Valens GroWorks

(FORMERLY GENOVATION CAPITAL CORP.)

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Three and Six Months ended May 31, 2017 and 2016

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 months ended May 31, 2017. 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 consolidated financial statements of the Company for the period ended May 31, 2017, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period ended May 31, 2017 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at July 31, 2017 unless otherwise indicated.

On November 2, 2016, the Company completed the acquisition (the "Acquisition") of Valens Agritech Ltd. ("VAL") pursuant to a share exchange agreement dated October 31, 2016 (the "Agreement"). The Acquisition constituted a reverse takeover ("RTO"). Upon completion of the Acquisition, the Company changed its name from Genovation Capital Corp. to Valens GroWorks Corp. The financial information is that of VAL and replaces amounts previously reported by the Company, and the year end changed to November 30 from April 30.

On April 5, 2017 the Company closed the acquisition of Supra THC Services Inc. ("Supra"), a Health Canada-licensed cannabis testing lab with an established Kelowna-based scientific team supporting its operations. The Company acquired all of the issued and outstanding shares of Supra for $3.75 million, satisfied through the issuance of three million shares of Valens.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of VGW common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

All financial information contained in this MD&A is current as of July 31, 2017 unless otherwise stated.

All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS"), in compliance with IAS 34 Interim Financial Reporting, and all dollar amounts are expressed in Canadian dollars, unless otherwise specified.

Additional information regarding the Company is available on SEDAR at www.sedar.com, and the Company's website www.valensgroworks.ca. The date of this MD&A is July 31, 2017.

FORWARD-LOOKING INFORMATION

Inherent in forward-looking statements involve known and unknown risks, and factors may include, but are not limited to: unavailability of financing, changes in government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The

Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

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

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

The forward-looking statements contained herein are based on information available as of July 31, 2017.

DESCRIPTION OF BUSINESS & OUTLOOK

The Company was incorporated under the laws of British Columbia on January 14, 1981. The Company's common shares trade under the trading symbol "VGW" on the Canadian Securities Exchange ("CSE"). VAL was incorporated under the Business Corporations Act of the Province of British Columbia on April 14, 2014. Effective April 5, 2017 the Company acquired Supra THC Services Inc. ("Supra") as a wholly-owned subsidiary. Supra was incorporated under the Business Corporations Act of the Province of British Columbia on December 10, 2015.

The Company operates in two related Health Canada-licensed business segments involved in the scientific research of phytopharmaceutical material, specifically producing cannabis and cannabis related products. Supra is a Health Canada-licensed cannabis testing lab with an established Kelowna-based scientific team supporting its operations, and holds a Health Canada Dealer's License which allows for the possession of cannabis and related active ingredients, as well as the production of extracts for the purpose of analysis.

SIGNIFICANT EVENTS, TRANSACTIONS AND ACTIVITIES

On November 2, 2015 the Company announced entering into an arm's length non-binding letter of intent with MKHS, LLC ("MKHS") which outlines the general terms and conditions of a proposed transaction pursuant to which the Company proposes to acquire all of the issued and outstanding securities of MKHS in exchange for common shares of the Company (the "MKHS Transaction"). On November 24, 2015 the Company announced entering into a binding commitment letter with MKHS in respect of the MKHS Transaction.

During the year ended November 30, 2016 the Company and MKHS decided not to complete the share exchange transaction and on January 16, 2017 the Company entered into a 5-year, renewable, Professional Services Agreement (the "PSA") with MKHS Ventures. As a result of the Arrangement, MKHS Ventures will complete the buildout of a 28,000-sf Farmtek greenhouse expansion as proposed and funded by the Company under the original agreements (the "Buildout"). In accordance with the PSA, payments of US$60,000 per month for management services will commence to the Company upon completion of the Buildout, with the three initial monthly payments to be deferred and paid at the end of third month following the Buildout to allow for an initial harvest. In addition, the Company will provide consulting services to be performed and invoiced monthly, and will be reimbursed for approved out-of-pocket expenses and sub-contracted services. The Buildout is currently under construction and is expected to be completed within the next year.

On January 16, 2017 the Company also entered into the loan agreement with MKV Ventures which is secured by a promissory note for the total loan amount of $1,628,266 (US$1,212,500). The loan is guaranteed by MKHS and secures repayment of previous advances made by the Company. The loan accrues interest at the rate of 15% per annum effective May 15, 2016. Principal and interest, as well as $30,000 in cost recoveries for past accrued fees, are payable to the Company by MKHS in arrears commencing at the end of the third month following Buildout, and on the 15th day of each month thereafter over a 5-year term.

The agreements entered into on January 16, 2017, supersede and replaces all previous agreements entered into between the Company and MKHS and settles all outstanding issues between the parties.

On November 2, 2016 the Company completed the acquisition of all the issued and outstanding shares of VAL as described above. Effective on the closing of the Acquisition, Chris Cooper, Leslie van Santen and Michael Wystrach resigned as directors of the Company and were replaced by VAL appointees Dave Gervais and Tim Tombe. Existing Company directors John Binder, Tyler Robson and Robert van Santen remain on the reconstituted five-member Board.

The Company appointed Gordon J. Fretwell, outside legal counsel, as corporate secretary. Robert van Santen remained as Chief Executive Officer and Chairman of the Board, with Annie Storey as Chief Financial Officer. The directors, officers and key employees of VAL, the Company's wholly-owned subsidiary, consisted of David Gervais, President and Director, Tim Tombe, Corporate Secretary and Director, Tyler Robson, Director of Operations, and Yasantha Athukorala, Chief Scientific Officer.

Effective November 24, 2016 the Company completed its corporate name change to Valens GroWorks Corp. The Canadian Securities Exchange listing of the Company's common shares is trading under the new name and trading symbol "VGW" following the issue of the CSE's bulletin to dealers. The Company's new CUSIP number will be 91913D106 and the new ISIN will be CA91913D1069. There is no change to the Company's share structure.

On December 20, 2016 and January 11, 2017 the Company closed a two tranche non-brokered private placement of 2,153,190 units (the "Unit") at a price of $0.65 per Unit for gross proceeds of $683,074 and repayment of debt of $716,500 (the "Offering"). Each Unit consisted of one common share of the Company and one-half of a common share purchase warrant. Each warrant will entitle the holder thereof to purchase one common share at a price of $1.15 for a period of 12 months from the closing of the Offering. The Company will be entitled to accelerate the expiry date of the warrants to the date that is 30 days following the date the Company issues a news release announcing that the closing price of the common shares on the CSE has been equal to or greater than $1.65 for ten consecutive trading days after the statutory hold period to the expiry date. The net proceeds from the Offering will be used by the Company for security upgrades to the Company's R&D facility in Kelowna and general corporate purposes, including the partial repayment of related party loans and accrued payables.

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

On February 9, 2017 the Company issued a convertible unsecured note (the "Note") to a non-arm's length lender, a company controlled by a director of the Company (the "Lender"), for an aggregate principal amount of $500,000. THE CEO of the Company has personally guaranteed the prompt, punctual and full repayment of the Note when due. The Lender has the option but not an obligation to exchange all or part of the Note and accrued interest (the "Option Exercise") into common shares of the Company under the same terms and conditions of, and as a participant in, an expected private placement funding the Company intends to undertake. The Note will mature in one year and bear interest at 10% per annum from the date the funds were advanced until the earlier of:

- the date the Note, together with all accrued interest, is repaid in full; and
- the date of completion of the Option Exercise.

Note proceeds will be used for the purposes of meeting Company acquisition and expansion obligations and for general corporate purposes.

On February 10, 2017 the Company announced the appointment of Tyler Robson, currently a director of the Company, as its Chief Operating Officer. Mr. Robson also continues as Director of Operations of VAL, the Company's wholly-owned operating subsidiary in Kelowna, B.C.

On February 27, 2017 the Company entered into a definitive share purchase agreement (the "Share Purchase Agreement") to acquire Supra THC Services Inc. ("Supra"). The Share Purchase Agreement provides that the Company will acquire 100% of the issued and outstanding shares of Supra for $3.75 million, to be fully satisfied through the issuance of three million shares of the Company. The total share consideration is subject to a regulatory four month hold period as well as a 36-month escrow agreement. Supra's Dealer's License allows for the possession of cannabis and related active ingredients as well as the production of extracts for the purpose of analysis. Expected revenue-generating activities include leading edge scientific research and development of products and services related to the medical cannabis industry, the supply of a superior line of products with a measurable standard of excellence, as well as toll processing for licensed producers, including the use of a proprietary process that generates 100% Cannabis oil without the addition of any solvents.

The Company also announced the appointment of Dr. Rob O'Brien as President and Chief Science Officer (CSO) of VAL. Dr. O'Brien is the president and controlling shareholder of Supra. Dr. O'Brien holds a PhD from Carleton University where he conducted research at the Chemical Metrology group of the National Research Council. He was a professor in Analytical Chemistry for more than 13 years, developing numerous graduate and undergraduate courses in Advanced Analytical Instrumentation techniques and Forensic Chemistry. Dr. O'Brien is an expert in analytical instrumentation and has set up a number of advanced analytical laboratories. Dr. O'Brien was also the founder of Supra Research and Development, the first spin off company from the UBC Okanagan campus, created to commercialize innovative biomass extraction technology. Over his career, Dr. O'Brien has secured well over $3 million dollars in research grants and has an extensive network of research collaborators. The Company granted incentive stock options to the newly appointed president of the Company's subsidiary to purchase up to 320,000 common shares of the Company at a price of $1.25 per common share. The stock options are exercisable on or before February 29, 2020 and vest in stages over the course of three years. On March 2 and again on June 1 2017 20,000 of the options were exercised in accordance with the terms of Dr. O'Brien's Executive Services Agreement.

On March 14, 2017 the Company announced that Mr. Mark Doucet has joined the Company as its President. Mark Doucet has more than 25 years of senior executive experience. The Company granted incentive stock options to the newly appointed president of the Company to purchase up to 1,000,000 common shares of the Company at a price of $1.40 per common share. The stock options are exercisable on or before March 15, 2019 and vest in stages over the first two years.

On April 3, 2017 the Company entered into a letter of intent ("LOI") to acquire 100% of a late stage applicant under the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). Royal Green Acres Manufacturing Ltd. ("RGAM") is currently in active final review stage with Health Canada for an application submitted in August 2013. Under the terms of the LOI, the Company will assume 100% of the costs and related expenses to complete the pre-inspection readiness of the RGAM site such that RGAM becomes a Licensed Producer of Marijuana for Medical Purposes.

On April 5, 2017 the Company closed the acquisition of Supra THC Services Inc. ("Supra"), a Health Canada-licensed cannabis testing lab with an established Kelowna-based scientific team supporting its operations. The Company acquired all of the issued and outstanding shares of Supra for $3.75 million, satisfied through the issuance of three million shares of Valens. The total share consideration is subject to a regulatory four month hold period as well as a 36-month escrow agreement. Supra holds a Health Canada Dealer's License which allows for the possession of cannabis and related active ingredients, as well as the production of extracts for the purpose of analysis.

On April 18, 2017 the Company issued a convertible unsecured note (the "Note") to a non-arm's length lender, a director of the Company (the "Lender"), for an aggregate principal amount of $500,000. The Lender has the option but not an obligation to exchange all or part of the Note and accrued interest (the "Option Exercise") into common shares of the Company under the same terms and conditions of, and as a participant in, an expected private placement funding the Company intends to undertake. The Note will mature in one year and bear interest at 10% per annum from the date the funds were advanced until the earlier of:

- the date the Note, together with all accrued interest, is repaid in full; and
- the date of completion of the Option Exercise.

Note proceeds will be used for the purposes of meeting Company acquisition and expansion obligations and for general corporate purposes.

On May 4, 2017 the Company shuffled its C-Suite with the appointment of A.Tyler Robson, formerly Chief Operating Officer and a Company director, as its new Chief Executive Officer ("CEO") effective immediately. Rob van Santen, formerly CEO of Valens GroWorks Corp., remains engaged as Chief Financial Officer ("CFO") of the Company, and Annie Storey, the former CFO, continuing her engagement as Controller.

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

On May 18, 2017 VAL received its Dealers Licence pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations and will now begin operations. The issuance of the licence follows an extensive multi-year process that included application, design, construction and security clearance of key personnel. Licensed activities will occur in VAL's 17,000 square foot production facility located on two acres in Kelowna, British Columbia. VAL will be able to conduct research and possess, produce and package cannabis and cannabis derivatives. It can also undertake research and begin development of products for future market opportunities.

On May 30, 2017 the Company elected to terminate discussions for the proposed acquisition of late-stage cannabis production license ("LP") applicant Royal Green Acres Manufacturing Ltd. ("RGAM"), and has released RGAM from the restrictions and obligations of the exclusivity period. The Company is expediting the acquisition of its own LP and Licences to Sell ("LS") under the revised Access to Cannabis for Medical Purposes Regulations ("ACMPR") process, as a follow up to its recently awarded Controlled Drugs and Substances Dealer's Licence ("DL"). The Company's decision follows Health Canada's May 26, 2017 press release introducing several improvements to its medical cannabis program, expected to have direct application to the Company's expansion plans.

On June 30, 2017 the Company announced the resignation of Mr. Mark Doucet. Mr. Doucet was appointed President of the Company as announced on March 14, 2017. The 1,000,000 Stock Options granted to Mr. Doucet exercisable at $1.40 in accordance with the Company's stock option plan have been cancelled.

On July 20, 2017 the Company announced that Mr. Saul Katz has joined the Company as its President. Mr. Katz brings to Valens 35 years of entrepreneurship, senior management experience and scientific expertise in functional food product development and commercialization. Over his career he established research collaborations with leading scientific institutions as well as technology licensing agreements with major international firms. As a pioneer in the functional food and nutraceutical industries, he authored articles, presented as guest speaker and chaired agricultural, nutraceutical and functional food symposia. Mr. Katz founded and was CEO of New Era Nutrition, a leading-edge functional food research and development company which developed and licensed proprietary formulations to food, pharmaceutical and supplement companies. Mr. Katz obtained his undergraduate degree from McGill University in 1975 and completed a combined Bachelor of Common Law and Civil Law from the University of Ottawa in 1979. Having articled at the Department of Justice in Ottawa, he was called to the Ontario law bar in 1980 and the Alberta law bar in 1981. From 1981 to 1984 Mr. Katz acted as legal counsel for Alberta Energy Company in Calgary and from 1985 to 1995 was Vice President and General Counsel for the Ghermezian family's Triple Five Group, developer of the West Edmonton Mall, Mall of America, and the concept of "*retailtainment*". The Company is granting stock options to Mr. Katz to acquire an aggregate of 2.49 million common shares in the capital of the Company at an exercise price of $1.00 per common share, expiring on the fifth anniversary of the grant (collectively, the "Stock Option"). The Stock Option vests in stages over the course of two (2) years with 25% to vest immediately and a further 12.5% to vest in each three-month period thereafter.

On July 26, 2017 the Company announced a non-brokered private placement of up to 4,000,000 units (the "Units") at a price of $1.00 per Unit for gross proceeds of up to $4,000,000 (the "Offering"). The net proceeds of the Offering will be used for plant expansion, including additional growing and oil extraction capacity at existing facilities, marketing & branding initiatives and other growth opportunities and general corporate purposes. The Company anticipates significant insider participation in the Offering.

RESULTS OF OPERATIONS

For the period ended May 31, 2017, the Company reported a loss of $2,552,210 ($0.05 per share), compared to $274,147 ($0.04 per share) for the comparable period in 2016. The increase in the loss reported generally is due to consolidated financial data following the RTO on November 2, 2016, primarily an increase in share-based payment charges, and increased management and consulting fees, wages and salaries, and depreciation charges.

SELECTED FINANCIAL INFORMATION

The following historical financial data is derived from the Company's annual audited consolidated financial statements for the years ended November 30, 2016, 2015, 2014:

	2016 $	2015 $	2014 $
Operating expenses	(8,474,275)	(724,320)	(300,974)
Loss and comprehensive loss	(8,332,638)	(591,796)	(300,974)
Basic loss per common share	(0.16)	(0.04)	(0.04)
Diluted loss per common share	(0.16)	(0.04)	(0.04)
Working capital deficiency	(3,802,846)	(2,294,491)	(756,749)
Total assets	2,747,234	1,548,864	496,326
Total liabilities	3,887,158	2,441,364	797,030

The Company is seeking to advance several cash-flow capable projects through its two wholly-owned subsidiaries. To date the Company has generated revenues of $7,789 as at May 31, 2017 ($105,000-November 2016 and $132,524-November 2015).

At May 31, 2017, the Company had not yet achieved profitable operations and has accumulated losses of $11,777,618 (November 2016 -$9,225,408; 2015 - $300,974) since inception. These losses resulted in a net basic loss per share for the year ended November 30, 2016 of $0.16 (2015 - $0.04; 2014 - $0.04).

SUMMARY OF QUARTERLY REPORTS

Results for the four quarters ending May 31, 2017, with comparatives for the four quarters ending May 31, 2016; all prepared using accounting principles consistent with IFRS:

	Three Months Ended			
	May 31, 2017 $	February 28, 2017 $	November 30, 2016 $	August 31, 2016 $
Consulting income	7,789	-	-	42,500
Loss and comprehensive loss	(1,674,201)	(878,009)	(7,947,202)	(196,538)
Basic and diluted loss per share	(0.03)	(0.02)	(0.16)	(0.02)

	Three Months Ended			
	May 31, 2016 $	February 29, 2016 $	November 30, 2015 $	August 31, 2015 $
Consulting income	42,500	59,121	131,524	-
Loss and comprehensive loss	(147,823)	(193,353)	(155,422)	(396,977)
Basic and diluted loss per share	(0.04)	(0.02)	(0.04)	(0.03)

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

Variances quarter over quarter can be explained as follows:

Due to the Acquisition of VAL and RTO transaction, there was an increase in operating expenses from $190,323 in the quarter ended May 31, 2016 to 1,784,408 in the quarter ended May 31, 2017.

- Operating expenses increased primarily due to the following:
  - Increase in advertising and promotion of $35,520
  - Increase in interest and bank charges of $149,845
  - Increased management fees and salaries of $180,512
  - Increased wages and salaries of $24,372

- In the quarter ended May 31, 2017, stock options were granted to various parties. Share-based payments were incurred of $1,171,199 (May 31, 2016 - $Nil).

Second Quarter

During the quarter ended May 31, 2017 operating expenses totaled $1,784,408, primarily consisting of management fees and salaries of $220,262, rent of $69,305, interest and bank charges $149,892, share-based payments of $1,171,199, and advertising and promotion of $35,200.

GENERAL AND ADMINISTRATIVE

The operating and administrative expenses for the period ended May 31, 2017 totaled $2,738,824 (May 31, 2016 - $383,147), including share-based payments issued during the year, valued at $1,705,969 (May 31, 2016 - $Nil) calculated using the Black Scholes option pricing model. Comparatively, the major expenses for the period ended May 31, 2017 were advertising and promotion of $44,140 (May 31, 2016-$Nil), management fees and salaries of $358,039 (May 31, 2016 - $79,500), office and miscellaneous of $45,200 (May 31, 2016-$$4,421), professional fees of $36,101 (May 31, 2016 - $55,926), rent of $138,610 (May 31, 2016 - $128,956), and wages and salaries of $52,766 (May 31, 2016 - $Nil).

The table below details the changes in major expenditures for the period ended May 31, 2017 as compared to the corresponding period ended May 31, 2016:

Expenses	Changes in Expenses	Explanation for Change
Adverting and promotion	Increase of $44,140	Increase due to advertising and marketing
Management fees	Increase of $278,539	Increase in management's compensation due to changes in management and RTO transaction.
Office and miscellaneous	Increase of $40,779	Increase due to consolidated amount of office and miscellaneous.
Professional fees	Decrease of 19,825	Decrease due to completion of RTO
Rent	Increase of $9,654	Increase due to consolidated amount of rent.
Wages and salaries	Increase of $52,766	Increase due to new hires.
Share-based compensation	Increase of $1,705,969	Increase due to increase in granting of stock options to management and consultants.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

As at May 31, 2017, the Company's liquidity and capital resources are as follows:

	May 31, 2017 $	November 30, 2016 $
Cash	334,869	14,843
Receivables	110,300	68,583
Prepaid expenses	91,561	886
Total current assets	536,730	84,312
Payables and accrued liabilities	4,234,225	3,887,158
Working capital deficit	(3,697,495)	(3,802,846)

As at May 31, 2017, the Company had a cash position of $334,869 (November 30, 2016 - $14,843) derived from the net proceeds of private placements and convertible debentures. As at May 31, 2017, the Company had a working capital deficit of $3,697,495 (November 30, 2016 –$3,802,846).

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

OFF-BALANCE SHEET AGREEMENTS

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

COMMITMENTS

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

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

Based on the lease payments the remaining commitments are:

Short term (July 1, 2016 - November 30, 2017)	$ 99,000
Long term (December 1, 2017- December 31, 2022)	851,110
	$ 950,110

CONTINGENCY

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

TRANSACTIONS WITH RELATED PARTIES

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors or companies with common directors of the Company.

During the period ended May 31, 2017 the Company engaged in the following transactions with related parties, not disclosed elsewhere in this MD&A:

(a) paid or accrued management fees of $7,000 (2016 – $39,750) to a company controlled by Tim Tombe, a director of the Company.
(b) paid or accrued management fees of $nil (2016- $39,750) to Dave Gervais, a director of the Compnay.
(c) paid or accrued management fees of $97,500 (2016 – $nil) to a company controlled by Rob van Santen, CEO and a director of the Company.
(d) paid or accrued $138,610 (2016 - $128,956) in rent expense, to a company controlled by Dave Gervais and Tim Tombe, directors of the Company.
(e) paid or accrued $183,765 (2016-$nil) in salary expense, to Tim Tombe, Dave Gervais, Tyler Robson and Robert O'Brien directors of the Company.

Share-based payments include stock options granted to directors and officers recorded at a fair value of $879,320 (2016 - $nil).

As at May 31, 2017, accounts payable and accrued liabilities included $3,067,153 (2016 - $3,659,368) payable to directors, officers and companies controlled or related to directors and/or officers. Original convertible debenture notes ("CD") principal and accrued interest amounts payable to related parties is payable on demand after October 31, 2017, have provisions for six-month extensions, are secured by a GSA, and bear interest at 9% per annum.

Director / Officer / Insider	May 31, 2017	November 30, 2016
Phi Beta Capital Advisors Ltd.	$ 7,500	51,910
Agilis Capital Corp.	(17,969)	332,547
A.T.Robson Capital (Tyler Robson)	42,000	-
Rob van Santen	23,291	6,460
Westland Capital	305,212	305,547
Due to (from) Supra THC Services Inc.	(42,122)	-
Due to Tim Tombe	4,830	-
Due to 1022006 BC Ltd. (CD)	21,317	-
Due to Tim Tombe (CD)	81,344	77,470
Due to Advantage Microbial Solutions (CD)	772,598	811,330
Due to Dave Gervais (CD)	1,756,374	1,771,721
Due to 1022006 BC Ltd. (CD)	112,778	302,381
	$3,067,153	3,659,368

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including directors (executive and non-executive) of the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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

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

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

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

iii) Collectability of promissory note receivable from MKHS, LLC.

NEW ACCOUNTING STANDARDS AND INTERPRETATION

Accounting standards not yet effective

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after January 1, 2018.
IFRS 11, *Joint Arrangements*

IFRS 11 is amended to provide specific guidance on accounting for acquisition of an interest in a joint operation that is a business. The amended standard is effective for annual periods beginning on or after January 1, 2016.

IAS 16, *Property, plant and equipment and IAS 38 – Intangibles*

IAS 16 and IAS 38 were issued in May 2014 and prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets. These amendments are effective for annual periods beginning on or after January 1, 2016 and are to be applied prospectively.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**May 31, 2017**
Fair value through profit and loss financial asset				
Cash	$ 334,869	-	-	$ 334,869
Total financial assets at fair value	$ 334,869	-	-	$ 334,869

	Financial assets at fair value			
	Level 1	**Level 2**	**Level 3**	**November 30, 2016**
Fair value through profit and loss financial asset				
Cash	$14,843	-	-	$ 14,843
Total financial assets at fair value	$14,843	-	-	$ 14,843

Cash is classified as fair value through profit or loss and is measured using level 1 inputs of the fair value hierarchy. The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values due to their short term nature. They are classified as loans and receivables.

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

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

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

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

Market risk
The only market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.
Foreign currency risk
The Company is nominally exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated US Dollars (USD or US$).

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

CAPITAL MANAGEMENT

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

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

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

RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

• The Company and its wholly-owned subsidiaries have limited operating histories;

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

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

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

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

• The Company and its wholly-owned subsidiaries face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;

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

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

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

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

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

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

• Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;
• The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;

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

• A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders;

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

• The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety; and

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

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

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

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

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Dividends

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

Management's Responsibility for Financial Statements

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

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

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

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

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

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

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

Approval
The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved these interim 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 FINANCIAL REPORTING

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

OUTSTANDING SHARES, OPTION, AND WARRANTS

The Company has one class of common shares. Below is a summary of the common shares issued and outstanding as at May 31, 2017 and the date of this report:

	As at May 31, 2017	**As at July 31, 2017**
Common shares	56,211,386	56,232,886
Stock options	4,179,997	5,613,331
Warrants	2,021,038	2,019,538

Stock options

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report the following options outstanding:

Options outstanding	Options exercisable	Exercise price $	Expiry date
40,000	40,000	3.00	October 10, 2018
19,999	19,999	3.00	November 27/28, 2018
233,332	258,332	0.30	August 31, 2020
50,000	50,000	0.30	September 22, 2020
2,500,000	1,875,000	0.65	November 30, 2021
280,000	160,000	1.25	February 29, 2020
2,490,000	622,500	1.00	July 19, 2020

Warrants

The Company has issued warrants as part of its non-brokered private placements. As of the date of this report the Company has 2,019,538 warrants outstanding.

Warrants issue date	Number of warrants outstanding	Exercise price $	Expiry date
September 22, 2015	622,222	0.75	September 22, 2017
October 23, 2015	322,222	0.75	October 23, 2017
December 20, 2016	497,288	1.15	December 21, 2017
January 10, 2017	577,806	1.15	January 11, 2018

DIRECTORS AND OFFICERS

A. Tyler Robson – *Chief Executive Officer, Director*
Robert van Santen –*Chief Financial Officer, Director, Chairman*
Annie Storey - *Controller*
David Gervais – *Director*
Tim Tombe - *Director*
John Binder – *Director*
Rob O'Brien - *Director*

OTHER REQUIREMENTS

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

On Behalf of the Board,

VALENS GROWORKS CORP.

"Tyler Robson"
Tyler Robson

"Robert van Santen"
Robert van Santen