

## FORM 7

### **MONTHLY PROGRESS REPORT**

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

Trading Symbol: GEC

Number of Outstanding Listed Securities: 27,255,586

Date: March 1, 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.

To recap, further to the binding November 24 Commitment Letter to acquire via RTO MKHS LLC ("MKHS"), the Company completed a US\$450,000 convertible debenture funding, of which US\$200,000 closed November 9 2015 and US\$250,000 closed Jan 20 2016, with funds advanced to MKHS towards securing under option existing real estate on which operations are conducted, and to fund a substantial expansion of existing MKHS greenhouse operations. The Company's

November 25, 2015 announced US\$500,000 private placement of shares at \$0.24 (post-consolidated, reflecting the Company's pending share consolidation on a one-for-three basis) was announced closed on February 12<sup>th</sup>, raising \$722,876. To date, approximately \$1,275,250 (US\$908,900) has been advanced to MKHS directly through Genovation's funding efforts. MKHS has been working with their legal and accounting consultants to provide Genovation with the required financial statements and business plan in order for Genovation to present the proposed acquisition of MKHS to its shareholders in an Information Circular to be distributed in accordance with statutory requirements ahead of the upcoming AGM.

On December 14 Genovation announced entering into a non-binding letter of intent with Valens Agritech Ltd. ("Valens") outlining the general terms and conditions of a proposed transaction whereby Genovation Capital acquires all of the issued and outstanding securities of Valens in exchange for securities of Genovation Capital (the "Transaction2"). On February 23, 2016 Genovation forwarded a draft Binding Letter of Commitment which is awaiting finalization. Valens has provided its financial statements and business plan and has engaged Genovation's auditors to complete the audit of their financials in order for Genovation to present Transaction2 to its shareholders in an Information Circular to be distributed in accordance with statutory requirements ahead of the upcoming AGM.

The transactions, if completed, constitute a "Fundamental Change" for Genovation Capital, as defined in Canadian Securities Exchange ("CSE") policies. A Fundamental Change is a major acquisition which results in a change of control. Trading in Genovation's shares was halted at the Company's request on November 25 2015 and will remain halted until such time as all required documentation has been filed with and accepted by the CSE and permission to resume trading has been obtained. The announced one-for-three consolidation has been approved, pending the filing of the Information Circular, and its acceptance by the CSE.

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

During the month management facilitated additional synergy between MKHS and Valens, while complying with the funding conditions precedent to the MKHS commitment letter. Weekly conference calls were held between all three parties and involved outside consultants. The Valens group attended meetings in Arizona and California for due diligence investigations and to liaise on the greenhouse expansion. During the month MKHS harvested another crop at their 3,000 sf greenhouse facility. The proposed 29,000 sf greenhouse facility expansion has now commenced with commitments in place and funds advanced.

The proposed acquisition of Valens opens up the opportunity for considerable synergies between the 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 marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

Valens is an applicant under the Controlled Drugs and Substance Act and its Regulations to cultivate and process marijuana for scientific purposes, including the manufacturing of derivatives, and transporting and exporting product to locations worldwide. Valens' production and lab site and facility are designed to meet or exceed Health Canada's Directive on Physical Security Requirements' Level 11 standards, the maximum security level awarded to licensed dealers, research scientists and analysis laboratories. The final facilities inspection at the city level was recently completed, allowing the issue of a business licence. Valens will now proceed with completion of the Health Canada inspection. Upon receipt of scientific licencing, Valens will trigger their application to also become a licensed producer under the Marijuana for Medical Purposes Regulations ("MMPR"),

As part of Valens' strategic focus on research and development, the acquisition of a commercial scale plant biology company operating on a nearby 12 acres of Agricultural Land Reserve (ALR), with an existing 12,000 sf greenhouse operation is contemplated. The operation already carries out commercial scale tissue culture and genetic replication and various research projects, including

initiatives under Provincial and Federal research grants. Valens intends to expand the operations and upon receipt of its licensing begin production and extraction of cannabis and related products under the MMPR, as well as production for existing and proposed clinical trials under discussion under its R&D initiatives. Valens has a longer term objective of acquiring a Health Canada Drug Identification Number (DIN) to market and export specific genetically targeted and proprietary cannabis as an authorized drug product.

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 proposed acquisition of MKHS would see the Company operate and expand a vertically integrated fully licensed Arizona-based marijuana cultivation and medicinal dispensary business. MKHS currently operates a 11,000 sf warehouse cultivation, commercial kitchen and extraction facility, and a separate 3,000 sf automated greenhouse located on 9.5 acres, zoned for expansion to 100,000 sf in Arizona. The Company is funding a 29,000 sf greenhouse facility and has secured the underlying land under options to purchase for both the warehouse and 9.5 acre greenhouse location. MKHS supplies medical marijuana pursuant to the Arizona Medical Marijuana Act, operating two state-licensed "healing center" dispensaries, and distributes its own in-house prepared, branded line of edibles, concentrates and extracts.

The proposed acquisition of Valens opens up the opportunity for considerable synergies between the Canadian and U.S.-based operations, and is a significant step towards our developing 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 marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

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.

On January 4, 2016 an Operating Agreement (operating under a newly formed entity, MKV Ventures 1, LLC), was entered into between the Company's pending acquisition, MKHS, LLC, and Westland Capital Advisors S.A., a company that has provided Genovation with a non-interest bearing US\$450,000 loan (US\$100,000 in October 2015, US\$100,000 in November 2015, and US\$250,000 in January 2016) as disclosed through previous news releases and Form 7 filings. MKHS and Westland are the sole Members of MKV Ventures 1, LLC, which is governed by the Operating Agreement. This arrangement met a critical condition precedent to the initial LOI with MKHS, part of a larger commitment to provide an immediate US\$850,000 in expansion capital to build additional greenhouses and add significant crop yield to existing MKHS operations. The Company structured the initial short term US\$450,000 to MKHS with the issue of convertible debentures. Westland also committed for and arranged additional funds to meet MKHS' expansion plans, pending completion of the acquisition. The Operating Agreement provides Westland with certain rights and obligations, including the receipt of 50% of defined distributions from twelve (12) harvests from each of the greenhouses funded by Genovation through Westland's participation.

In the event that MKHS terminates the LOI between MKHS and Genovation Capital Corporation dated November 24, 2015 without grounds, or fails to execute a follow-on agreement as necessary whereby Genovation acquires both MKHS LLC and Valens Agritech Ltd. under the terms as substantially announced in its news release of December 14, 2015, or does not provide annual audited financial statements certified to by an independent certified public accountant under IFRS for MKHS, LLC, (as well as access to MKHS, LLC's detailed general ledger and standard accounting reports for the entire MKHS, LLC operating history since its formation, as required for disclosure in Genovation's Information Circular to be filed in accordance with regulatory requirements, in anticipation of the share exchange whereby MKHS, LLC will be 100% owned by Genovation) to Genovation by January 31, 2016, and for this reason, Genovation elects to terminate the MKHS-Genovation LOI, the 50% membership interest of MKHS in MKV Ventures 1, LLC shall be deemed transferred to Genovation and Westland shall be deemed the managing member of the MKV Ventures 1, LLC without the need for further documentation.

In the event the transaction described in the November 24, 2015 LOI between MKHS and Genovation, or the follow-on agreement whereby Genovation acquires both MKHS LLC and Valens Agritech Ltd. 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 MKV Ventures 1, LLC to Genovation without the need for further documentation and Genovation shall be deemed admitted as a Member under the Operating Agreement 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 as 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.

Westland is a non-arm's-length party to the Company by virtue of holding greater than 10 per cent of the company's issued and outstanding common shares on a fully diluted basis (assuming conversion of its Convertible Debentures issued by Genovation). As well, Robert van Santen, a director and the Company's chief executive officer, is an executive of Westland.

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.

A Civil Lawsuit was filed with the Supreme Court of British Columbia, as first disclosed in the Company's July 16, 2014 news release. The Company's legal representative McMillan LLP filed a Response and Countersuit and dealt with the Plaintiff's Canadian counsel in an effort to set a summer 2015 date for examinations for discovery whereby both Plaintiffs would attend in Vancouver during Wayne Koshman's availability back in Canada. The Plaintiffs have not responded to our efforts to arrange for examinations since February 2015.

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

Between Jan 22 and Feb 16 2016 \$82,946 was advanced to the Company in a series of loans from Agilis Capital Corp, of which \$42,946 was repaid. There were no terms specified nor interest charged. Funds were advanced to facilitate outgoing wires and advances to MKHS and to settle trade payables. Agilis Capital Corp is a related party indirectly controlled by an officer and director of the Company.

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common shares	9,035,950 pre-consolidation shares (3,011,983 post-consolidated shares)	Issued at \$0.08/per share (\$0.24 per share post-consolidation) on February 12 2016, subject to a four month hold period.	\$722,876 substantially to meet the terms of the binding Letter of Commitment with MKHS, LLC to fund the expansion of the greenhouse operations by 29,000 sf, with the balance for Corporate working capital.

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

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

Between Jan 22 and Feb 16 2016 \$82,946 was advanced in a series of loans by Agilis Capital Corp to the Company, of which \$42,946 was subsequently repaid. There were no terms specified nor interest charged. Funds were advanced to facilitate outgoing wires and advances to MKHS and the timely settlement of trade payables. Agilis Capital Corp is a related party indirectly controlled by an officer and director of the Company, and is under an Executive Services Agreement with the Company dated September 26, 2012 and effective June 1, 2012.

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.

With the reorganization of the Company completed, a glut in crude oil and gas, and severe resource sector price declines ongoing, management considered several potentially accretive O&G and business acquisition candidates for shareholders. The MKHS opportunity was the most accretive and expandable opportunity that we were able to attract, but requiring a set of difficult conditions from both a timing and funding perspective. The subsequent potential Valens acquisition adds significant synergies to the Company's strategy: to become a global, vertically integrated medical cannabis company that spans the entire medical cannabis value chain from "Farm to Pharma". The vision encompasses the spectrum of cultivation through to production of pharmaceuticals derived from marijuana, and all the steps in between: extracts, testing, clinical trials, clinical development, proprietary therapeutics, licensing, marketing and delivery.

The expanding cannabis sector is rapidly evolving. It's literally the end of Prohibition. There will be continued development of state and province-based businesses in North America and opportunities internationally. Currently you can't cross state lines, except with medicinal non-THC, CBD-rich therapeutically-proven products, which both MKHS and Valens have experience. We also intend to export our corporate expertise in partnership with local partners and potentially acquire additional licenses. When Federal deregulation comes in the U.S. and Canada we'll see further massive change. We could be a consolidator, or be consolidated. Big Tobacco, Big Food, Big Soft Drink, Big Pharma, and Big Alcohol all have their eyes on this space. Build a really strong business right now, on a state by state basis, and potentially in Canada, and when Federal deregulation comes, there will be massive change and a likely re-rating of well-positioned participants.

On February 24 2014 in an historic decision the Federal Court of Canada determined that section 7 of the Charter was violated by the government's implementation of the Marijuana for Medical Purposes Regulations (MMPR). Federal Judge Michael Phelan ruled in favor of four British Columbia residents, declaring the country's medical marijuana regime, known as the MMPR unconstitutional. This means that the federal law passed by the former Conservative government of Stephen Harper has no force and effect. The judge ordered the ruling suspended for six months, giving the Liberals, who campaigned on legalizing and regulating pot, time to revise the legislation. In the meantime, the judge has upheld a previous injunction that allows patients to continue growing their own cannabis.

## 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: March 1, 2016.

Robert van Santen, CPA, CA, CMT

Name of Director or Senior  
Officer

"Rob van Santen"

Signature

Chief Executive Officer

Official Capacity

<b><i>Issuer Details</i></b> Name of Issuer Genovation Capital Corp.	For Month End February 29, 2016	Date of Report YY/MM/DD 16/03/01
Issuer Address 12 <sup>th</sup> 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, CPA, CA, CMT	Contact Position CEO	Contact Telephone No. Cell: 604-649-1709
Contact Email Address rvs@genovationcapital.ca	Web Site Address www.genovationcapital.ca	