



For Immediate Release

July 15, 2019

VALENS REPORTS RECORD \$8.8 MILLION IN REVENUE AND ADJUSTED EBITDA OF \$2.0 MILLION IN THE SECOND QUARTER OF FISCAL 2019

Kelowna, B.C., July 15, 2019 – Valens GroWorks Corp. (TSXV: VGW) (OTC: VGWCF) (the “Company” or “Valens”), a vertically integrated provider of industry leading extraction products and services; including a diverse suite of extraction methodologies, next generation cannabinoid delivery formats and an ISO 17025 accredited analytical lab is pleased to report its financial results for the second quarter of fiscal 2019.

Key Financial Highlights of The Second Quarter of Fiscal 2019

- Revenue increased to \$8.8 million, a 296% increase over the first quarter of 2019.
- Gross profit increased to \$5.1 million, or 58.0% of revenue, for the second quarter of 2019 compared to \$0.9 million or 38.3% of revenue in the first quarter.
- Adjusted EBITDA⁽¹⁾ of \$2.0 million in the second quarter, or 23.0% of revenue.
- Strong balance sheet with \$65.5 million in cash and cash equivalents and short-term investments and a net working capital position of \$76.3 million as at May 31, 2019.

Key Operating Highlights of The Second Quarter of Fiscal 2019

- Increased annual extraction capacity significantly to 425,000 KG of dried cannabis and hemp biomass in the second quarter of 2019 to meet increasing customer demand with plans to further increase capacity to over 1,000,000 KG per year with the buildout of the adjacent facility in Kelowna, BC anticipated to be completed in H1 2020.
- Announced three new extraction partners in the second quarter of 2019, including The Green Organic Dutchman Holdings Ltd, HEXO Inc and Tantalus Labs and expanded contracted extraction capacity with Tilray Inc by 300% to 60,000 KG per year and added contract manufacturing services.
- 8,547,000 grams of dried cannabis and hemp biomass was processed in the second quarter of 2019, a 376% increase over the first quarter of 2019. The Company has already processed 7,348,000 grams of biomass in the first 45 days of the third quarter.
- The Company was accepted for listing the common shares and warrants of the Company on the TSX Venture exchange as a Tier 1 life sciences issuer.

“The second quarter of 2019 provided a number of significant achievements for Valens as the team continued to successfully execute on our commercial production plan which translated into revenues of \$8.8 million for the second quarter, a 296% increase from the first quarter of 2019. This increase in production volume also allowed the team at Valens to achieve increased efficiency targets resulting in strengthening gross margins to 58.0% of revenue in the second quarter of 2019, up from the 38.3% realized in the first quarter of 2019.” said Tyler Robson, CEO of Valens.

“With the recent increase in annual production capacity to 425,000 kg, and significant interest from our industry partners in white label product development and manufacturing for vape cartridges, tinctures, gel capsules, beverages and topicals, we remain focused on the expansion of our footprint in Kelowna to capitalize on these significant opportunities. With this and other strategic investments, we expect to continue to strengthen Valens’ position as the

world's leading production partner in the cannabis industry and for growth to accelerate throughout the remainder of fiscal 2019 and beyond," concluded Mr. Robson.

The management's discussion and analysis for the period and the accompanying financial statements and notes are available under the Company's profile on SEDAR at www.sedar.com.

- (1) Adjusted EBITDA is a non-GAAP measure used by management that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management defines adjusted EBITDA as loss and comprehensive loss from operations, as reported, before interest, tax, depreciation and amortization, and adjusted for removing share-based payments, unrealized gains and losses from short term investments and other one-time and non-cash items including impairment losses. Management believes adjusted EBITDA is a useful financial metric to assess its operating performance on an adjusted basis as described above. See "Reconciliation of non-IFRS measures" in the Company's Management's Discussion and Analysis for the period ended May 31, 2019 for additional information.

Option Grant

On July 15, 2019, the Company granted 2,500,000 options to purchase common shares of the Company exercisable at a price of \$4.32 per share and expiring on July 14, 2024, to employees, officers and directors of the Company. The options vest quarterly over a three-year period and are granted pursuant to the terms of the Company's stock option plan, subject to regulatory approval.

Conference Call Details

The company will host a conference call on Tuesday, July 16, 2019 at 11am Eastern Time / 8am Pacific Time to discuss the financial results and business outlook.

Participant Dial-In Numbers:

Toll-Free: 1-877-407-0792

Toll / International: 1-201-689-8263

***Participants should request the Valens GroWorks Earnings Call or provide confirmation code 13692339**

The call will be webcast on the Valens Investor page of the Company website at <https://www.valensgroworks.com/investors> or at [this link](#). Please visit the website at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the call will be available on the Valens Investor page approximately two hours after the conference call has ended.

Tyler Robson, Chief Executive Officer, Chris Buysen, Chief Financial Officer, Jeffery Fallows, President and Everett Knight, Executive Vice President, Strategy & Investments, will be conducting a question and answer session following the prepared remarks.

About Valens GroWorks

Valens GroWorks Corp. (TSXV: VGW) (OTC: VGWCF) is a multi-licensed, vertically-integrated cannabis company focussed on being the partner of choice for leading Canadian and international cannabis brands by providing best-in-class, proprietary services including CO2, ethanol, hydrocarbon, solvent-less and terpene extraction, analytical testing, formulation and white label product development. Valens is the largest third-party extraction Company in Canada with an annual capacity of 425,000 kg of dried cannabis and hemp biomass at our purpose-built facility in Kelowna, British Columbia which is in the process of becoming European Union (EU) Good Manufacturing Practices (GMP) compliant. Additionally, our subsidiary Valens Labs is a Health Canada licensed ISO 17025 accredited

cannabis testing lab providing sector-leading analytical services and has partnered with Thermo Fisher Scientific to develop a Centre of Excellence in Plant-Based Science. For more information, please visit <http://valensgrowworks.com>. The Company's investor deck can be found specifically at <http://valensgrowworks.com/investors/>

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Notice regarding Forward Looking Statements

This news release contains certain "forward-looking statements" within the meaning of such statements under applicable securities law. Forward-looking statements are frequently characterized by words such as "anticipates", "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed", "positioned" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this news release. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

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