VALENS GROWORKS CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and Nine Month Periods Ended August 31, 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 and nine month periods ended August 31, 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 and nine month periods ended August 31, 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 and nine month periods ended August 31, 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 October 15, 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 October 15, 2019.

<u>FORWARD-LOOKING INFORMATION</u>

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 October 15, 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 TSX Venture Exchange as a Tier 1 life science issuer and under the trading symbol "VGWCF" on the OTC Markets. The Company continues to execute on its business to business extraction processing capabilities in addition to the build out of innovative white label product development and manufacturing capabilities. 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 Ltd. ("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 of VAL pursuant to a share exchange agreement dated October 31, 2016. 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. Subsequent to the end of the period, the Company received an amended license from Health Canada to permit sales directly to Provinces and Territories.

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. On October 23, 2018, the Company entered into an agreement with Rotogro International Limited ("Rotogro") to sell the shares of Supra. During the period, the Company was advised by Rotogro that they would be unable to close the transaction.

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 to allow the Company to continue to provide sector-leading analytical and proprietary testing services. Labs, 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.

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.

THIRD QUARTER CORPORATE HIGHLIGHTS

Production and Operational Highlights

The Company increased its annual extraction capacity to 425,000 KG of dried cannabis and hemp biomass in the third quarter of 2019. As one of the largest third-party extraction companies in Canada, Valens continues to experience significant demand for its services and are accelerating growth to ensure the Company continues to meet the growing demand of its partners for both extraction and white label product development services**.** The Company continued to receive increasing size and frequency of cannabis and hemp shipments throughout the third quarter of 2019 as expected based on agreements and relationships with our industry partners. The Company processed the following input cannabis and hemp biomass over the first three quarters of 2019.

	For the three months ended		
	August 31, 2019	May 31, 2019	February 28, 2019
Biomass extracted (kilograms)	26,625	8,547	1,796
% increase over prior period	212%	376%	-

Extraction and White Label Manufacturing Partnerships

The Company continues to focus on the development of business to business partnerships for custom extraction processing of cannabis and hemp biomass, as well as product development and white label services. In the third quarter of 2019, the Company entered into the following agreement with one of its industry partners.

- Tilray Inc. – expanded the Company's existing agreement to substantially increase the service offering of extraction services by 300% to 60,000 kilograms per annum and added white label manufacturing services.

Subsequent to the end of the quarter, the Company entered into the following agreements.

- Shoppers Drug Mart - the Company signed an agreement to become the first third party processor to supply Shoppers Drug Mart with cannabis oil products for their online medical cannabis site.
- Iconic Brewing - the Company signed its first beverage agreement with Iconic Brewing to manufacture 2.5 million cannabis beverages over the term of the 5-year agreement.

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.

TSX Venture Exchange Tier 1 Life Sciences Listing And OTCQX Best Markets Qualification

During the third quarter, the Company was accepted for listing the common shares and warrants of the Company on the TSX Venture Exchange ("TSXV") as a Tier 1 life sciences issuer. The Company's common shares commenced trading on July 10, 2019 on the TSXV under the symbol "VGW" and the warrants commenced trading under the symbol "VGW.WT.A" on the same day. In addition, the Company qualified and began trading on the OTCQX Best Markets in the U.S.

Geographic Expansion Initiatives

The Company has expanded its operational footprint with the addition of corporate offices located in downtown Toronto, Ontario. The corporate office will improve the Company's ability to realize on a number of international opportunities, increase its ability to attract and retain top talent, coordinate global operations, manage international customer relationships and expand access to the institutional investment community.

Equity Transactions for the Nine-Month Period ended August 31, 2019

On April 9, 2019, the Company closed a $43,125,000 bought deal financing, pursuant to which the Company issued 14,618,644 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. Each full share purchase warrant is exercisable at a price of $4.00 per share for a period of twenty-four months from the date of closing, subject to acceleration conditions. 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 valued at $1,665,814. Each 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. Each unit is comprised of one common share and one-half share purchase warrant, with each full warrant exercisable at a price of $4.00 per share until April 9, 2021, subject to certain acceleration conditions. The fair value of the warrants was determined using the Black Scholes model utilizing the following assumptions: discount rate of 1.60%, volatility of 106%, expected life of 2 years and exercise price of $2.95;

The Company issued 9,037,252 common shares in connection with the exercise of warrants for gross proceeds of $22,602,014. As a result of the exercise of warrants, the fair value of the warrants amounting to $6,345,237 was reclassified from reserves to share capital;

The Company issued 1,177,173 common shares in connection with the exercise of options for gross proceeds of $564,437. As a result of the exercise of options, the fair value of the options amounting to $2,599,673 was reclassified from reserves to share capital;

The Company issued 1,353,000 common shares in connection with employment, consulting and board of directors' compensation agreements resulting in a reduction in the obligation to issue shares $1,933,700 an increase in share capital by $2,474,330 and management and consulting fees of $540,630; and

The Company issued 3,800,000 common shares in settlement of a consulting agreement resulting in an increase in share capital by $10,409,500, a reduction in the obligation to issue shares of $4,464,500 and a contract termination expense of $5,945,000.

Equity Transactions Subsequent to the Nine-Month Period ended August 31, 2019

Subsequent to the end of the period, the Company issued 372,266 common shares in connection with the exercise of options for gross proceeds of $204,500.

On October 15, 2019, the Company granted 445,000 options to purchase common shares of the Company exercisable at a price of $2.79 per share and expiring on October 14, 2024, to certain new employees as the Company continues to strategically build out its leadership team. The options vest quarterly over a three-year period and are granted pursuant to the terms of the Company's stock option plan, subject to regulatory approval.

SELECTED FINANCIAL INFORMATION

	For the three months ended		For the nine months ended	
Selected Statements of Income (Loss) Information	**August 31, 2019**	**August 31, 2018**	**August 31, 2019**	**August 31, 2018**
Revenue	16,461,626	14,575	27,481,919	37,316
Gross profit	12,806,990	5,875	18,756,543	15,198
Gross profit %	77.8%	40.3%	68.3%	40.7%
Operating expenses	7,284,507	2,429,263	20,977,645	8,813,232
Other expenses (income)	(370,401)	(117,838)	8,781,426	(273,809)
Income (loss) and comprehensive income (loss)	5,892,884	(2,305,550)	(11,002,528)	(8,524,225)
Basic Income (loss) and comprehensive income (loss) per share	0.05	(0.03)	(0.10)	(0.12)
Diluted Income (loss) and comprehensive income (loss) per share	0.05	(0.03)	(0.10)	(0.12)
Weighted average number of shares	122,457,417	72,297,422	107,451,763	69,798,796
Adjusted EBITDA[1]	9,771,779	(1,749,649)	9,765,636	(5,006,008)

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

	As At	
	August 31, 2019	**November 30, 2018**
Selected Statements of Financial Position Information	**$**	**$**
Cash and cash equivalents	60,375,166	1,726,530
Restricted short-term investments	100,000	-
Short-term investments	8,857,999	23,505,750
Inventory	849,652	506,772
Other working capital	13,954,422	2,882,852
Non-current assets	36,310,760	21,454,383
Equity	120,447,999	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 periods ended:

				August 31, 2019				**August 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	16,363,331	217,400	(119,105)	**16,461,626**	-	18,910	(4,335)	**14,575**
Cost of goods sold	3,711,183	71,559	(128,106)	**3,654,636**	-	4,537	4,163	**8,700**
	12,652,148	145,841	9,001	**12,806,990**	**-**	14,373	(8,498)	**5,875**
Other operating expenses	1,160,442	194,279	5,929,786	**7,284,507**	917,570	356,315	1,155,378	**2,429,263**
	11,491,706	(48,438)	(5,920,785)	**5,522,483**	(917,570)	(341,942)	(1,163,876)	**(2,423,388)**
Non-operating income	10	-	370,391	**370,401**	-	-	117,838	**117,838**
Net income (loss)	11,491,716	(48,438)	(5,550,394)	**5,892,884**	(917,570)	(341,942)	(1,046,038)	**(2,305,550)**
Total assets	14,232,500	1,220,245	108,880,030	**124,332,775**	6,925,360	4,473,260	5,033,332	**16,431,952**
Total liabilities	2,776,788	39,321	1,068,667	**3,884,776**	489,828	61,367	270,424	**821,619**

The operating segments for the nine-month periods ended:

				August 31, 2019				**August 31, 2018**
	Extraction	**Analytical Testing**	**Corporate**	**Total**	**Extraction**	**Analytical Testing**	**Corporate**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue	27,261,816	544,678	(324,575)	**27,481,919**	-	67,781	(30,465)	**37,316**
Cost of goods sold	8,766,922	193,234	(234,780)	**8,725,376**	-	34,618	(12,500)	**22,118**
	18,494,894	351,444	(89,795)	**18,756,543**		33,163	(17,965)	**15,198**
Other operating expenses	3,643,681	488,771	16,845,193	**20,977,645**	2,345,161	541,105	5,926,966	**8,813,232**
	14,851,213	(137,327)	(16,934,988)	**(2,221,102)**	(2,345,161)	(507,942)	(5,944,931)	**(8,798,034)**
Non-operating income (loss)	499	(3,194,383)	(5,587,542)	**(8,781,426)**	-	-	273,809	**273,809**
Net income (loss)	14,851,712	(3,331,710)	(22,522,530)	**(11,002,528)**	(2,345,161)	(507,942)	(5,671,122)	**(8,524,225)**
Total assets	14,232,500	1,220,245	108,880,030	**124,332,775**	6,925,360	4,473,260	5,033,332	**16,431,952**
Total liabilities	2,776,788	39,321	1,068,667	**3,884,776**	489,828	61,367	270,424	**821,619**

Revenue

Revenue is comprised mainly 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 $16,461,626 in the third quarter, compared to $14,575 in the same period in fiscal 2018, and is also up 87% from the $8,800,093 generated in the second quarter of 2019. This increase in revenue is due to extraction service revenue of $16,363,331 (August 31, 2018 - $nil) as the Company continues to scale the cannabis and hemp biomass received from industry partners for processing. The size and frequency of shipments continued to increase throughout the period. In addition, the Company generated $217,400 (August 31, 2018 - $18,910) in revenue from analytical testing through the Company's ISO 17025 accredited lab, including $119,105 (August 31, 2018 - $4,335) in intercompany testing revenue.

The Company's extraction service revenue for the nine months ended August 31, 2019 increased to $27,261,816 compared to $nil in the same period in fiscal 2018. In addition, in the nine months ended August 31, 2019, the Company generated $544,678 (August 31, 2018 - $67,781) in revenue from analytical testing, including $324,575 (August 31, 2018 - $30,465) in intercompany testing revenue.

Cost of goods sold

Cost of goods sold increased to $3,654,636 for the three months ended August 31, 2019, compared to $8,700 in the same period in fiscal 2018. The increase in cost of goods sold is a direct result of the Company commencing extraction operations in the first quarter of 2019. The cost of goods sold from extraction services was $3,711,183 (August 31, 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 $71,559 (August 31, 2018 - $4,537) comprised of wages and salaries including benefits, consumables, and an allocation of other operating expenses including facility overhead and depreciation costs.

For the nine months ended August 31, 2019, cost of goods sold increased to $8,725,376 from $22,118 from the comparable period of fiscal 2018 for the reasons noted above. The cost of goods sold from extraction services was $8,766,922 (August 31, 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 $193,234 (August 31, 2018 - $34,618) 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 $12,806,990 for the three months ended August 31, 2019, compared to $5,875 in the same period in fiscal 2018. The gross profit from extraction services for the three months ended August 31, 2019 was $12,652,148 or 77.3% compared to $nil in the same period in fiscal 2018. While we anticipate our margin profile to continue a strong upward trend from the levels seen in previous quarters (as we continue to scale up operations), the significant increase in margin levels in the third quarter was aided by a one-time contract opportunity which we do not anticipate recurring in future quarters. The analytical testing operations also saw an increase in gross profit for the three months ended August 31, 2019 to $145,841 or 67.1% compared to $14,374 or 76.0% in the same period in fiscal 2018.

For the nine months ended August 31, 2019, gross profit increased to $18,756,543, compared to $15,198 in the same period in fiscal 2018. The gross profit from extraction services for the nine months ended August 31, 2019 was $18,494,894 or 67.8% compared to $nil in the same period in fiscal 2018. The analytical testing operations also saw an increase in gross profit for the nine months ended August 31, 2019 to $351,444 or 64.5% compared to $33,163 or 48.9% in the same period in fiscal 2018.

	For the three months ended		**For the nine months ended**	
	August 31, 2019	**August 31, 2018**	**August 31, 2019**	**August 31, 2018**
Operating expenses	**$**	**$**	**$**	**$**
Advertising and promotion	598,609	217,331	2,515,139	494,824
Depreciation and amortization	608,680	436,086	1,883,616	661,839
Foreign exchange (gain) loss	463	(14,162)	1,526	(67,745)
Interest	3,731	1,404	10,818	25,198
Management and consulting fees	425,354	441,823	1,962,092	2,100,171
Office and miscellaneous	833,971	234,901	2,048,735	630,552
Professional fees	332,123	217,631	678,722	394,461
Rent	17,552	62,945	93,357	197,336
Repairs and maintenance	100,876	90,474	181,606	106,548
Share-based payments	3,393,935	241,514	8,833,329	3,119,707
Travel and business development	171,793	94,791	436,294	331,874
Salaries and wages	797,420	404,525	2,368,411	818,467

Advertising and promotion

Advertising and promotion expenses increased to $598,609 in the third quarter, compared to $217,331 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 and attendance at various industry conferences.

Advertising and promotion expenses for the nine months ended August 31, 2019 increased to $2,515,139 from $494,824 in the same period of fiscal 2018 due to general growth in the scale of operations and for the same reasons outlined above.

Depreciation and amortization

Depreciation and amortization expense increased to $608,680 in the third quarter, compared to $436,086 in the same period in fiscal 2018. The increase is a result of commencing depreciation on the building and improvements as the production facility in Kelowna, BC was in operation. In addition, the Company continued to acquire extraction and post processing equipment to ramp up processing capacity to meet demand from industry partners. 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 for the three months ended August 31, 2019. During the three months ended August 31, 2019, $242,950 (August 31, 2018 - $nil) of depreciation was allocated to inventory.

Depreciation and amortization for the nine months ended August 31, 2019 increased to $1,883,616 from $661,839 in the same period of fiscal 2018 for the same reasons outlined above. During the nine months ended August 31, 2019, $486,175 (August 31, 2018 - $nil) of depreciation was allocated to inventory.

Foreign exchange (gain) loss

Foreign exchange loss for the three months ended August 31, 2019 of $463 compared to foreign exchange gain of $14,162 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.

Foreign exchange loss for the nine months ended August 31, 2019 of $1,526 compared to a foreign exchange gain of $67,745 the same period in fiscal 2018 is a result of the same reasons outlined above.

Interest

Interest expense increased to $3,731 in the third quarter, compared to $1,404 in the same period in fiscal 2018. The increase is a result of overall increased activity within the Company.

Interest expense for the nine months ended August 31, 2019 decreased to $10,818 from $25,198 in the same period of fiscal 2018 as 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 $425,354 in the third quarter, compared to $441,823 in the same period in fiscal 2018.

Management and consulting fees for the nine months ended August 31, 2019 decreased to $1,962,092 from $2,100,171 in the same period of fiscal 2018. The current period includes a one-time payment made on the termination of two consulting agreements in the amount of $772,800 to independent external consultants. The prior period includes a one-time payment made on termination of a consulting agreement with a former president of the Company.

Office and miscellaneous

Office and miscellaneous increased to $833,971 in the third quarter, compared to $234,901 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company with production commencing during the current year.

Office and miscellaneous expense for the nine months ended August 31, 2019 increased to $2,048,735 from $630,552 in the same period of fiscal 2018 for the same reasons outlined above.

Professional fees

Professional fees increased to $332,123 in the third quarter, compared to $217,631 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.

Professional fees for the nine months ended August 31, 2019 increased to $678,722 from $394,461 in the same period of fiscal 2018 for the same reasons outlined above.

Rent

Rent decreased to $17,552 in the third quarter, compared to $62,945 in the same period of fiscal 2018. The decrease is a result of the acquisition of the operating facility at 230 Carion Road in Kelowna, BC in March 2019 and the termination of a leased space the Company held for a prior consultant of the Company in Vancouver, BC.

Rent for the nine months ended August 31, 2019 decreased to $93,357 from $197,336 in the same period of fiscal 2018 for the same reasons outlined above.

Repairs and maintenance

Repairs and maintenance increased to $100,876 in the third quarter, compared to $90,474 in the same period of fiscal 2018. The increase is a result of overall increased activity within the Company with production commencing earlier in the year.

Repairs and maintenance expense for the nine months ended August 31, 2019 increased to $181,606 from $106,548 in the same period of fiscal 2018 for the same reasons outlined above.

Share-based payments

Share-based payments increased to $3,393,935 in the third quarter, compared to $241,514 in the same period in fiscal 2018. The increase is a result of a $2,566,456 stock option expense associated mainly with the company wide employee stock option grant in October 2018 and July 2019 to reward employees and align them with the continued focus of generating shareholder value in the Company. Additionally, there was an expense of $827,479 related to the grant of shares to certain directors, officers, employees and consultants of the Company.

Share-based payments expense for the nine months ended August 31, 2019 increased to $8,833,329 from $3,119,707 in the same period of fiscal 2018 for the same reasons outlined above.

Travel and business development

Travel and business development increased to $171,793 in the third quarter, compared to $94,791 in the same period of fiscal 2018. The increase is a result of timing of commitments to travel for conferences and business development meetings.

Travel and business development expense for the nine months ended August 31, 2019 increased to $436,294 from $331,874 in the same period of fiscal 2018 with additional conferences, site visits with industry partners and overall increased levels of activity.

Salaries and wages

Salaries and wages increased to $797,420 in the third quarter, compared to $404,525 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.

Salaries and wages for the nine months ended August 31, 2019 increased to $2,368,411 from $818,467 in the same period of fiscal 2018 for the same reasons outlined above.

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 income (loss) and comprehensive income (loss) from operations, as reported, before interest, tax, depreciation and amortization, and adjusted for removing share-based payments, unrealized gains and losses from short term investments and liabilities, and other one-time and non-cash items including impairment losses. 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 August 31, 2019 $	 August 31, 2018 $	For the nine months ended August 31, 2019 $	 August 31, 2018 $
Income (loss) and comprehensive income (loss) for the period	5,892,884	(2,305,550)	(11,002,528)	(8,524,225)
Depreciation and amortization (per statement of cash flows)	851,630	436,086	2,369,791	661,839
Interest expense	3,731	1,404	10,818	25,198
Interest income	(370,401)	(123,103)	(688,825)	(288,527)
Share based payments	3,393,935	241,514	8,833,329	3,119,707
Impairment loss assets held for sale	-	-	3,194,472	-
Contract termination costs	-	-	5,945,000	-
One-time payments made on termination of consulting agreements	-	-	772,800	-
Unrealized gain on short-term liabilities	(205,722)	-	(205,722)	-
Unrealized loss on short-term investments	205,722	-	536,501	-
	3,878,895	555,901	20,768,164	3,518,217
Adjusted EBITDA	9,771,779	(1,749,649)	9,765,636	(5,006,008)

For the nine months ended August 31, 2019, adjusted EBITDA increased by $14,771,644 compared to the same period in 2018 primarily due to the ramp up 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 August 31, 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 August 31, 2019 $	 May 31, 2019 $	 February 28, 2019 $	 November 30, 2018 $
Revenue	16,461,626	8,800,093	2,220,200	14,210
Income (loss) and comprehensive income (loss)	5,892,884	(10,529,162)	(6,366,250)	(7,387,546)
Basic income (loss) per share	0.05	(0.10)	(0.07)	(0.10)
Diluted income (loss) per share	0.05	(0.10)	(0.07)	(0.10)

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

FINANCIAL POSITION

The following table provides a summary of our financial position as at August 31, 2019 and November 30, 2018.

	August 31,2019 **$**	**November 30, 2018** **$**
Total assets	124,332,775	53,674,281
Total liabilities	3,884,776	961,493
Share capital	148,630,344	65,048,638
Deficit	(40,523,160)	(29,520,632)

Total assets

Total assets increased to $124,332,775 as at August 31, 2019 from $53,674,281 as at November 30, 2018, primarily due to the closing of the April 2019 bought deal financing for net proceeds of $40,252,329 and the exercise of warrants for gross proceeds of $22,602,014 which were utilized to fund the Company's cash loss from operating activities of $4,256,240 with the ramp up of operations commencing during the year. As at August 31, 2019, the Company had a cash and cash equivalents balance of $60,375,166, restricted short-term investments of $100,000, and short-term investments of $8,857,999.

Total liabilities

Total liabilities increased to $3,884,776 as at August 31, 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 $148,630,344 as at August 31, 2019 from $65,048,638 as at November 30, 2018, primarily due to the issuance of 14,618,644 shares through the bought deal financing for net proceeds of $38,586,515, exercise of 9,037,252 warrants for gross proceeds of $22,602,014, exercise of 1,177,173 stock options for gross proceeds of $564,437 and the issuance of 5,153,000 shares associated with employment and consulting agreements with certain directors, officers and consultants of the Company.

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 August 31, 2019, the Company had $60,375,166 of cash and cash equivalents, $8,857,999 of short-term investments, $100,000 of restricted short-term investments, $16,296,458 of receivables, $3,532,527 of accounts payable and accrued liabilities and $352,249 of finder's fee payable. As of November 30, 2018, the Company had $1,726,530 of cash and cash equivalents, $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.

	For the nine months ended **August 31, 2019** **$**	 **August 31, 2018** **$**
Operating activities	(4,256,240)	(5,179,680)
Financing activities	63,418,780	12,516,032
Investing activities	(513,904)	(4,812,437)

Operating activities

Net cash used in operating activities for the nine months ended August 31, 2019 was $4,256,240 as a result of a loss for the period of $11,002,528, and an increase in non-cash working capital of $14,418,455, partially offset by non-cash expenses related to share based payments of $8,833,329, depreciation of $2,369,791, the contract termination cost of $5,945,000 and impairment of assets held for sale $3,194,472. During the comparative nine-month period ended August 31, 2018, net cash used in operating activities was $5,179,680 as a result of a loss for the period of $8,524,225, an increase in non-cash working capital of $575,945 and non-cash expenses related to share-based payments of $3,119,707.

Financing activities

Net cash received from financing activities for the nine-month period ended August 31, 2019 was $63,418,780 as a result of the closing of the April 2019 bought deal financing $40,252,329, proceeds from the exercise of stock options of $564,437 and warrants of $22,602,014. During the comparative nine-month period ended August 31, 2018, net cash received from financing activities totalled $12,516,032 mainly comprised of net proceeds from a private placement of $12,725,305, proceeds from subscriptions receivable of $20,608, and the exercise of warrants of $630,626, 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 August 31, 2019) $**
Acquisition of 230 Carion Road	4,000,000	-	-	4,500,000
Acquisition of additional extraction and post-processing equipment at 230 Carion Road to meet demand	6,000,000	425,000	-	6,600,000
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**	**11,100,000**

The Company filed a prospectus dated April 2, 2019 (the "2019 Prospectus"). Since the 2019 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 2019 Prospectus. Set out below is an approximate breakdown of the funds spent by the Company to date from the proceeds disclosed in the 2019 Prospectus, compared with the estimated expenditures as disclosed in the 2019 Prospectus:

Expected expenditures	Expected Expenditures for 2019 / 2020 (As per the 2019 Prospectus) $	Approximate Actual Expenditures for 2019 (to August 31, 2019) $
Retrofit building located on the 180 Carion Road	9,000,000	988,000
Purchase equipment for 180 Carion Road	11,300,000	-
Expansion of processing facility and extraction capacity at the 230 Carion Road	5,200,000	-
Source and secure strategic partnerships and joint venture opportunities	7,000,000	-
Total expenditures	**32,500,000**	**988,000**

Investing activities

During the nine-month period ended August 31, 2019, net cash used in investing activities was $513,904, primarily due to the acquisition of property, plant and equipment of $16,572,260 offset by the redemption of short-term investments of $15,000,000 and the repayment of a promissory note receivable of $1,058,356. During the comparative nine-month period ended August 31, 2018, cash flow used in investing activities was $4,812,437 as a result of the acquisition of property, plant and equipment.

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. There were no changes to the Company's approach to capital management. As at August 31, 2019, total current assets less current liabilities totalled $84,137,239.

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.

	October 15, 2019	August 31, 2019	November 30, 2018
Common shares	123,571,992	123,199,726	93,213,657
Warrants	8,988,810	8,988,810	9,760,297
Options	8,037,363	7,964,629	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

Obligation to issue shares

The Company has entered into agreement with directors, officers, employees and consultants, to issue the following shares:

	Number of shares to be issued						Total Value $	Amount Recognized $
	2019	2020	2021	2022	2023	Total		
Directors	60,000	-	-	-	-	60,000	135,150	211,889
Officers and employees	300,000	1,200,000	650,000	600,000	450,000	3,200,000	5,363,000	2,995,564
Total	360,000	1,200,000	650,000	600,000	450,000	3,260,000	5,498,150	3,207,453

There were no new commitments entered into by the Company during the three months ended August 31, 2019 to issue shares to directors, officer, employees or consultants. 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.

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 August 31, 2019, the Company had cash and cash equivalents, restricted short-term investments, and short term investments of $69,333,165. At August 31, 2019, a 1% decrease in interest rates would result in a reduction in interest income by $693,332 annually, compared to a 1% increase in interest rates which would have an equal but 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 and cash equivalents, restricted short-term investments, short-term investments and receivables. The Company's cash and cash equivalents 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 carrying amount of cash and cash equivalents, restricted short-term investments, and short-term investments and receivables represent the maximum exposure to credit risk, and as at August 31, 2019, this amounted to $85,629,623.

The Company has $227,070 in trade accounts receivable outstanding over 60 days at August 31, 2019. The expected loss rate for overdue balances is estimated to be nominal based on subsequent collections, discussions with associated customers and analysis of the credibility of the customer.

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 on an ongoing basis its capital requirements. As at August 31, 2019, the Company has $69,333,165 of cash and cash equivalents, restricted short-term investments, and short-term investments. The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount of $3,532,527 and a finder's fee payable with a carrying value of $352,249.

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 August 31, 2019, a 10% appreciation of the Canadian dollar relative to the US dollar would have increased net financial assets by approximately $3,288 (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
Finder's fee payable	N/A	FVTPL

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 August 31, 2019 as follows:

		Three-month period ended		Nine-month period ended		As at	
		August 31, 2019 $	August 31, 2018 $	August 31, 2019 $	August 31, 2018 $	August 31, 2019 $	August 31, 2018 $
Name and Relationship to Company	**Transaction**	**Expense**				**Balance Payable (Receivable)**	
1022006 BC Ltd., a company controlled by Dave Gervais and Tim Tombe, former directors	Rent (1)	-	62,945	-	188,836	-	-
NorthOk Properties Inc, a company controlled by Ashley McGrath, a director	Rent (1)	-	-	75,805	-	-	-
Supra Research and Development Inc, a company controlled by Rob O'Brien, the former Chief Scientific Officer Valens Agritech and director	Equipment(2)	-	-	-	293,331	-	-

(1) Rent for the Company's facility at 230 Carion Road, Kelowna, BC was measured at the exchange amount, which is the amount of consideration agreed by the related parties. In the fourth quarter of 2018, the building was sold and the lease was transferred to NorthOk Properties Inc., a company controlled by Ashley McGrath, a director of the Company. In the second quarter of 2019, the Company acquired the facility and has no further lease commitments on this property.

(2) 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		Nine-month period ended	
	August 31, 2019 $	August 31, 2018 $	August 31, 2019 $	August 31, 2018 $
Management and consulting fees				
Tyler Robson, Chief Executive Officer and director	120,000	120,000	360,000	510,000
Agilis Capital Corporation, a company controlled by Robert van Santen – former Chief Financial Officer, Chief Executive Officer and director	-	30,000	-	122,500
Supra Research and Development Inc, a company controlled by Rob O'Brien – former Chief Scientific Officer Valens Agritech and director	-	31,400	-	117,200
Advanced Nutri-Tech Systems Inc, a company controlled by Saul Katz a former President and director	-	-	-	187,790
1123278 BC Ltd, a company controlled by Dave Gervais a former director	-	-	-	85,231
Total	**120,000**	**181,400**	**360,000**	**1,022,721**
Wages and salaries				
Jeffery Fallows, President	87,500	-	87,500	-
Everett Knight, Executive Vice President Strategy and Investments	49,500	-	182,000	-
Chris Buysen, Chief Financial Officer	49,500	18,333	148,500	18,333
Chantel Popoff, Chief Operating Officer	49,500	34,167	148,500	34,167
Ashley McGrath, director	15,000	-	44,348	-
Nitin Kaushal, director	15,000	-	44,348	-
Chris Irwin, director	15,000	-	44,348	-
Deepak Anand, director	15,000	-	17,870	-
Rob O'Brien, former Chief Scientific Officer Valens Agritech and director	-	-	-	12,500
Total	**296,000**	**52,500**	**717,413**	**65,000**
Share-based payments(1)				
Tyler Robson, Chief Executive Officer and director	619,968	-	2,073,124	-
Everett Knight, Executive Vice President Strategy and Investments	262,067	-	951,992	-
Chris Buysen, Chief Financial Officer	224,850	97,372	859,095	97,372
Jeffery Fallows, President	764,898	-	797,474	
Chantel Popoff, Chief Operating Officer	203,145	97,372	770,625	97,372
Deepak Anand, director	77,922	-	107,824	-
Ashley McGrath, director	31,930	-	69,526	-
Nitin Kaushal, director	31,930	-	69,526	-
Chris Irwin, director	31,930	-	69,526	-
Total	**2,248,640**	**194,744**	**5,768,712**	**194,744**

(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 August 31, 2019 $	As at Nov 30, 2018 $
Accounts Payable and Accrued Liabilities:		
(a) Officers, former directors, and companies controlled by former directors (1)	78,478	9,086
Receivables:		
(b) Officers and a former director of the Company(2)	267,000	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.

Promissory Notes

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

		Three-month period ended		Nine-month period ended		As at	
	Principal	August 31, 2019 $	August 31, 2018 $	August 31, 2019 $	August 31, 2018 $	August 31, 2019 $	August 31, 2018 $
Name and Relationship to Company	**Balance of Notes**	**Interest expense on Notes**			**Interest expense on Notes**	**Balance Payable**	
0768390 BC Ltd., a company controlled by Tim Tombe, a former director	658,050	-	-	-	4,218	-	-
1009368 BC Ltd., a company controlled by Noreen Spanell, a shareholder	960,095	-	-	-	-	-	-
1022006 BC Ltd., a company controlled by Dave Gervais, a former director and Tim Tombe, a former director	194,483	-	-	-	4,790	-	-
Dave Gervais, a former director	790,260	-	-	-	6,838	-	-
Tim Tombe, a former director	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 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
Chantel Popoff – Chief Operating Officer
Jeffery Fallows - President
Chris Irwin – Director
Nitin Kaushal – Director
Ashley McGrath – Director
Deepak Anand - 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