

The Valens Company

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Valens widens exclusive licence pact to bring cannabis-infusion technology to new markets

Valens GroWorks Corp (CVE:VGW) (OTCMKTS:VGWCF) said Thursday that it has struck an amended manufacturing and sales licence agreement with S?RSE Technology Corporation, which granted it an exclusive licence for Canada, Europe, Australia and Mexico to use the proprietary S?RSE emulsion technology to produce, sell and distribute cannabis-infused products.

In a statement, the British Columbia-based vertically integrated provider of extraction products and services said that with the "expanded agreement" in place, the company has extended the opportunity for its existing customers to key international markets.

"This agreement shows Valens' commitment to invest and broaden its IP portfolio and enable its customers to bring differentiated, next-generation products to market," said Jeff Fallows, president of Valens.

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"As we move into "Cannabis 2.0" in Canada, we believe the products that offer consistent, high quality and predictable user experiences, like those we are able to create with S?RSE, will capture the lion's share of attention and be the hallmark for brand development in a strict regulatory environment," he added.

S?RSE emulsion technology

S?RSE Technology is a water-soluble emulsion technology for infusing products with CBD, THC, and terpenes. It transforms cannabis oil into water-soluble forms for use in beverages, edibles, and other consumer products without the overpowering cannabis taste, colour or smell. The technology allows cannabis-infused products to remain potent when heated, chilled or frozen and provides a number of other key advantages like a faster onset time compared to other infused beverages and edibles, a significant reduction of offset time, an ability to use lower doses of CBD, and increased consistency and stability. Some product formulations can achieve more than one year of shelf stability with no separation.

"We are proud to expand our partnership with Valens and leverage their near-term access to various global markets," said S?RSE Technology Corp CEO Howard Lee.

Lee said that over the last year, a team of more than 40-plus professionals has continued to "actively focus" on creating and developing innovative, desirable products and formats of consumption for cannabis consumers.

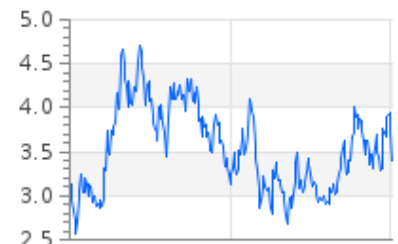
"As emulsion technology becomes more popular through new delivery methods such as ingestion, transdermal, topical and more, it is imperative that quality and safety in consumption leads all innovation in this sector," said Lee.

"This is a shared value and mandate that our teams at S?RSE and Valens both prioritize. We look forward to continuing this working relationship with Valens and introducing our award-winning emulsion technology to the global markets," he

Price: 3.14

Market Cap: \$394.08 m

1 Year Share Price Graph



February 2019 August 2019 February 2020

Share Information

Code: VLNS

Listing: TSX-V

52 week	High	Low
	4.1	2.81

Sector: Cannabis

Website: thevalenscompany.com

Company Synopsis:

The Valens Company 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.

action@proactiveinvestors.com

added.

Geographic expansion

The agreement grants Valens an exclusive licence to use the technology in Canada, Europe, Australia and Mexico (except in respect of medical applications requiring clinical trials) during the initial five-year term, subject to certain performance milestones.

This increases the addressable market from 37 million in the current Canada only agreement to 700 million people in the new agreement, said the company.

Most significantly, the agreement provides a framework for Valens to obtain rights to establish non-exclusive agreements to sell cannabis-infused products using the technology in the US market and other markets, globally.

Bolstering Cannabis 2.0 platform

The agreement adds to the company's leading white label product offerings across numerous "Cannabis 2.0" categories such as beverages, edibles, and transdermal products, enabling Valens to better serve its partners.

"We have seen incredible interest from our current and potential clients regarding the S?RSE emulsion technology and we are thrilled to finalize the expanded licence agreement with S?RSE," said Valens CEO Tyler Robson.

"We expect the expanded exclusive territory will provide our clients with improved visibility and greater opportunity as they look to build global businesses around cannabis-infused products over the long term," he added.

Future White Label services

The agreement enables Valens to produce and sell S?RSE's portfolio of branded products in Canada and the other exclusive markets. These branded products include Happy Apple, a cannabis-infused sparkling cider and Major, a cannabis-infused fruit drink, both top-selling cannabis beverages in the State of Washington, Pearl20, a cannabis-infused food and beverage mixer, and the Utopia line of cannabis-infused sparkling water.

For the deal to go through Valens will fork over US\$10 million, consisting of US\$6 million in cash and US\$4 million in company shares. There is an initial five-year exclusive term, with a two-year renewal of the exclusivity, subject to certain performance milestones linked to operational and financial achievements.

As part of the agreement, Valens will transfer to S?RSE royalty payments calculated as a percentage of sales. The royalty payments will be subject to an annual minimum of \$2 million over the five-year term. The pact also provides for a continuation of the deal on a non-exclusive basis after the two-year renewal, subject to annual minimum royalty payments.

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 its purpose-built facility in Kelowna, British Columbia.

— Adds monetary details, Valens CEO quotes —

Contact the author Uttara Choudhury at uttara@proactiveinvestors.com

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