific corporate initiatives.
Wages and salaries	Increase of $517,555	Increase due to addition of operations and other key employees across the Company to support higher levels of activity.
Depreciation	Increase $597,564	Addition of lab and extraction equipment to support growth opportunities for the Company, and one quarter of leasehold improvement and intangible asset depreciation as operations commenced in the facility in the third quarter.
Share-based payments	Increase of $838,262	Increase due to timing of options granted and respective vesting.
Office and miscellaneous	Increase of $500,576	Increase due to higher administration activities across the Company.
Advertising and promotion	Increase of $449,393	Additional conference costs, marketing programs and other promotion contracts signed to support the Company.
Travel and business development	Increase of $289,778	Increased travel costs with higher levels of activity within the Company.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at August 31, 2018 and November 30, 2017, the Company’s liquidity and capital resources are as follows:

	August 31, 2018 $	November 30, 2017 $
Cash and cash equivalents	2,815,538	291,623
Receivables	594,934	126,454
Prepaid expenses	151,976	444,204
Total current assets	3,562,448	862,281
Payables and accrued liabilities	821,619	828,318
Promissory notes payable	-	860,507
Working capital (deficit)	2,740,829	(826,544)

As at August 31, 2018, the Company had a cash position of $2,815,538 (November 30, 2017 - $291,623), primarily derived from the net proceeds of private placements. The net proceeds of the private placements were utilized in the second and third quarter of 2018 for the acquisition of cultivation and extraction related equipment $1,751,058, expansion and leaseholds work completed on the Kelowna facility $1,200,071 with the remainder used for general corporate purposes. As at August 31, 2018, the Company had working capital of $2,740,829 (November 30, 2017 –$826,544 working capital deficit).

The Company’s continuation as a going concern is dependent upon successful results from 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, cash flow from operations, proceeds from the exercise of warrants and stock options, and further potential financing. 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

On September 1, 2018, the Company entered into a lease agreement with a company controlled by a director of the Company. The term of the lease is three 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. Under the lease agreement the Company is required to make monthly lease payments as follows:

Lease Year	Per Month	Per Annum
1	$ 20,981	$ 251,772
2 – 3	$ 21,611	$ 259,326

Based on the lease payments the remaining commitments are:

Short term (September 1, 2018 – August 31, 2019)	$ 251,772
Long term (September 1, 2019 – August 31, 2021)	518,652
	$ 770,424

Consulting Agreement

On January 1, 2018 the Company entered into a one-year consulting agreement for the provision of investor relations and market awareness services. Under the terms of the agreement, in addition to the base consulting fee, the Company has committed to issue 500,000 common shares of the Company in equal quarterly tranches. At August 31, 2018, the Company has issued 250,000 common shares and recognized a corresponding expense of $277,500.

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. During the year ended November 30, 2017, the parties reached a settlement agreement whereby the Company would pay the vendor $9,000. The funds are currently being held in trust by the Company's legal counsel and are awaiting request to be transferred to the vendor at which time the settlement documents will be signed and filed with the court.

TRANSACTIONS WITH RELATED PARTIES

Goods and Services

The Company entered into certain transactions with related parties during the nine-month period ended August 31, 2018 as follows:

Name and Relationship to Company	Transaction	Three months ended		Nine months ended		As at	
		Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Nov 30, 2017
		$	$	$	$	$	$
		Related Party Transactions				Balance Payable (Receivable)	
1022006 BC Ltd. A company controlled by Dave Gervais and Tim Tombe former directors of the Company	Rent (1)	62,945	61,585	188,936	183,395	-	-

Phi Beta Capital Advisors Ltd., a company controlled by the spouse of Robert Van Santen former Chief Executive Officer, Chief Financial Officer and director of the Company	Rent (2)	-	8,400	8,400	25,200	-	-
Supra Research and Development Inc. A company controlled by Rob O'Brien, the former Chief Scientific Officer Valens Agritech and director of the Company	Equipment(3)	-	-	293,331	-	-	97,886

(1) Rent for the Company's facility at 230 Carion Road, Kelowna, BC is measured at the exchange amount, which is the amount of consideration agreed by the related parties. The current lease agreement is in place until December 31, 2022. Subsequent to the end of the quarter the building was sold and the lease transferred to Northok Properties Inc a company controlled by Ashley McGrath, a director of the Company.
(2) Rent for office space for the Company in Vancouver, BC and is measured at the exchange amount, which is the amount of consideration agreed by the related parties.
(3) The Company purchased lab instrumentation equipment for the operations of Supra THC Services Inc. measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

Key Management Compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Company has defined key management personnel to include the CEO, CFO, CSO, President, Vice President and directors of the Company.
The remuneration paid or accrued for the Company's key management personnel and directors are as follows:

	Three months ended		Nine months ended	
	Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Aug 31, 2017
	$	$	$	$
Management and consulting fees				
Tyler Robson, Chief Executive Officer and director of the Company	120,000	30,000	510,000	70,000
Agilis Capital Corporation, a company controlled by Robert van Santen – former Chief Financial Officer, Chief Executive Officer and director of the Company	30,000	48,750	122,500	146,250
Supra Research and Development Inc, a company controlled by Rob O'Brien – former Chief Scientific Officer Valens Agritech and director of the Company	31,400	-	117,200	-
Advanced Nutri-Tech Systems Inc, a company controlled by Saul Katz a former President and director of the Company	-	45,000	187,790	45,000
1123278 BC Ltd, a company controlled by Dave Gervais a former director of the Company.	-	-	85,231	-
Mark Doucet, a former President and director of the Company	-	76,190	-	76,190
Advantage Microbial Solutions, a company controlled by Tim Tombe a former director of the Company	-	-	-	7,000
Total	**181,400**	**199,940**	**1,022,721**	**344,440**
Wages and salaries				
Chantel Popoff, Vice President of the Company	34,167	-	34,167	-

Chris Buysen, Chief Financial Officer of the Company	18,333	-	18,333	-
Rob O'Brien, Former Chief Scientific Officer Valens Agritech and director of the Company	-	12,500	12,500	35,000
Tyler Robson, Chief Executive Officer and director of the Company	-	-	-	50,625
Dave Gervais, former director of the Company	-	6,089	-	59,018
Tim Tombe, former director of the Company	-	-	-	47,506
Total	**52,500**	**18,589**	**65,000**	**192,149**
Share-based payments(1)				
Chantel Popoff, Vice President of the Company	97,372	-	97,372	-
Chris Buysen, Chief Financial Officer of the Company	97,372	-	97,372	-
Tyler Robson, Chief Executive Officer and director of the Company	-	46,943	-	219,667
Robert van Santen, former Chief Financial Officer, Chief Executive Officer and director of the Company	-	46,943	-	219,667
Dave Gervais, former director of the Company	-	46,943	-	219,667
Tim Tombe, former director of the Company	-	32,860	-	153,767
John Binder, former director of the Company	-	9,388	-	43,933
Rob O'Brien, former Chief Scientific Officer Valens Agritech and director of the Company	-	99,084	-	304,779
Saul Katz, former President and director of the Company	-	-	-	878,330
Total	**194,744**	**282,161**	**194,744**	**2,039,810**

(1) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan.

Related Party Balances

In addition to the related party balances payable (receivable) for goods and services above, the following related party amounts were included in (a) accounts payable and accrued liabilities and (b) receivables:

	As at	
	Aug 31, 2018	Nov 30, 2017
	$	$
Accounts Payable and Accrued Liabilities:		
(a) Officers, directors and former directors (1)	10,009	213,524
Receivables:		
(b) Former directors and companies controlled by former directors (2)	160,695	22,500

(1) The amounts payable to related parties have no specific terms of repayment, are unsecured and do not bear interest.
(2) The amounts receivable from related parties have no specific terms of repayment, are unsecured and do not bear interest.

Convertible Notes

On February 9, 2017 and April 18, 2017, the Company entered into convertible loan agreements (the "Loans") with the following related parties.

Name and Relationship to Company	Principal Balance of Notes	Three months ended		Nine months ended		As at	
		Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Nov 30, 2017
		$	$	$	$	$	$
		Interest expense on Notes				Balance Payable	
High Noon Holdings Inc., a company controlled by John Binder, a former director of the Company.	500,000	-	-	-	15,205	-	-
John Binder, a former director of the Company.	500,000	-	-	-	5,890	-	-

Each Loan was for $500,000 with a term of one year and an interest rate of 10% to be paid on settlement. The Lender had the option but no obligation to exchange all or a 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 the 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

On October 30, 2016, the Company entered into promissory note agreements (the "Notes") with the following related parties.

Name and Relationship to Company	Principal Balance of Notes	Three months ended		Nine months ended		As at	
		Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Aug 31, 2017	Aug 31, 2018	Nov 30, 2017
		$	$			$	$
		Interest expense on Notes				Balance Payable	
0768390 BC Ltd., a company controlled by Tim Tombe, a former director of the Company.	658,050	-	7,958	4,218	39,569	-	100,844
1009368 BC Ltd., a company controlled by Noreen Spanell a shareholder of the Company.	960,095	-	-	-	44,197	-	-
1022006 BC Ltd. A company controlled by Dave Gervais, a director of the Company and Tim Tombe a former director of the Company	194,483	-	2,765	4,790	13,159	-	214,215
Dave Gervais, a director of the Company	790,260	-	21,390	6,838	61,846	-	465,598
Tim Tombe, a former director of the Company	72,485	-	1,031	1,189	4,904	-	79,850
TOTAL	**2,675,373**	**-**	**33,144**	**17,035**	**163,675**	**-**	**860,507**

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 on January 11, 2017 and August 14, 2017. During the nine-month period ended August 31, 2018 the remaining balance of the notes and accrued interest was settled with a cash payment to the note holders.

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**	**August 31, 2018**
Fair value through profit and loss financial asset				
Cash and cash equivalents	$301,169	$2,514,369	-	$2,815,538
Total financial assets at fair value	$301,169	$2,514,369	-	$2,815,538

	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 of 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's cash is invested in bank accounts which are available on demand. The Company is exposed to liquidity risk.

Market risk

The only significant 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. The Company's future interest income is exposed to short-term 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 August 31, 2018, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $218,400 (November 30, 2017 - $189,050). 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:

- One of the Company's investments, a promissory note receivable from MKV Ventures 1 LLC a 100% owned subsidiary of MKHS LLC a fully licensed, Arizona based marijuana cultivation, extraction and medical dispensary business. While MKHS LLC operations are believed to be compliant with all applicable U.S. state and local laws, the Company has not obtained a legal opinion on this matter and marijuana does remain illegal under federal law in the U.S;
- The Company's exposure to U.S. marijuana activities is restricted to the promissory note receivable from MKV Ventures 1 LLC on the Company's balances sheet and associated interest at 15% on the outstanding promissory note balance, accretion and foreign exchange on the Company's statement of consolidated loss;
- Due to the classification of marijuana as a Schedule I controlled substance under the Controlled Substances Act in the U.S., the Company's investment may be seized, and the operations shut down;
- There is uncertainty regarding existing protection from federal prosecution;
- There is also uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the marijuana industry as a whole;

- The Company may not be able to obtain all necessary Arizona licenses and permits or complete construction of its facilities in a timely manner, which could delay or prevent the Company from being able to collect on its promissory note receivable;
- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- The Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- The Company's investment in MKV Ventures 1 LLC operates in the state of Arizona with the following regulations:
    - In 2010 the state of Arizona approved an initiative to legalize the medical use of marijuana. Proposition 203 authorized doctors to recommend cannabis as a therapeutic option to patients with a qualifying medical condition, as opposed to prescribing a specific dosage of cannabis with strict consumption or application methods. This proposition tasked the Arizona Department of Health Services to regulate the Arizona Medical Marijuana Act ("AMMA");
    - Patients in Arizona must have one of the following qualifying medical conditions as determined by their physician including; ALS, Alzheimer's disease, cancer, Crohn's disease, Glaucoma, HIV/AIDS, Hepatitis C, muscle spasms, nausea, seizures and severe and chronic pain;
    - Arizona marijuana patients or caregivers may possess up to 2.5 ounces of marijuana at any given time and obtain 2.5 ounces in a 14-day period from an Arizona medical marijuana dispensary. Patients can also be authorized to grow up to 12 marijuana plants for their own use if the patient lives 25 miles or more from the nearest dispensary;
    - Once a patient has received their written certificate from an Arizona doctor, they may apply to the ADHS for a registry identification card, a card that grants patients and caregivers the authority to possess, purchase, and use medical marijuana legally;
    - All Arizona marijuana dispensaries are currently required to be operated on a non-profit basis. Dispensaries may charge for medical marijuana as part of the expenses incurred during business operations. Patients can purchase up to 2.5 ounces of marijuana every two weeks, either as flower or an equivalent amount in concentrate, edibles, or other forms;

• 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 favorable 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 growth opportunities in the cannabis sector. 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 August 31, 2018 and as at the date of this report:

	As at August 31, 2018	As at October 30, 2018
Common shares	72,557,129	93,086,157
Stock options	6,051,667	6,577,129
Warrants	1,033,750	9,604,971

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 6,577,129 options outstanding.

Options outstanding	Exercise price $	Expiry date
20,000	3.00	November 27/28, 2018
141,667	0.30	August 31, 2020
50,000	0.30	September 22, 2020
1,938,462	0.65	November 30, 2021
150,000	1.00	November 7, 2020
1,000,000	2.50	February 23, 2023
625,000	1.07	July 9, 2023
100,000	1.95	October 31, 2019
2,552,000	1.95	October 13, 2023
6,577,129		

Warrants

As of the date of this report the Company has 9,604,971 warrants outstanding.

Warrants outstanding	Exercise price $	Expiry date
95,000	1.50	November 5, 2018
180,100	1.50	November 30, 2018
527,650	1.50	December 27, 2018
7,802,221	2.54	October 10, 2020
400,000	3.50	October 26, 2023
300,000	3.75	October 26, 2023
300,000	4.00	October 26, 2023
9,604,971		

DIRECTORS AND OFFICERS

Tyler Robson – Chief Executive Officer, Director
Chris Buysen – Chief Financial Officer, Director
Chris Irwin – Director
Nitin Kaushal – Director
Ashley McGrath - Director

OTHER REQUIREMENTS

Additional disclosure of the Company’s 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”
Tyler Robson

“Nitin Kaushal”
Nitin Kaushal