

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: VALENS GROWORKS CORP. (the "Issuer").

Trading Symbol: VGW

Number of Outstanding Listed Securities: 72,287,129

Date: May 6, 2018

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

#### **Report on Business**

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

The Company announced the successful completion of its first two cannabis cultivation harvests. The company's state-of-the-art growing facility, high standards, and the experience of its Master Growers has produced a robust crop yield with THC content that

exceeded expectations, coming in with 24% potential THC content compared to an industry average 18.5% for the strain produced.

Supercritical CO2 extraction machines discussed last month have been purchased and installed, successfully increasing total extraction capacity to 6,500 kg per month as estimated. This additional capacity is vital in positioning the Company as the go-to extraction company with a wholesale capacity exceeding that of any in Canada at this current point in time.

The Company announced the creation of a new subsidiary company, a joint venture partnership with Kosha Projects Inc. ("**Kosha**") named Valens Farms. Valens Farms was established to develop purpose-built cannabis-specific facilities to enable sustainable closed-system premium hybrid cannabis production of our specialty strains, where Valens' Master Growers can control the fundamentals from day one, rather than converting a greenhouse built for other purposes.

The Company has initiated construction on a purpose-built \$75 million 400,000 square foot commercial cannabis production facility in Armstrong, BC. The municipality of the City of Armstrong has approved the building of up to 851,200 square feet of greenhouse and indoor facilities, representing 40% site coverage on the 50-acre property currently owned by Kosha. The joint venture partnership will see Kosha contribute the land and all facility development and construction costs and related expertise. Valens will provide design and outfitting inputs, budgetary guidance, consulting and advisory services during construction and development of the facility.

The Company is expecting that the renovations of Kelowna facility will be complete by June 15<sup>th</sup>. The facility will include Supra THC Services on site, as well as additions to office, extraction and processing space. Following these additions, Health Canada will complete their walkthrough, at which point, the Company will resume operations at Valens Agritech Ltd.

2. Provide a general overview and discussion of the activities of management.

Company officers continue to be engaged with VAL's operational readiness, planning, costing and modeling for expanded operations, and engaging in various discussions and negotiations with respect to existing and anticipated management roles, and the completion of facility modifications required ahead of anticipated DL, LP and LS-related production capability.

The Company is focused on initiating production under its DL whilst ensuring no future conflict with the anticipated awarding of an LP.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production

programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

The Company has continued to expand substantially in order to encompass a much broader platform for growth as a biotechnology company with an aggressive buildout strategy, moving towards vertical integration in order to create quality-controlled consumer products as well as white-labelling extractions for other producers. The Company still seeks to capture a broad spectrum of medical cannabis users, and adult recreational users once legalized, as well as clinical trial and R&D clients, in pursuit of its ambitious “plants to premium products” objectives.

Wholly owned subsidiary Supra THC Services Inc. in collaboration with Thermo Fisher Scientific, a world leader in Health Science services, has successfully developed its previously mentioned “Centre of Excellence in Plant Based Medicine Analytics” to provide analytical services and directed research and development, including clinical trials. This agreement is the first of its kind between a Canadian cannabis company and a world leader in Health Science services, with an ability to deliver innovative technologies, purchasing convenience and comprehensive services to this emerging market.

Through Valens Farms, the Company’s cultivation capacities will increase significantly to support the internally-managed supply chain initiatives for Valens-branded, quality assured, consistent consumer product capabilities. The Company anticipates the development and release of recreational and medicinal Valens-branded products within the year.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

None to report.

5. Describe any new business relationships entered into between the Issuer, the Issuer’s affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

None to report.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer’s affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None to report.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer’s assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how

the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship..

None to report.

8. Describe the acquisition of new customers or loss of customers.

None to report.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

None to report.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None to report.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None to report.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None to report.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

None to report.

14. Provide details of any securities issued and options or warrants granted.

None to report.

15. Provide details of any loans to or by Related Persons.

None to report.

16. Provide details of any changes in directors, officers or committee members.

None to report.

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

CIBC World Markets reports estimates of the potential value of the recreational marijuana market in Canada range from \$5 billion to \$10 billion per year. The lower market value of \$5 billion per year translates into yearly consumption of 770,000 kilograms of marijuana, assuming a price of approximately \$6.50 per gram. To put the potential size of the Canadian recreational market in context, Statistics Canada valued the beer market in Canada, in 2014, at \$8.7 billion.

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Marijuana could be legal for adult recreational use in Canada by as early as July 1, 2018, but more likely in August-September 2018. The legislation will broadly follow the recommendation of a federally appointed task force that was chaired by former liberal Justice Minister Anne McLellan. CBC News reported that the federal government will be in charge of making sure the country's marijuana supply is safe and secure, and Ottawa will license producers.

It is still accurate to expect that Canada's cannabis industry could reach \$22.6 billion over the coming years, according to Deloitte, with a retail market worth up to \$8.7 billion. With only 105 producers licensed by Health Canada thus far, there's a significant market opportunity for Valens to capitalize on this growth over time. Many of these producers may not be licensed for sale nor processing.

The Company has focused on building its production profile with Valens as well as its testing capacity through Supra which provides third party analytical services required by all producers.

International Development Medical marijuana opportunities continue to become increasingly available as new jurisdictions move towards establishing new or improved medical marijuana systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

### **Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated May 6, 2018.

Tyler Robson  
Name of Director or Senior  
Officer

"Tyler Robson"  
Signature

Chief Executive Officer  
Official Capacity

<b>Issuer Details</b> Name of Issuer Valens GroWorks Corp.	For Month End April 30, 2018	Date of Report YY/MM/D 18/05/06
Issuer Address 230 Carion Road		
City/Province/Postal Code Kelowna, BC V4V 2K5	Issuer Fax No. (778) 379-9990	Issuer Telephone No. (778) 755-0052
Contact Name Tyler Robson	Contact Position CEO	Contact Telephone No. (778) 755-0052
Contact Email Address tyler@valensgroworks.com	Web Site Address www.valensgroworks.com	