VALENS GROWORKS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three Months Ended February 28, 2019

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, 2019. 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 of the Company for the three-month periods ended February 28, 2019 and 2018 and related notes thereto and the audited annual consolidated financial statements of the Company for the years ended November 30, 2018 and 2017 and related notes thereto. The results for the three-month period ended February 28, 2019 are not necessarily indicative of the results that may be expected for any future period.

All financial information contained in this MD&A is current as of April 24, 2019 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.com. The date of this MD&A is April 24, 2019.

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 procure equipment and supplies, as necessary, in sufficient quantities and on a timely basis; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; 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 24, 2019.

COMPANY OVERVIEW

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") and under the trading symbol "VGWCF" on the OTC Markets. The Company continues to build out its business to business extraction processing capabilities in addition to plans to capture a broad spectrum of medical cannabis users and adult recreational users through the development of innovative white label and branded products. The Company also provides analytical testing services to third party licensed producers in the cannabis space.

The Company operates through its four wholly-owned subsidiaries, Valens Agritech Ltd ("VAL"), Supra THC Services Inc. ("Supra"), Valens Labs ("Labs") 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. On November 2, 2016, the Company completed the acquisition (the "Acquisition") of VAL pursuant to a share exchange agreement dated October 31, 2016 (the "Agreement"). VAL has been granted a standard processing and standard cultivation license under the Cannabis Act. VAL also holds an analytical testing license from Health Canada.

Supra was incorporated under the Business Corporations Act of the Province of British Columbia on December 10, 2015. Supra holds an analytical testing license from Health Canada which allows Supra to provide sector-leading analytical and proprietary testing services. 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. On October 23, 2018, the Company entered into an agreement with Rotogro International Limited ("Rotogro") to acquire the shares of Supra.

Labs was incorporated under the Business Corporations Act of the Province of British Columbia on October 18, 2018. Labs was incorporated to transfer the assets and operations of Supra upon the closing of the Rotogro transaction.

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.

CORPORATE HIGHLIGHTS

Production and Operational Highlights

The Company achieved a significant operational milestone in the three months ended February 28, 2019 with the first shipments of cannabis received, extracted and returned to our industry partners resulting in revenue from the extraction and post processing segment of the Company of $2,154,370. The Company received increasing size and frequency of cannabis and hemp shipments throughout the first quarter of 2019 which have continued to expand through the second quarter as expected based on the agreements and relationships with our industry partners. The Company processed and sold a total of 1,796,000 grams of input cannabis and hemp biomass in the first quarter of 2019 and have already processed 4,976,000 grams in the second quarter to April 24, 2019, a 177.1% increase.

Extraction Partnerships

The Company continues to focus on the development of the business to business partnerships for custom extraction processing of cannabis and hemp materials, as well as product development and white label services. Agreements have been executed with the following partners to provide our proprietary extraction expertise: The Green Organic Dutchman Holdings Ltd., Tilray Canada Ltd., Organigram Inc., Sundial Growers Inc, Canopy Growth Corporation, Harvest One and GTEC Holdings. The

Company continues to be engaged in active discussions with additional partners to provide extraction services and expand our existing relationships to add further value-added product development and white label services.

Acquisition of Extraction Facility at 230 Carion Road

On March 20, 2019, the Company closed the acquisition of the existing 25,000 square foot extraction and post processing facility from NorthOk Properties Inc., a company controlled by Ashley McGrath, a director of the Company, for an agreed upon purchase price of $4,400,000. The Company engaged an independent appraiser to complete a market value assessment which supports the purchase price. With the purchase of this property closed, the Company has commenced plans to build out an additional 10,000 square feet of capacity to further increase the extraction capacity on the 1.94 acre site to meet the increasing demand for the Company's proprietary value added extraction services.

Acquisition of Strategic Property Adjacent to Existing Facility

On April 1, 2019, the Company closed the acquisition of a 1.68-acre property with an existing 18,000 square foot building adjacent to the existing Kelowna facility for an agreed upon purchase price of $4,000,000. The Company is finalizing development plans and will pull required permits to commence improvements to the space that will be built out with a specific focus on extraction, post processing and white label product development and manufacturing including beverages, edibles, tinctures, capsules and vaporizers. The Company will also simultaneously commence the required Health Canada licensing process required for the property.

Rotogro Share Purchase Agreement

On October 23, 2018 the Company 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, which currently holds the Company's second analytical testing 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 an estimated value of $9,000,000 at time of signing the agreement. The first non-refundable installment is comprised of $200,000 in cash (received) and 2,250,000 ordinary shares in Rotogro (received) which was valued at $888,800 and recorded as a reduction in the carrying value of the license. The second installment of $200,000 in cash and 16,650,000 ordinary shares in Rotogro, of which 14,400,000 ordinary shares in Rotogro are to be held in escrow and the remaining 2,250,000 shares in Rotogro are freely trading, is due on closing the transaction which is anticipated to be in the third quarter of 2019, the third installment of $600,000 in cash and 5,400,000 ordinary shares in Rotogro to be released from escrow is due on the earlier of twenty one days from Rotogro's receipt of a processing license or December 31, 2019, and the final installment of $1,000,000 and 9,000,000 ordinary shares in Rotogro to be released from escrow is due on the earlier of twenty one days from Rotogro's receipt of a cultivation license or December 31, 2020. The delays in closing the transaction, compared to the original timeline are a result of certain regulatory requirements and the requirements to transition the license from the original Dealer's License to the current analytical testing license (complete) and for Health Canada to transfer the location of the license from the current facility in British Columbia to Rotogro's facility in Ontario.

The intangible asset associated with Supra's Health Canada analytical testing license is presented as an asset held for sale. Prior to closing the transaction, the Company will transfer all assets currently held in Supra, excluding the analytical testing license, to the newly created subsidiary Valens Labs Ltd.

Equity Transactions for the Three-Month Period ended February 28, 2019

On January 3, 2019, the Company issued 6,500 common shares in connection with the exercise of warrants for gross proceeds of $9,750.

On February 22, 2019, the Company issued 25,000 common shares in connection with the exercise of options for gross proceeds of $26,750. As a result of the exercise of options, the fair value of the options amounting to $25,155 was reclassified from reserves to share capital.

During the three-month period ended February 28, 2019, the Company issued 270,000 common shares in connection with employment, consulting and Board of Directors' compensation agreements resulting in a reduction in the obligation to issue shares of $304,220, an increase in share capital by $427,250 and management and consulting fees of $123,030.

Equity Transactions Subsequent to the Three-Month Period ended February 28, 2019

On March 7, 2019, the Company issued 345,000 common shares to settle obligations to issue shares to directors and officers.

On March 7, 2019, the Company issued 86,085 common shares and 43,042 warrants exercisable at a price of $2.54 per common share in connection with the exercise of broker warrants for gross proceeds of $167,866.

On March 8, 2019, the Company issued 100,000 common shares in connection with the exercise of options for gross proceeds of $100,000.

On March 21, 2019, the Company issued 200 common shares in connection with the exercise of warrants for gross proceeds of $508.

On April 9, 2019 the Company announced the closing of the $37,499,999 bought deal financing, pursuant to which the Company issued 12,711,864 units at a price of $2.95 per unit which is comprised of one common share of the Company and one half share purchase warrant exercisable at a price of $4.00 per share for a period of twenty four months from the date of closing. In addition, the Company received gross proceeds of $5,624,913 from the issuance of an additional 1,906,780 units as full exercise of the underwriter's over-allotment option. In connection with the financing, the Company paid a cash commission equal to 6% of the gross proceeds raised and issued 877,119 broker warrants. Each full broker warrant entitles the holder to purchase one unit at a price of $2.95 per unit for a period of twenty-four months from the date of closing, subject to acceleration conditions.

On April 9, 2019, the Company issued 50,000 common shares to settle obligations to issue shares to an employee of the Company.

On April 11, 2019, the Company issued 25,000 common shares in connection with the exercise of options for gross proceeds of $31,250.

On April 16, 2019, the Company issued 344,341 common shares and 172,170 warrants exercisable at a price of $2.54 per common share in connection with the exercise of broker warrants. The 172,170 warrants were subsequently exercised on April 16, 2019. Gross proceeds on the exercise of 344,341 broker warrants was $671,465 and gross proceeds on subsequent exercise of 172,170 warrants was $437,312.

Subsequent to February 28, 2019, the Company entered into an agreement to acquire all of the shares of Straight Fire Consulting LLC ("Agreement"), an entity through which a consultant had been providing services to the Company. As consideration, the Company issued 3,800,000 common shares (of which 2,250,000 common shares have been recognized as obligation to issue shares as at February 28, 2019 for services rendered) and will transfer 4,000,000 ordinary shares in Rotogro upon receipt of Rotogro ordinary shares by the Company pursuant to the Supra SPA. In addition, the consultant has agreed to terminate the consulting agreement and all further obligations by the Company under the agreement, other than the change of control provisions which provide for an additional 3,000,000 common shares of the Company should a change of control occur within two years of the Agreement.

On April 18, 2019, the Company issued 2,083 common shares in connection with the exercise of options for gross proceeds of $4,062.

SELECTED FINANCIAL INFORMATION

	For the three months ended	
	February 28, 2019	**February 28, 2018**
Selected Statements of Loss Information	**$**	**$**
Revenue	2,220,200	-
Gross profit	850,525	-
Gross profit %	38.3%	-
Operating expenses	6,992,934	3,849,934
Other expenses (income)	223,841	(72,488)
Loss and comprehensive loss	(6,366,250)	(3,777,446)
Loss and comprehensive loss per share – basic and diluted	(0.07)	(0.06)
Weighted average number of shares	93,305,424	64,782,942
Adjusted EBITDA(1)	(2,029,123)	(1,467,311)

(1) Defined as loss and comprehensive loss for the period before interest, taxes, depreciation and amortization adjusted for other non-cash items, which is a non-GAAP measure discussed in the "Adjusted EBITDA" section.

	As at	
	February 28, 2019	**November 30, 2018**
Selected Statements of Financial Position Information	**$**	**$**
Cash	488,565	1,726,530
Short-term investments	20,063,721	23,505,750
Inventory	904,966	506,772
Other working capital	2,297,857	2,882,852
Non-current assets	23,432,744	21,454,383
Equity	49,824,354	52,712,788

The Company has three reportable segments: extraction and post processing, analytical testing and corporate, consistent with the manner in which the Company reports information to its Board of Directors.

The operating segments for the three-month period ended February 28, 2019:

	Extraction $	**Analytical Testing $**	**Corporate $**	**Total $**
Revenue	2,154,370	134,875	(69,045)	**2,220,200**
Cost of goods sold	1,379,582	40,902	(50,809)	**1,369,675**
Gross profit	774,788	93,973	(18,236)	**850,525**
Other operating expenses	1,046,158	141,802	5,804,974	**6,992,934**
	(271,370)	(47,829)	(5,823,210)	**(6,142,409)**
Non-operating expenses (income)	489	(75)	224,405	**223,841**
Net loss	(270,881)	(47,754)	(6,047,615)	**(6,366,250)**
Total assets	12,081,857	3,346,971	35,672,229	**51,101,057**
Total liabilities	531,857	27,538	717,308	**1,276,703**

The operating segments for the three-month period ended February 28, 2018:

	Extraction **$**	**Analytical Testing** **$**	**Corporate** **$**	**Total** **$**
Revenue	-	-	-	**-**
Cost of goods sold	-	-	-	**-**
Gross profit	-	-	-	**-**
Other operating expenses	2,490,486	1,295,130	64,318	**3,849,934**
	(2,490,486)	(1,295,130)	(64,318)	**(3,849,934)**
Non-operating expenses (income)	(72,488)	-	-	**(72,488)**
Net loss	(2,417,998)	(1,295,130)	(64,318)	**(3,777,446)**
Total assets	35,365,156	11,586,806	6,314,913	**53,266,875**
Total liabilities	655,471	958,632	401,042	**2,015,145**

Revenue

Revenue is comprised of service revenue from proprietary and industry leading extraction services, the sale of cannabis and hemp biomass and analytical testing revenue from the lab. Revenue increased to $2,220,200 in the first quarter, compared to $nil in the same period in fiscal 2018.

This increase in revenue is due to extraction service revenue of $2,154,370 (February 28, 2018 - $nil) as the Company marked a significant milestone with the ramp up of cannabis and hemp product received for processing. The size and frequency of shipments increased through the latter part of the quarter, a trend which has continued to expand through the second quarter of 2019 as expected. The Company’s extraction service revenue for the three months ended February 28, 2019 is comprised of toll processing revenues, sales of refined oils from Company-owned cannabis and hemp biomass and dried cannabis sales.

In addition, the Company generated $134,875 (February 28, 2018 - $nil) in revenue from analytical testing through the Company’s ISO 17025 accredited lab, including $69,045 in intercompany testing revenue.

Cost of goods sold

Cost of goods sold increased to $1,369,675 in the first quarter, compared to $nil in the same period in fiscal 2018. The increase in cost of goods sold is a direct result of the Company commencing extraction service operations in the first quarter of 2019.

The cost of goods sold from extraction services was $1,379,582 (February 28, 2018 - $nil) comprised of purchases of raw cannabis and hemp biomass, analytical testing costs, shipping, consumables, wages and salaries including benefits, and an allocation of other operating expenses including facility overhead and depreciation costs.

The cost of goods sold from analytical testing was $40,902 (February 28, 2018 - $nil) comprised of wages and salaries including benefits, consumables, and an allocation of other operating expenses including facility overhead and depreciation costs.

Gross profit

Gross profit increased to $850,525 for the first quarter, compared to $nil in the same period in fiscal 2018. The increase in gross profit from extraction services for the three months ended February 28, 2019 was $774,788 or 36.0% compared to $nil in the same period in fiscal 2018. The analytical testing operations also saw an increase in gross profit for the three months ended February 28, 2019 to $93,973 or 69.7% compared to $nil in the same period in fiscal 2018.

	For the three months ended	
	February 28, 2019	**February 28, 2018**
Operating expenses	**$**	**$**
Advertising and promotion	1,259,773	154,038
Depreciation and amortization	675,378	61,413
Foreign exchange (gain) loss	907	(32,364)
Interest	3,247	21,917
Management and consulting fees	330,007	755,391
Office and miscellaneous	321,352	277,989
Professional fees	133,786	79,030
Rent	62,945	71,441
Repairs and maintenance	37,967	14,498
Share-based payments	3,318,287	2,299,126
Travel and business development	130,863	5,346
Salaries and wages	718,422	142,109

Advertising and promotion

Advertising and promotion expenses increased to $1,259,773 in the first quarter, compared to $154,038 in the same period in fiscal 2018. The increase is a result of the Company's activity around building brand awareness and increasing the Company's business to business presence in the cannabis space with additional digital, print and social media content.

Depreciation and amortization

Depreciation and amortization expense increased to $675,378 in the first quarter, compared to $61,413 in the same period in fiscal 2018. The increase is a result of commencing depreciation on leasehold improvements as the work was completed and the production facility in Kelowna, BC was in operation. In addition, the Company acquired additional extraction and post processing equipment to ramp up processing capacity. The Company also commenced amortization of the intangible asset associated with the Tarukino sales and license agreement in Canada resulting in an expense of $356,643. During the three months ended February 28, 2019, $58,083 (February 28, 2019 - $nil) of depreciation was allocated to inventory.

Foreign exchange (gain) loss

Foreign exchange loss for the three months ended February 28, 2019 of $907 compared to foreign exchange gain of $32,364 in the same period of fiscal 2018. The decrease in foreign exchange (gain) loss during the period is a result of the write off of the balance outstanding under the MKHS LLC promissory note receivable which was denominated in United States dollars in the fourth quarter of 2018.

Interest

Interest expense decreased to $3,247 in the first quarter, compared to $21,917 in the same period in fiscal 2018. The decrease is a result of the settlement of the remaining balance outstanding of $860,507 under the promissory notes payable in the first quarter of fiscal 2018 which accrued interest at a rate of 9%.

Management and consulting fees

Management and consulting fees decreased to $330,007 in the first quarter, compared to $755,391 in the same period in fiscal 2018. The decrease was the result of a one-time payment made on termination of a consulting agreement with a former president of the Company during the three months ended February 28, 2018, in addition to the reduction of the number of consultants used by the Company as roles and responsibilities have transitioned to internal employees.

Office and miscellaneous

Office and miscellaneous increased to $321,352 in the first quarter, compared to $277,989 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company with production commencing in the quarter.

Professional fees

Professional fees increased to $133,786 in the first quarter, compared to $79,030 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company resulting in higher legal costs associated with contract review and higher audit fees.

Rent

Rent decreased to $62,945 in the first quarter, compared to $71,441 in the same period of fiscal 2018. The decrease is a result of the termination of a leased space the Company held for a prior consultant of the Company in Vancouver, BC.

Repairs and maintenance

Repairs and maintenance increased to $37,967 in the first quarter, compared to $14,498 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company with production commencing in the quarter.

Share-based payments

Share-based payments increased to $3,318,287 in the first quarter, compared to $2,299,126 in the same period in fiscal 2018. The increase is a result of a $1,102,005 expense associated with the company wide employee stock option grant in October of 2018 to reward and align employees with the continued focus of generating shareholder value in the Company. Additionally, there was an expense of $2,216,282 related to the grant of shares to certain directors, officers, employees and consultants of the Company. The expense in the prior year relates to 1,000,000 options granted to a consultant of the Company with an exercise price of $2.50.

Travel and business development

Travel and business development increased to $130,863 in the first quarter, compared to $5,346 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company with additional conferences, site visits with industry partners and overall increased levels of activity.

Salaries and wages

Salaries and wages increased to $718,422 in the fourth quarter, compared to $142,109 in the same period in fiscal 2018. The increase reflects the general expanding scale of operations and required resources to support that growth in all areas of the business. During the three months ended February 28, 2019, $169,480 (February 28, 2018 - $nil) in salaries and wages were allocated to inventory.

Adjusted EBITDA (non-GAAP measure)

Adjusted EBITDA is a non-GAAP measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as loss and comprehensive loss from operations, as reported, before interest, tax, depreciation and amortization, and adjusted for removing share-based payments and unrealized gains and losses from short term investments. Management believes adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis as described above.

Adjusted EBITDA (non-GAAP measure)	For the three months ended February 28, 2019 $	February 28, 2018 $
Loss and comprehensive loss for the period	(6,366,250)	(3,777,446)
Depreciation and amortization (per statement of cash flows)	791,752	61,413
Interest expense	3,247	21,917
Interest income	(106,938)	(72,321)
Share based payments	3,318,287	2,299,126
Unrealized loss on short-term investments	330,779	-
	4,337,127	2,310,135
Adjusted EBITDA	(2,029,123)	(1,467,311)

For the three months ended February 28, 2019, adjusted EBITDA decreased by $561,812 compared to the same period in 2018 primarily due to increased operational costs as the Company ramped up operations, which was offset by the generation of revenue from both extraction and analytical testing services.

QUARTERLY RESULTS

The following table presents certain unaudited financial information for each of the eight quarters up to and including the quarter ended February 28, 2019. The information has been derived from our unaudited quarterly consolidated financial statements. Past performance is not a guarantee of future performance, and this information is not necessarily indicative of results for any future period.

	Three Months Ended February 28, 2019 $	November 30, 2018 $	August 31, 2018 $	May 31, 2018 $
Revenue	2,220,200	14,210	14,575	22,741
Loss and comprehensive loss	(6,366,250)	(7,387,546)	(2,305,550)	(2,441,229)
Basic and diluted loss per share	(0.07)	(0.10)	(0.03)	(0.03)

	Three Months Ended February 28, 2018 $	November 30, 2017 $	August 31, 2017 $	May 31, 2017 $
Revenue	-	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)

FINANCIAL POSITION

The following table provides a summary of our financial position as at February 28, 2019 and November 30, 2018.

	February 28, 2019 $	November 30, 2018 $
Total assets	51,101,057	53,674,281
Total liabilities	1,276,703	961,493
Share capital	65,537,543	65,048,638
Deficit	(35,886,882)	(29,520,632)

Total assets

Total assets decreased to $51,101,057 as at February 28, 2019 from $53,674,281 as at November 30, 2018, primarily due to funding the Company's cash loss from operating activities of $2,536,009 with the ramp up of operations commencing in the quarter. As at February 28, 2019, the Company had a cash balance of $488,565 and short-term investments of $20,063,721.

Subsequent to the end of the quarter, the Company closed a bought deal financing which raised net cash proceeds of $40,537,500.

Total liabilities

Total liabilities increased to $1,276,703 as at February 28, 2019 from $961,493 as at November 30, 2018, primarily due to fluctuations in trade accounts payable associated with the timing of acquisition of certain key pieces of equipment that will allow the Company to continue to expand extraction and post processing capacity, and white label product development and manufacturing.

Share capital

Share capital increased to $65,537,543 as at February 28, 2019 from $65,048,638 as at November 30, 2018, primarily due to the issuance of 270,000 shares associated with employment and consulting agreements with certain directors, officers and consultants of the Company in addition to the exercise of 25,000 stock options for gross proceeds of $26,750 and 6,500 warrants for gross proceeds of $9,750.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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 and short-term investments on hand, proceeds from the exercise of warrants and stock options, and potentially raising additional capital. 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".

As at February 28, 2019, the Company had $488,565 of cash, $20,063,721 of short-term investments, $2,010,645 of receivables, $1,025,685 in a promissory note receivable and $1,276,703 of accounts payable and accrued liabilities. As of November 30, 2018, the Company had $1,726,530 of cash, $23,505,750 of short-term investments, $1,750,609 of receivables, $1,007,192 in a promissory note receivable and $961,493 of accounts payable and accrued liabilities.

Three months ended	February 28, 2019 $	February 28, 2018 $
Operating activities	(2,536,009)	(427,305)
Financing activities	36,500	12,471,548
Investing activities	1,261,544	(1,861,308)

Operating activities

Net cash used in operating activities for the three months ended February 28, 2019 was $2,536,009 as a result of a loss for the period of $6,366,250, a decrease in non-cash working capital of $717,020 and partially offset by non-cash expenses related to share based payments of $3,318,287, depreciation of $791,752 and an unrealized loss on short-term investments of $330,779. During the comparative three-month period ended February 28, 2018, net cash used in operating activities was $427,305 as a result of a loss for the period of $3,777,446 offset by an increase in non-cash working capital of $1,093,365 and non-cash expenses related to share-based payments of $2,299,126.

Financing activities

Net cash received from financing activities for the period ended February 28, 2019 was $36,500 as a result of the exercise of stock options of $26,750 and warrants of $9,750. During the comparative three-month period ended February 28, 2018, net cash received from financing activities totalled $12,471,548 mainly comprised of net proceeds from a private placement of $12,733,305, and the exercise of warrants $598,750 which was offset by the repayment of the remaining balance outstanding under the promissory notes payable of $860,507.

The Company filed a prospectus dated October 3, 2018 (the "2018 Prospectus"). Since the 2018 Prospectus, the Company has progressed with its business plan and continues to remain substantially in line with the budget and timing estimates disclosed in the 2018 Prospectus. Set out below is an approximate breakdown of the funds spent by the Company to date from the proceeds disclosed in the 2018 Prospectus, compared with the estimated expenditures as disclosed in the 2018 Prospectus:

Expected expenditures	Expected Expenditures for 2018 (As per the 2018 Prospectus) $	Approximate Actual Expenditures for 2018 $	Expected Expenditures for 2019 (As per the 2018 Prospectus) $	Approximate Actual Expenditures for 2019 (to February 28, 2019) $
Acquisition of the Kelowna Facility	4,000,000	-	-	-
Acquisition of additional extraction and post-processing equipment at the Kelowna Facility to meet demand	6,000,000	425,000	-	2,700,000
Complete domestic geographic expansion analysis and acquire facility in strategic location	-	-	4,000,000	-
Complete buildout of facility selected for geographic expansion	-	-	2,000,000	-
Acquire equipment for new facility selected for geographic expansion	-	-	5,000,000	-
Total expenditures	**10,000,000**	**425,000**	**11,000,000**	**2,700,000**

Investing activities

During the period ended February 28, 2019, cash flow from investing activities was $1,261,544, primarily due to the redemption of short-term investments of $4,000,000 which was offset by the acquisition of equipment and leaseholds of $2,738,456. During the comparative three-month period ended February 28, 2018, cash flow used in financing activities was $1,861,308 as a result of the acquisition of equipment and leaseholds.

Capital resources

The Company manages its capital structure and adjusts 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.

The Company has historically relied on the equity markets to fund its activities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not currently subject to externally imposed capital requirements other than corporate assets securing a lease commitment. Subsequent to the end of the period, the company acquired the Kelowna facility to which the lease related. There were no changes to the Company's approach to capital management. As at February 28, 2019, total current assets less current liabilities totalled $26,391,610.

OUTSTANDING SHARES, OPTION, AND WARRANTS

The Company is authorized to issue an unlimited number of common and preferred shares. The table below outlines the number of issued and outstanding common shares, warrants and options.

	April 24, 2019	February 28, 2019	November 30, 2018
Common shares	113,058,680	93,515,157	93,213,657
Warrants	17,031,504	9,232,647	9,760,297
Options	6,409,212	6,536,295	6,607,129

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 owned 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. Subsequent to the end of the quarter, the Company acquired the property on March 20, 2019 and has no further lease obligations.

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 (March 1, 2019 – February 28, 2020)	$ 255,549
Long term (March 1, 2020 - August 31, 2021)	$ 388,989
	$ 644,538

Obligation to issue shares

The Company entered into agreement with directors, officers, employees and consultants during the year and subsequent to year end to issue the following shares:

	Number of shares to be issued							Total Value $	Amount Recognized $
	2018	2019	2020	2021	2022	2023	Total		
Directors	-	135,000	-	-	-	-	135,000	195,750	137,755
Officers and employees	150,000	1,050,000	1,200,000	650,000	600,000	450,000	4,100,000	6,848,000	1,994,429
Consultants	1,850,000	400,000	-	-	-	-	2,250,000	4,194,500	4,194,500
Total	2,000,000	1,585,000	1,200,000	650,000	600,000	450,000	6,485,000	11,238,250	6,326,684

Upon termination of the services, the entitlement to the shares may be forfeited. Any share-based payments previously recognized related to the remaining unvested tranches will be reversed against profit and loss.

Claims and Litigation

Subsequent to the end of the quarter, a claim was commenced against the Company regarding a finder's fee the plaintiff claims is payable associated with the Rotogro share purchase agreement. The total amount of the claim is $500,000 to be satisfied through the issuance of common shares of the Company. The plaintiff is currently claiming 87,966 shares of the Company, representing a quarter of the total amount the plaintiff claims will be owed. The Company believes the actions to be without merit and intends to defend this claim vigorously. Due to the uncertainty of the timing and amount of estimated future outflows relating to this claim, no provision has been recognized.

FINANCIAL RISK MANAGEMENT

The Company is exposed to varying degrees to a variety of financial 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:

Interest risk

The Company's exposure to interest risk only relates to its investment of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity and would accumulate interest at prevailing rates for such investments. At February 28, 2019, the Company had short term investments of $20,063,721. At February 28, 2019, a 1% decrease in interest rates would result in a reduction in interest income by $200,637 compared to a 1% increase in interest rates which would have an equal and opposite effect.

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, short-term investments, receivables and promissory note receivable. The Company's cash and short-term investments are held through large Canadian financial institutions. The Company's receivables are comprised of trade accounts receivable, GST ITC's, and interest on short-term investments. The promissory note receivable from Tarukino is secured by a share pledge agreement, under which 2,150,000 shares of the Company, issuable to Tarukino under the manufacturing and sales license agreement, will be held in escrow. The carrying amount of cash, short-term investments, receivables and promissory note receivable represent the maximum exposure to credit risk, and as at February 28, 2019, this amounted to $23,588,616.

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 manages its liquidity risk by reviewing its capital requirements on an ongoing basis. As at February 28, 2019, the Company has $20,552,286 of cash and short-term investments. The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount of $1,276,703.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US dollars. As at February 28, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have decreased net financial assets by approximately $5,813 (November 30, 2018 - $3,914). A 10% depreciation of the Canadian dollar relative to the US 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.

CRITICAL ACCOUNTING ASSUMPTIONS

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can 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 and other equity instruments issued in non-cash transactions. 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) Amortization of equipment, leaseholds and intangible assets are dependent upon the estimated useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

CHANGES IN ACCOUNTING POLICIES

IFRS 15, Revenue from contracts with customers

IFRS 15 was issued by the IASB in May 2014 and provides guidance on how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing.

The Company has applied IFRS 15 retrospectively and determined that there is no change to the comparative period or transitional adjustments required as a result of the adoption. The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

1. Identifying the contract with the customer;
2. Identifying the performance obligation(s) in the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligation(s) in the contract; and
5. Recognizing revenue when or as the Company satisfies the performance obligation(s).

Revenue from toll processing services and the direct sale of cannabis or cannabis oil to customers for a fixed price is recognized when the Company completes the performance obligation as outlined in the contract.

IFRS 9, Financial Instruments

The Company adopted IFRS 9 retroactively and determined that there is no change to the comparative period or transitional adjustments required as a result of adoption.

IFRS 9 was issued by the International Accounting Standards Board in November 2009 and October 2010 and replaces IAS 39. IFRS 9 uses a single approach to determine if a financial asset is classified and measured at fair value or amortized cost. Financial assets under IFRS 9 are initially measured at fair value and are subsequently measured at either amortized cost, fair value through other comprehensive income or fair value through profit and loss.

Amortized Cost
Financial assets classified and measured at amortized cost are those assets that are held with the objective to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest. Financial assets classified at amortized cost are measured using the effective interest method.

Fair Value Through Other Comprehensive Income ("FVTOCI")
Financial assets classified and measured at FVTOCI are those assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

Fair Value Through Profit and Loss ("FVTPL")
Financial assets classified and measured at FVTPL are those assets that do not meet the criteria to be classified at amortized cost or at FVTOCI. This category includes debt instruments whose cash flow characteristics are not solely payments of principal and interest or are not held with the objective to collect contractual cash flows, or to both collect contractual cash flows and sell the financial asset.

Classification and measurement of financial liabilities
Accounting for financial liabilities remains largely the same under IFRS 9 and subsequently the Company's liabilities were not significantly impacted by the adoption.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designates a financial liability at fair value through profit and loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

Impairment of financial assets at amortized cost
An expected credit loss impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been reversed.

Derecognition – Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

The following table summarizes the Company's financial instruments under IAS 39 and IFRS 9:

	IAS 39 Classification	**IFRS 9 Classification**
Cash	FVTPL	FVTPL
Short-term investments	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Promissory note receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

The adoption of IFRS 9 did not have a material impact to the Company's classification and measurement of financial assets and liabilities.

New IFRS Not Yet Effective

IFRS 16 – Leases

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. 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 that IFRS 16 will have on its consolidated financial statements.

RELATED PARTY TRANSACTIONS

Goods and Services

The Company entered into certain transactions with related parties during the period ended February 28, 2019 as follows:

Name and Relationship to Company	Transaction	Expense: Three month period ended Feb 28, 2019 $	Expense: Three month period ended Feb 28, 2018 $	Balance Payable (Receivable): As at Feb 28, 2019 $	Balance Payable (Receivable): As at Nov 30, 2018 $
1022006 BC Ltd., a company controlled by Dave Gervais and Tim Tombe, former directors of the Company	Rent (1)	-	62,945	-	-
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	-	-
NorthOk Properties Inc, a company controlled by Ashley McGrath, a director of the Company	Rent (1)	62,945	-	-	-
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	-	-

(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 August 31, 2021. In the fourth quarter of 2018, the building was sold and the lease transferred to NorthOk Properties Inc., a company controlled by Ashley McGrath, a director of the Company. Subsequent to the end of the quarter, the Company acquired the facility and has no further lease commitments on this property.

(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 Presidents and directors of the Company.

The remuneration paid or accrued for the Company's key management personnel and directors are as follows:

	Three-month period ended Feb 28, 2019 $	Three-month period ended Feb 28, 2018 $
Management and consulting fees		
Tyler Robson, Chief Executive Officer and director of the Company	120,000	314,793
Agilis Capital Corporation, a company controlled by Robert van Santen – former Chief Financial Officer, Chief Executive Officer and director of the Company	-	47,500
Supra Research and Development Inc, a company controlled by Rob O'Brien – former Chief Scientific Officer Valens Agritech and director of the Company	-	5,000
Advanced Nutri-Tech Systems Inc, a company controlled by Saul Katz a former President and director of the Company	-	187,790
Total	**120,000**	**555,083**
Wages and salaries		
Chris Buysen, Chief Financial Officer of the Company	49,500	-
Chantel Popoff, Vice President of the Company	49,500	-
Everett Knight, Executive Vice President Strategy and Investments	83,000	-
Ashley McGrath, director of the Company	14,348	-
Nitin Kaushal, director of the Company	14,348	-
Chris Irwin, director of the Company	14,348	-
Rob O'Brien, former Chief Scientific Officer Valens Agritech and director of the Company	-	7,500
Total	**225,044**	**7,500**

Share-based payments[(1)]		
Tyler Robson, Chief Executive Officer and director of the Company	821,223	-
Chris Buysen, Chief Financial Officer of the Company	382,031	-
Chantel Popoff, Vice President of the Company	343,353	-
Everett Knight, Executive Vice President Strategy and Investments	363,407	-
Ashley McGrath, director of the Company	24,304	-
Nitin Kaushal, director of the Company	24,304	-
Chris Irwin, director of the Company	24,304	-
Total	**1,982,926**	**-**

(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 and the grant of common shares of the Company under employment and consulting agreements.

Related Party Balances

The following related party amounts were included in (a) accounts payable and accrued liabilities and (b) receivables:

	As at	
	Feb 28, 2019 $	**Nov 30, 2018 $**
Accounts Payable and Accrued Liabilities:		
(a) Officers, former directors, and companies controlled by former directors [(1)]	89,031	9,086
Receivables:		
(b) Officers and a former director of the Company[(2)]	94,288	319,029

(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. The amount was received subsequent to year end.

Promissory Notes

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

		Three-month period ended		**As at**	
	Principal Balance	**Feb 28, 2019 $**	**Feb 28, 2018 $**	**Feb 28, 2019 $**	**Nov 30, 2018 $**
Name and Relationship to Company	**of Notes**	**Interest expense on Notes**		**Balance Payable**	
0768390 BC Ltd., a company controlled by Tim Tombe, a former director of the Company.	658,050	-	4,218	-	-
1009368 BC Ltd., a company controlled by Noreen Spanell, a shareholder of the Company.	960,095	-	-	-	-
1022006 BC Ltd., a company controlled by Dave Gervais, a former director of the Company and Tim Tombe, a former director of the Company.	194,483	-	4,790	-	-
Dave Gervais, a former director of the Company.	790,260	-	6,838	-	-
Tim Tombe, a former director of the Company.	72,485	-	1,189	-	-
Total	**2,675,373**	**-**	**17,035**	**-**	**-**

RISKS FACTORS

Many factors could cause the Company's 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 the Company's 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:

- The Company held a promissory note receivable from MKV Ventures 1 LLC, a 100% owned subsidiary of MKHS LLC, a fully licensed Arizona based cannabis 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 cannabis does remain illegal under federal law in the U.S; this promissory note was written off in the fourth quarter of 2018.

- Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;

- The Company's ability to grow, store and sell cannabis in Canada is dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;

- 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 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 cannabis 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 cannabis 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 cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis 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 cannabis 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 cannabis 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 cannabis 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;

- 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; and

- 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.

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.

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"	*"Nitin Kaushal"*
Tyler Robson	Nitin Kaushal