

# Valens GroWorks Corporation

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## Valens GroWorks signs multi-year cannabis, hemp extraction pact with HEXO Corp

Valens GroWorks Corporation (CSE:VGW) announced Thursday that it has signed a multi-year extraction services agreement to provide cannabis and hemp extraction services to HEXO Corp.(TSX:HEXO) (NYSEAMERICAN:HEXO), a leading cannabis producer and consumer goods cannabis company.

The agreement has an initial two-year term from the date of the first shipment, with HEXO supplying Valens with an annual minimum of 30,000 kilograms in the first year and 50,000 kilograms of cannabis and hemp biomass in the second year.

Investors cheered the news and sent the shares in Valens up 4.8% to \$4.18 in Canada.

READ: Valens GroWorks aims to capture a higher-level market in the cannabis extract space

Valens will process this material on a fee-for-service basis into premium quality resins and distillates using its leading proprietary extraction processing methods. The agreement contains provisions under which it may be terminated with 90 days written notice after the one-year anniversary. Valens expects to receive and begin processing the first shipment from HEXO early in the third quarter. It currently holds all required licensing from Health Canada to carry out its obligations under the agreement.

"HEXO is pleased to work with a quality organization like Valens. On the eve of edibles and concentrate legalization in Canada, this agreement will allow our company to bring an expanded offering to market, creating innovative products to deliver exceptional cannabis experiences to consumers," said James McMillan, vice-president of strategic business development at HEXO Corp.

Kelowna-based Valens is a multi-licensed provider of cannabis products and its services are focused on various proprietary extraction methodologies, distillation, cannabinoid isolation and purification, as well as associated quality testing. Valens has extraction processing and supply agreements with a number of leading producers across Canada.

"As the cannabis market continues to evolve with the pending legalization of additional auxiliary products later this year, we are honored to be recognized by the leaders in the industry like HEXO, for our best in class extraction capabilities to allow them to capitalize on these markets," said Valens GroWorks CEO Tyler Robson. "We look forward to working closely with the team at HEXO as they continue to bring high quality, innovative products to market."

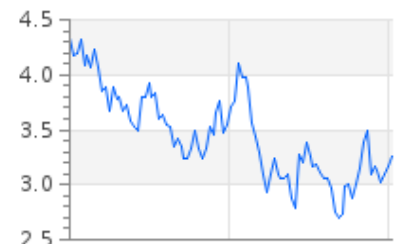
### 1Q financial highlights

It's been a blockbuster few months for Valens, with a host of deals and accomplishments. Valens reported that its revenue increased to \$2,220,200 for the first quarter of 2019 compared with nothing in the same period in fiscal 2018.

**Price:** 3.41

**Market Cap:** \$423.5 m

### 1 Year Share Price Graph



July 2019 September 2019 November 2019

### Share Information

**Code:** VGW

**Listing:** TSX-V

<b>52 week</b>	<b>High</b>	<b>Low</b>
	4.69	2.6

**Sector:** Cannabis

**Website:** [www.valensgroworks.com](http://www.valensgroworks.com)

### Company Synopsis:

Valens GroWorks Corp. is a multi-licensed, vertically-integrated cannabis company focused 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.

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As a result, gross profit increased to \$850,525 for the first quarter.

"The first quarter of 2019 was a key inflection point for Valens as we accelerated our ramp up into commercial production, generating revenues of \$2.2 million... This initial momentum was driven by contracts signed late in 2018 to provide cannabis extraction services to leading licensed producers, including Canopy Growth Corp (NYSE:CGC) (TSE:WEED) and Harvest One (CVE:HVT) (OTCMKTS:HRVOF)," said Robson.

Robson said the growth in the "size and frequency" of shipments from these contracts increased throughout the quarter and into the second quarter of fiscal 2019, while at the same time the company also secured a number of new, large scale contracts with other leading licensed producers including with Organigram, Tilray, and The Green Organic Dutchman.

Valens is also conducting research and development to support the expansion of Harvest One's product lines, including beverages, vape pens, health and wellness products as well as nutraceuticals using cannabis oil derivative products.

"We believe our success in securing these large scale contracts with industry leading customers validates our business model and the quality of the service we are able to provide," said Robson. "They necessitated our recent capacity expansion to 240,000 kilograms of dried cannabis and hemp annually, which has made us the largest extraction company in Canada, with service encompassing all the major extraction methodologies, as well as formulation, product development and analytical testing solutions."

#### **Expansion mode**

The company has been increasing its extraction capacity at the Kelowna facility and building out the recently acquired adjacent property to add additional capacity.

After the quarter ended, the company increased its extraction, post processing and white label product development footprint from 25,000 square feet to over 50,000 square feet with the acquisition and expansion of 230 Carion Road and 180 Carion Road in Kelowna, British Columbia.

"Our ongoing investments in the business will ensure we have a platform to support this anticipated significant increase in volumes and revenues throughout the remainder of fiscal 2019 and beyond," said Robson.

The cannabis company has a strong balance sheet with \$20,552,286 in cash and short-term investments and a net working capital position of \$26,391,610 as of February 28, 2019.

By the end of the quarter, \$43,125,000 in gross proceeds were raised through bought deal financing creating a strong cash position for the company to execute on its ambitious growth plan.

With the global legal marijuana market expected to reach US\$146.4 billion by 2025, Valens is in a good position to capitalize on international opportunities.

—(Story updated to include 1Q earnings, financial highlights, deals, fresh CEO quotes)—

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up	to	Twenty	Five	Thousand	dollars	(\$25,000).
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