

FORM 7

MONTHLY PROGRESS REPORT

Name of CNSX Issuer: VALENS GROWWORKS CORP. (the "Issuer").

Trading Symbol: VGW

Number of Outstanding Listed Securities: 59,650,167

Date: September 7, 2017

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 the CNSX 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 CNSX.ca 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 CNSX 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.

On August 4 the Company held its AGM and the board of directors elected its recently appointed president Saul Katz as a seventh member of the board as well as its executive chairman. The Company continues to pursue a complement to its Dealers Licensing granted pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations with the pursuit of a

Licence to Produce ("LP") under the Access to Cannabis for Medical Purposes Regulations ("ACMPR") process.

Health Canada ("HC") introduced improvements to its medical cannabis program on May 26, 2017 which streamline the application process for issuing LPs with some stages of the application reviews taken concurrently, permitting licensed producers to manage production on the basis of their vault capacity, authorizing longer validity periods for licenses and security clearances, and streamlining the review and approval of applications to modify or expand an existing production facility for licensed producers with a record of good compliance. The new process is expected to recognize the extensive multi-year process completed for our DL that includes many of the same LP stages now being expedited, including application, facility design and construction, and security clearance of key personnel.

Following discussions with and the contracting of consultants with a record of success with HC and LP applicants, we believe that HC's expedited process may allow the near-term issuance of an LP to the Company, and expedite the process to acquire an LS concurrent to our DL cultivation activities.

To ensure there is no disruption to our DL operations or security conflicts as a result of an anticipated LP operation, subsidiary Valens Agritech Ltd. ("VAL") is undertaking certain modifications to its 17,000 sf facility prior to initial DL crop cultivation. Work has been progressing, with some additional potential requirements that may increase the costs to include upgraded fire retardation between sections of the facility. The Company's objective is to establish an initial crop under its DL licence in early October, and harvest by late 2017.

In support of the expansion and commencement of operations, the Company is completing a private placement for \$4 million. Insiders have converted the majority of the Company's indebtedness held by them into additional equity in the Company at \$1.00 per share. An initial tranche of \$3,250,615 was closed on August 11.

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

Company officers have been 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 modifications required ahead of expanding LP-related production capability. The Company continues to focus on initiating initial crop production under its DL, expected to commence by early October, whilst ensuring no future conflict with the anticipated award of an LP. Company officers and directors eliminated significant corporate debt through conversions into equity at \$1.00 per share, and have completed an amendment to the existing lease on the premises, providing the Company with a purchase option on the land and building ahead of a substantial expansion and capital investment planned in support of an anticipated LP license award.

With respect to the debt conversion and facility modifications, on August 11 the Company closed 3,250,615 units for proceeds of \$3,250,615, the first tranche of its non-brokered private placement to raise up to \$4,000,000 at a price of \$1.00 per unit, first announced on July 26. Each unit consists of one common share and one-half warrant. Each whole warrant entitles the holder thereof to purchase one common share at a price of \$1.50 for a period of 12 months from the closing of the offering, subject to an acceleration provision.

Insiders subscribed for all 3,250,615 units (\$3,250,615). An additional \$85,000 was raised from the early exercise of stock options previously granted to an independent director. \$3,000,615 of the first tranche proceeds repaid corporate indebtedness incurred by VAL pre-RTO during the original facility buildout, plus accrued interest. Existing working capital and the balance of the proceeds is funding building modifications and enhancements, including a second vault and additional growing and oil extraction capacity, and helps develop additional vertical growth opportunities.

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's original objective with a Dealer's License was to supply and participate in large scale clinical trials to ultimately acquire a Health Canada DIN number, thereby allowing it to pursue North American and European pharmaceutical sales. As the worldwide market continues to develop, deriving and branding different strains to alleviate specific neurological conditions through intensive plant breeding helps position the Company for a leading position in the phytopharmaceutical world, and to capitalize through strategic acquisitions, partnerships or sponsorship.

An application for an LP for production of Medical Marijuana as an add-on to subsidiary Valens Agritech's ("VAL") Dealer's Licence is anticipated to allow "Craft Cannabis" sales to Medical Marijuana users and for the adult-use recreational use once legalized in July 2018. VAL's objective is to hold both R&D/Dealer licensing and Medical Marijuana Production and Sales licensing, and engage in extraction services for its own products, product testing, and fee-for-service to other operators, enabling the capture of a broad spectrum of the market. The Company anticipates significant expansion to its existing cultivation capacity may be organically funded from internal revenue generation and/or through outside sources via a strategic relationship.

During 2016 the Company made a significant investment in MKHS, LLC ("MKHS") in Arizona, which operates an 11,000 sf warehouse (Golf Links Road) cultivation, commercial kitchen and extraction facility, and a separate expandable 3,000 sf automated greenhouse located on 9.5 acres (Littletown Road). MKHS supplies medical Marijuana pursuant to the Arizona Medical Marijuana Act, operating two state-licensed "healing center" dispensaries, distributing its own in-house-prepared, branded line of edibles, concentrates and extracts. The Company continues to support MKHS's progress towards completion of a 28,000 sf greenhouse expansion to its operations in expectation of its first crop therefrom, whereupon the Company commences to benefit from its 5-year (renewable) US\$60,000/month stream of management and consulting payments, as well as receipt of blended principal and interest payments on its 15% interest-accruing US\$1.212 million promissory note due from MKHS.

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.

On August 4th the Company announced that Mr. Saul Katz, its July-appointed President, was added as a director and the board's Executive Chairman. 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.

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.

The Company closed 3,250,615 units (the "Units") for proceeds of \$3,250,615, the first tranche of its non-brokered private placement to raise up to \$4,000,000 at a price of \$1.00 per Unit (the "Offering"), as announced on July 26, 2017. Insiders subscribed for all 3,250,615 Units of which \$3,000,615 repaid corporate indebtedness incurred during the original pre-RTO facility buildout, plus accrued interest, as detailed in the following table:

Signed Notes, Secured						
RP Lender	Owner(s)	Note Payable P+H	Convert Amt	Debt Balance	Shares	Warrants
0768390 BC Ltd.	(Tim Tombe)	\$597,764	\$500,000	\$97,764	500,000	250,000
1009368 BC Ltd.	(Noreen Spanell)	\$818,865	\$818,865		818,865	409,433
1022006 BC Ltd.	(Tim & Dave)	\$207,693	\$0	\$207,693	0	0
Dave Gervais		\$791,443	\$340,000	\$451,443	340,000	170,000
Tim Tombe		\$77,408	\$0	\$77,408	0	0
		\$2,489,651	\$1,658,865	\$834,308	1,658,865	829,433
Signed Notes, Unsecured						
RP Lender	Date of Loan	Note Payable P+H	Convert Amt		Shares	Warrants
High Noon	Feb 9 2017	\$522,940	\$522,940		522,940	261,470
John Binder	Apr 18 2017	\$513,599	\$513,599		513,599	256,799
		\$1,036,538	\$1,036,538		1,036,538	518,269
Westland Capital	2016 (no interest)	\$305,212	\$305,212		305,212	152,606
		\$1,341,751	\$1,341,751		1,341,751	670,875
TOTAL DEBT TO BE CONVERTED		\$3,831,402	\$3,000,616		3,000,616	1,500,308
John Binder	PP subscriber Aug/17		\$250,000		250,000	125,000
FIRST TRANCHE PP AUG 11, 2017			\$3,250,616		3,250,616	1,625,308

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

The Company closed 3,250,615 units (the "Units") for proceeds of \$3,250,615 at a price of \$1.00 per Unit (the "Offering"). Insiders subscribed for all 3,250,615 Units:

Full Name & Residential Address of Placee	Number of Common Shares issued	Purchase price per Security (CDN\$)	Prospectus Exemption	Number of warrants issued	Payment Date	Relationship to Issuer
0768390 BC Ltd. C/O Tim Tombe 3532 Barney Road, Westbank, BC	500,000	\$1.00	45-106 2.5	250,000	Aug 11 2017	DIRECTOR
1009368 BC Ltd. C/O Noreen Dale Spanell 103, 1461 St Paul St., Kelowna, BC	818,865	\$1.00	45-106 2.5	414,432	Aug 11 2017	INSIDER 10%+ SHAREHOLDER
Dave Gervais 1135 Neptune Road, Kelowna, BC	340,000	\$1.00	45-106 2.5	170,000	Aug 11 2017	DIRECTOR
John Binder 119 Hawkside Close NW, Calgary, AB	1,286,538	\$1.00	45-106 2.5	643,269	Aug 11 2017	DIRECTOR

Westland Capital Advisors S.A. C/O Rob van Santen 14th Floor, 1040 West Georgia Street, Vancouver, BC	305,212	\$1.00	45-106 2.5	152,606	Aug 11 2017	Company CFO / Director is an executive of placee. Westland is indirectly controlled by related family members.
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15. Provide details of any loans to or by Related Persons.

In early August VGW CEO Tyler Robson advanced \$37,200 to VAL as a short term interest-free loan. VGW repaid Mr. Robson on August 22 through the transfer of US\$28,924 to a third-party at his direction, in full settlement of this VAL payable.

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

On August 4 the Company held its AGM and the board of directors elected its recently appointed president Saul Katz as a seventh member of the board as well as its executive chairman. Other existing officers were reappointed.

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

On April 20, 2016, the Canadian Federal Government announced its intention to introduce, by the spring of calendar 2017, legislation to legalize the recreational use of marijuana in Canada. At this time, the form that this legislation will take is not known. The Company believes that the legislation will allow for controlled and highly regulated production by licensed producers along with limited grow-at-home options. The Company believes that, in the event recreational use of marijuana is legalized, that the majority of people will choose to purchase from a regulated production source rather than growing marijuana in their homes.

As of August 24, 2016, the Access to Cannabis for Medical Purposes Regulations (ACMPR) will replace the MMPR. The ACMPR is Canada's response to the Federal Court of Canada's February 2016 decision in *Allard v. Canada*. This decision found that requiring individuals to get their marijuana only from licensed producers violated liberty and security rights protected by section 7 of the Canadian Charter of Rights and Freedoms. The Court found that individuals who require marijuana for medical purposes did not have "reasonable access".

The ACMPR are designed to provide an immediate solution required to address the Court judgement. Moving forward, Health Canada will evaluate how a system of medical access to cannabis should function alongside the Government's commitment to legalize, strictly regulate and restrict access to marijuana.

On May 26 2017 Health Canada introduced several improvements to its medical cannabis program, expected to have direct application to the Company's expansion plans. Health Canada ("HC") states that effective immediately the application process for becoming a licensed producer of cannabis for medical purposes is as follows:

- Intake and Initial Screening
- Detailed Review and Initiation of Security Clearance Process
- Issuance of Licence to Produce ("LP")
- Introductory Inspection (as cultivation begins)
- Pre-Sales Inspection
- Issuance of Licence to Sell ("LS")

These improvements streamline the application process for issuing LPs, with some stages of the application reviews taken concurrently, permitting licensed producers to manage production on the

basis of their vault capacity, authorizing longer validity periods for licenses and security clearances, and streamlining the review and approval of applications to modify or expand an existing production facility for licensed producers with a record of good compliance.

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.

Marijuana could be legal for adult recreational use in Canada by July 1, 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 expected 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 around 50 producers licensed by Health Canada thus far, there's a significant market opportunity for Valens to capitalize on this growth over time. The Company has focused on building its production profile.

International Development

Medical marijuana opportunities are becoming 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:

- a. 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.
- b. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
- c. The undersigned hereby certifies to CNSX 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 CNSX Requirements (as defined in CNSX Policy 1).
- d. All of the information in this Form 7 Monthly Progress Report is true.

Dated: September 7, 2017.

Robert van Santen, CPA, CA, CMT
Name of Director or Senior Officer

"Rob van Santen"

Signature

Chief Financial Officer

Official Capacity

<i>Issuer Details</i> Name of Issuer Valens Groworks Corp.	For Month End August 31, 2017	Date of Report YY/MM/DD 17/09/07
Issuer Address 12 th Floor, 1040 West Georgia Street,		
City/Province/Postal Code Vancouver, B.C. V6E 4H1	Issuer Fax No. (778) 379-9990	Issuer Telephone No. (604) 608-1999
Contact Name Rob van Santen, <i>CPA, CA, CMT</i>	Contact Position CFO	Contact Telephone No. Cell: (604) 649-1709