

FORM 7

MONTHLY PROGRESS REPORT

Name of CNSX Issuer: GENOVATION CAPITAL CORP. (the "Issuer").

Trading Symbol: GEC

Number of Outstanding Listed Securities: 11,318,528

Date: August 4, 2016

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 July 8 the Company received conditional approval from the Canadian Securities Exchange (the "CSE") for its proposed acquisition (the "**Transaction**") of Valens Agritech Ltd. ("**Valens**"), a privately held biotechnology company focused on the emerging CBD (Cannabinoid) market, and its proposed change of business from oil and gas exploration and development to a life sciences

company. In connection with the acquisition, the Company has finalized a proposed board of five directors, consisting of three existing Genovation directors, including one existing director sourced from Valens, and two additional proposed Valens nominees. CSE approval of the proposed Valens nominees and one newly created significant shareholder is the sole condition precedent to the Company's approval to complete the proposed acquisition and fundamental change of business.

The Company and Westland Capital Advisors S.A. ("Westland") have agreed to extend the conversion period of the remaining issued and outstanding US\$250,000 principal amount Zero Coupon \$100.00 Convertible Debentures (the "CDs"). In accordance with the terms of issue, the CDs entitle the holder thereof to convert for a six month period into 833 consolidated common shares of the Company, which would have expired July 21, 2016. The conversion period has been extended to coincide with the closing date of the Valens Transaction. There is no consideration paid or payable in relation to this extension.

Effective on July 15, 2016, the Company's Shares were consolidated on the basis of one (1) new post-consolidation Share for every three (3) pre-consolidation Shares (the "Consolidation"), as approved by shareholders at the Company's Annual General and Special Meeting on April 29, 2016. Upon resumption of trading following completion of the proposed Transaction, the Shares will commence trading on the Exchange under a new CUSIP number 372437202 and ISIN CA 3724372022. The 33,955,586 Shares currently issued and outstanding were reduced to approximately 11,318,528 Shares upon Consolidation. The Company also consolidated its outstanding options and warrants on a ratio of three (3) to one (1), with the result that each consolidated option and warrant will entitle the holder to acquire one Share at an exercise price of three (3) times its original exercise price. The Company's name and trading symbol will remain the same.

The Company will proceed with closing of the Valens Transaction upon receipt of CSE approval of the proposed Valens nominees and one newly created significant shareholder. Valens is a privately held biotechnology company focused on the emerging CBD (Cannabinoid) market, and the Company is therefore undergoing a change of business from oil and gas exploration and development to a life sciences company.

MKHS, LLC's inability to provide audited financial statements and the sudden loss of their long-time legal counsel resulted in a joint decision between the Company and Valens to expedite their Transaction. The MKHS reverse merger is still expected to complete in due course, and has been the subject of significant funding for expansion through Genovation's efforts.

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

Management addressed several CSE requests for additional supporting information for our filed Form 2A Listing Statement, incorporated into a revised Form 2A, as refiled with the CSE on July 7. The Company is undergoing its annual audit and submitted draft April 30, 2016 financial statements and all books and records to Davidson & Company LLP on July 25. A Management's Discussion & Analysis for the year ended April 30, 2016 is currently being drafted.

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 Valens Transaction's main objective is to take their unique product to the next level and move to acquire a Health Canada DIN number, thereby allowing it to pursue North American and European sales. As the worldwide market develops we will be focusing on deriving different strains to alleviate different neurological conditions through intensive plant breeding and to capitalize our position in the Phytopharmaceutical world. Secondly we will have an LP for production of Medical Marihuana allowing Valens to sell material to Medical Marihuana users and potentially the lucrative world of recreational use once legalized. It should be noted that there will only be 54 production

LP's for all of Canada. Valens will hold both R&D licensing and Medical Marihuana Production licensing, enabling us to capture a broad spectrum of the market.

The acquisition of Valens also opens up the opportunity for considerable synergies between Canadian and U.S.-based operations, and is a significant step towards our strategic focus: to become a global, vertically integrated medical cannabis company that spans the entire medical cannabis value chain from "Farm to Pharma", encompassing the spectrum of cultivation through to production of pharmaceuticals derived from Marihuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

The proposed acquisition of MKHS LLC, expected to close subsequent to the Valens Transaction, would see the Company operate and expand a vertically integrated fully licensed Arizona-based Marihuana cultivation and medicinal dispensary business. MKHS currently operates an 11,000 sf warehouse (Golf Links Road) cultivation, commercial kitchen and extraction facility, and a separate 3,000 sf automated greenhouse located on 9.5 acres (Littletown Road), zoned for expansion to 100,000 sf in Arizona.

The Company has funded a 29,000 sf greenhouse facility at Littletown Road, seven 1,500 sf greenhouse structures at Golf Links Road, and has secured the underlying land under option to purchase both properties. Until the acquisition of MKHS completes, the Company maintains an interest in the MKHS expanded operations and resulting cash flow, overseen by the experienced Valens operations team. MKHS supplies medical Marihuana pursuant to the Arizona Medical Marihuana Act, operating two state-licensed "healing center" dispensaries, and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

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.

As detailed previously, an Operating Agreement (the "OA") under a newly formed entity, MKV Ventures 1, LLC ("MKV1"), was entered into between MKHS and Westland Capital Advisors S.A., a company that has provided Genovation with several non-interest bearing loans. This arrangement met a critical condition precedent to the initial LOI and subsequent LOC with MKHS, to provide expansion capital for MKHS' operations. MKHS and Westland are 50/50 Members of MKV1, which is governed by the OA. However, in the event that MKHS terminates the LOC between MKHS and Genovation without grounds, or fails to execute a follow-on agreement as necessary (a draft remains outstanding with MKHS' legal counsel, currently in transition) whereby Genovation acquires both MKHS and Valens under the terms as substantially announced in its news release of December 14, 2015, or MKHS fails to provide annual audited financial statements under IFRS, and as a result Genovation elects to terminate the MKHS-Genovation LOI, MKHS' 50% membership interest in MKV1 shall be deemed transferred to Genovation without the need for further documentation.

In the event a transaction between MKHS and Genovation substantially under the terms announced in its news release of December 14, 2015 does not close for any other reason, MKHS shall be deemed to have transferred ten percent (10%) (for greater clarity, that is a 10/50's or 1/5th interest) of its membership interest in MKV1 to Genovation without the need for further documentation, and Genovation shall be deemed admitted as a Member under the OA and remain a Member until such time as Genovation has received distributions from the greater of twelve (12) successful harvests or for two years of harvests from each of the additional funded greenhouses.

After the distribution requirements to Genovation under this subsection have been satisfied, 100% of the Distributable Cash shall be distributed to MKHS and Genovation's membership interest in MKV Ventures 1, LLC shall be deemed transferred to MKHS or its designee without the necessity of further documentation.

To date MKHS has failed to provide the afore-mentioned follow-on agreement or necessary financial disclosure in accordance with the MKV1 OA. On April 17th Genovation and Westland Capital Advisors S.A. jointly requested, in accordance with the OA, the financial records and a reconciliation of all monies forwarded to MKV1, as administered through the trust accounts of its legal representative.

On July 28 MKHS / MKV1 management reiterated their intent to provide audited MKHS financials, and stated that their CPA's have completed their work, and should be ready for audit. We are waiting for those financials to be forwarded in order to have Davidson & Company recommend their path to completion of an acceptable IFRS-standard audit. Unfortunately the US is the only developed country to have not adopted IFRS, which is the standard in Canada, the EU, Australia, Japan, Russia, India, Brazil and 10 other countries.

There have been discussions being held to mitigate the 50%-forfeiture penalty, limited to 12 crops under the original OA, to a straight 10% interest into perpetuity for Genovation, which Westland and the Valens group has approved in principle, pending MKHS entering into the necessary updated agreements.

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.

The Company and Westland agreed to extend the conversion period of the remaining issued and outstanding US\$250,000 principal amount Zero Coupon \$100.00 Convertible Debentures (the "CDs"). In accordance with the terms of issue, the CDs entitle the holder thereof to convert for a six month period into 833 consolidated common shares of the Company, which would have expired July 21, 2016. The conversion period has been extended to coincide with the closing date of the Valens Transaction. There is no consideration paid or payable in relation to this extension.

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. See section 15 below.
14. Provide details of any securities issued and options or warrants granted.

Security	Number Issued	Details of Issuance	Use of Proceeds ⁽¹⁾
None			

(1) State aggregate proceeds and intended allocation of proceeds.

15. Provide details of any loans to or by Related Persons.
Agilis Capital Corp., the CEO's consulting company, advanced \$31,000 to the Company in late June and during July as demand loans without specific terms for repayment.
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.

In 2001, Canada became the second country in the world to recognize the medicinal benefits of marijuana and to implement a government-run program for medical marijuana access. Health Canada replaced the prior regulatory framework and issued the Marihuana for Medical Purposes Regulations ("MMPR") in June 2013 to replace government supply and home-grown medical marijuana with highly secure and regulated commercial operations capable of producing consistent, quality medicine. The MMPR regulations issued in June 2013 covered the production and sale of dried cannabis flowers only. A court injunction in early 2013 preserves the production and access methods of the prior legislation for those granted access prior to the injunction.

Under the MMPR, patients are required to obtain a medical approval from their healthcare practitioner and provide a medical document to the licensed producer from which they wish to purchase marijuana. Since the requirements under the new regulations are both simpler and involve fewer obstacles to access than the previous regulatory regime, it is anticipated that the growth in the number of approved patients will accelerate. Moreover, the new system allows for competition among licensed producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

On July 8, 2015 Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) ("CDSA"), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis (the "Section 56 Exemption"), which permits Licensed Producers to apply for a supplemental license to produce and sell cannabis oil and fresh marijuana buds and leaves, in addition to dried marijuana (this does not permit Licensed Producers to sell plant material that can be used to propagate marijuana).

On February 24, 2016, the Federal Court of Canada rendered a decision in the Allard et al v the Federal Government of Canada case. This case began as a result of the government's decision to repeal the Marihuana Medical Access Regulations ("MMAR") and enact the Marihuana for Medical Purposes Regulations ("MMPR"). The plaintiffs in the Allard case argued that the MMPR violates their Charter rights and the court, in a lengthy and detailed judgment, agreed with the plaintiffs.

The Company's preliminary interpretation of the Federal Court's ruling is as follows:

- the decision reaffirms the right of Canadians to possess marijuana for medical purposes;
- the decision stipulates that the Marijuana for Medical Purposes Regulations ("MMPR"), under which current licensed producers operate, does not provide sufficient access to cannabis;
- the current MMPR regulations remain in force; and
- the decision gives the Canadian Federal Government until August 24, 2016 to determine how existing regulations should be amended to ensure that patients have the access to medical marijuana that they need;

Health Canada estimates that 40,000 patients in Canada used doctor prescribed medical marijuana in 2015, establishing a market worth \$80 million. By 2024, Health Canada estimates that the number of patients using medical marijuana will grow to 450,000, creating a market worth an estimated \$1.3 billion.

Legalization of Recreational Use of Marijuana in Canada

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.

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.

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: August 4, 2016.

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

"Rob van Santen"
Signature

Chief Executive Officer
Official Capacity

Issuer Details		For Month End	Date of Report
Name of Issuer Genovation Capital Corp.		July 31, 2016	YY/MM/DD 16/08/04
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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, CPA, CA, CMT	Contact Position Chairman, CEO	Contact Telephone No. Cell: (604) 649-1709	
Contact Email Address rvs@genovationcapital.ca	Web Site Address www.genovationcapital.ca		