



ASX RELEASE (9 SEPTEMBER 2021)

Epsilon Healthcare Enters Exclusive Partnership with The Valens Company

Partnership expands The Valens Company's international footprint to provide Valens with access to global GMP markets including Australia and New Zealand (exclusively), Latin America, Europe, UK, and Asia-Pacific region

Acquisition of AlternaMed including intellectual property portfolio of Novel Cannabinoid Therapeutics and expands Logistical Capabilities

Key Points:

- The Valens Company (TSX:VLNS), a leading Canadian manufacturer of cannabis products, has entered into a Binding Heads of Agreement for a long term exclusive partnership with Epsilon, for access to Epsilon's GMP Manufacturing Facility in Southport, Queensland (the Southport Facility)
- Epsilon's Southport Facility is the largest cannabis extraction facility in the Southern Hemisphere with TGA and EU GMP capability
- Marks the first GMP manufactured products to be sold through Valens in Australia and provides Valens with the capability to deliver GMP grade products to Latin America, Europe, UK, and Asia-Pacific
- Valens to fund all operational and capital expenditure of the Southport Facility in return for preferential access for up to 85% of the operational capacity of the Southport Facility over the next five years, with options to extend for a further six years
- Valens to provide operational and management consultancy at the Southport Facility to bring their industry leading intellectual property, technology and team to the Southport Facility taking advantage of Epsilon's GMP Manufacturing capability
- Valens will utilise the Epsilon Southport Facility for all production of medicinal cannabis products for sale in Australian or New Zealand, including through its distribution relationship with Cannvalate
- First products manufactured under the partnership expected to be delivered in the coming weeks
- Epsilon to acquire AlternaMed Pty Ltd from Cannvalate, including its portfolio of provisional patent applications for three novel cannabinoid therapeutic clinical assets with potential for Schedule 3 medicine development and access to a Sigma Pharmaceuticals storage facility controlled by Cannvalate

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Epsilon Healthcare Limited (ASX:EPN) (**Epsilon** or the **Company**) is pleased to announce that the Company has entered into a long term exclusive partnership with The Valens Company (TSX:VLNS) (**Valens**) for access to Epsilon's Southport Manufacturing Facility to further Valens' international expansion to GMP markets in Latin America, Europe, UK, and the Asia-Pacific Regions.

Based in Canada, Valens is a leading manufacturer of cannabis products, and is currently listed on the Toronto Stock Exchange and has applied to list its common shares on Nasdaq. Through a partnership with Epsilon, Valens will access Epsilon's GMP manufacturing capability at the Southport Facility – the largest cannabis extraction facility in the Southern Hemisphere with TGA and EU GMP capability – and will offer Valens the capability to deliver GMP grade products to new markets.

Valens has signed a Binding Heads of Agreement with Epsilon which provides the framework for the exclusive partnership, including an operational consultancy agreement whereby Valens grants Epsilon a licence to use Valens' intellectual property and know-how in operating the Southport Facility, and will provide personnel and support to the Southport Facility.

The agreement also includes an exclusivity arrangement whereby Valens will not sell or supply any medicinal cannabis products in Australia or New Zealand other than through the Southport Facility where the Southport Facility has the capability to manufacture and supply that product.

Additionally, Valens will fund all future operational and capital expenditure of the Southport Facility for the duration of the partnership on a reimbursement basis in return for having access to up to 85% of the planned manufacturing output of the Southport Facility on a prioritised first right of refusal basis.

Tyler Robson, Chief Executive Officer and Chair of The Valens Company, said:

"We are excited to work with the largest and most advanced cannabis manufacturing facility in the Southern Hemisphere to distribute GMP products, and look forward to advancing our product distribution capabilities through our continued partnership with Cannvalate. We believe this strategic partnership is an efficient use of capital towards accessing GMP quality products and accelerates our timeline to market dramatically."

The Company has provided further disclosure of the terms of the Binding Heads of Agreement with Valens in Schedule 1 to this ASX Announcement.

In conjunction with the Valens partnership, the Company has also entered into a Share Sale Agreement with Cannvalate Pty Ltd (**Cannvalate**) for the acquisition of AlternaMed Pty Ltd (**AlternaMed**) by the Company, including its portfolio of intellectual property relating to three novel cannabinoid therapeutic agents with a view to Schedule 3 medicines production.

Cannvalate is a leader in the science, development and commercialisation of cannabinoid-based prescription medicines with a large patent portfolio of novel cannabinoid and psychedelic drugs.

AlternaMed has a portfolio of three Australian provisional patent applications for novel cannabinoid therapeutic clinical assets, targeting irritable bowel syndrome, menstrual pain, and smoking cessation. These clinical assets are highly prospective in terms of their potential as Schedule 3 medicines. Pursuant to service agreements noted below, Cannvalate will support the Company in the development and commercialisation of this intellectual property post acquisition. AlternaMed additionally has a back-to-back access agreement with Cannvalate for access to a Sigma Pharmaceuticals operated Schedule 8 medicines warehouse, which may be used by Epsilon for the distribution of its pharmaceutical products.

As part of the Share Sale Agreement, the Company will also enter into two services agreements with Cannvalate. The first agreement is an executive director services agreement which provides Cannvalate the right to nominate one director to the Board of Epsilon to serve in an executive capacity, currently being Dr Rob Jenny. The second agreement is a services agreement pursuant to which Cannvalate will provide advice on matters including the launch of the Medimar platform, development of clinical trial drug manufacturing capabilities, and business development support services. In respect of the first agreement, no remuneration will be paid to Cannvalate or the nominee director, and in respect of the second agreement, no or nominal remuneration will be paid for at least the first 12 months of agreement. Both agreements will be terminable at the Company's election at any time with one months' notice.

Subject to any shareholder or regulatory approvals required, and the satisfaction of all conditions precedent, the Company will issue approximately twenty-eight million Shares (\$4.3 million at \$0.15 per share) to Cannvalate in consideration for the acquisition of AlternaMed, which will be subject to a holding lock of up to twelve months. The Company proposes to issue these securities following shareholder approval under Listing Rule 7.1 at a general meeting of the Company to be held at a date to be agreed, and is otherwise subject to the ASX Listing Rules.

Cannvalate, through a related entity, is already a shareholder of Epsilon holding 2,000,000 Shares.

The completion of the AlternaMed acquisition is also subject to the execution of the definitive agreements under the Binding Heads of Agreement with Valens.

The Company has provided further disclosure of the terms of the Share Sale Agreement with Cannvalate in Schedule 2 to this ASX Announcement, and will provide further updates as to the satisfaction of the conditions precedent to this acquisition in due course.

Chief Executive Officer of Cannvalate, Dr Sud Agarwal, commented:

"We are excited to be working with Epsilon on further developing Australia's largest GMP Cannabinoid manufacturing facility. With New Zealand already moving to a pure GMP cannabinoid marketplace and Australia, scheduled to follow suit soon, we see GMP licensed facilities, like Epsilon, as having significant competitive advantages."

Chief Executive Officer of Epsilon, Jarrod White, commented:

"Having worked with the teams at Valens and Cannvalate over the preceding months to achieve what is a transformational partnership for Epsilon and its Southport Facility, I am excited to see the maturing of Epsilon's core assets and business into commercial production with experienced partners from established markets.

"Epsilon's partnership with Valens as a leading manufacturer of cannabis products is complimentary to our facility, being the largest TGA and EU GMP facility in the Southern Hemisphere. We are excited to be working with Valens during such a flourishing time in their corporate trajectory, and Cannvalate, a leader in the medicinal cannabis and psychedelics market, to deliver the scale of operations fitting for our world-class pharmaceutical manufacturing assets in Australia.

"With this long term strategic partnership now agreed, Epsilon is well placed to be a leading contract GMP manufacturer of medicinal cannabis medicines in the region."

Non-Executive Chairman of Epsilon, Steven Xu, commented:

"This is a critical next step for Epsilon as we look to expand our global footprint with established partners, and increase our production throughput as a contract pharmaceutical manufacturer of scale.

"The execution of these agreements is the culmination of many months of negotiations and due diligence between the parties, led on our side by our Chief Executive Officer, Jarrod White, and our Chief Operating Officer, Sonny Didugu, and clearly sets out a path for the future of Epsilon's production assets.

"I'm looking forward to seeing this strategic corporate partnership with Valens and Cannvalate continue to flourish."

The Company expects to announce the delivery of material first orders under this strategic alliance with Valens and Cannvalate in the coming weeks.

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ASX release authorised by the EPN Board of Directors.

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The Valens Company (TSX: VLNS) – thevalenscompany.com

The Valens Company is a leading manufacturer of cannabis products with a mission to bring the benefits of cannabis to the world. The Company provides proprietary cannabis processing services, in addition to best-in-class product development, manufacturing, and commercialization of cannabis consumer packaged goods. The Valens Company's high-quality products are formulated for the medical, health and wellness, and recreational consumer segments, and are offered across all cannabis product categories with a focus on quality and innovation. The Company also manufactures, distributes, and sells a wide range of CBD products in the United States through its subsidiary Green Roads, and distributes medicinal cannabis products to Australia through its subsidiary Valens Australia. In partnership with brand houses, consumer packaged goods companies and licensed cannabis producers around the globe, the Company continues to grow its diverse product portfolio in alignment with evolving cannabis consumer preferences in key markets. Through Valens Labs, the Company is setting the standard in cannabis testing and research and development with Canada's only ISO17025 accredited analytical services lab, named The Centre of Excellence in Plant-Based Science by partner and scientific world leader Thermo Fisher Scientific.

Cannvalate Pty Ltd – cannvalate.com.au

Cannvalate is a B2B Australian cannabinoid business servicing global licensed producers with three core activities:

1. Contract sales, distribution and marketing of cannabinoid based medicines
2. iGENU – Contract Research Organisation exclusively focused on developing novel cannabinoid drugs.
3. Contract manufacturing via our partnerships with The Valens Company and Epsilon.

Epsilon Healthcare Limited (ASX: EPN) – epsilonhealthcare.com.au

Epsilon Healthcare (ASX:EPN) is a diversified global healthcare and pharmaceuticals company. EPN owns a number of medicinal cannabis assets including the largest GMP cannabis manufacturing facility in the Southern Hemisphere, the Tetra Health clinic group, and the Medimar Platform. EPN additionally operates a turn-key cannabis cultivation solutions provider based in Vancouver, Canada.

Schedule 1

The material terms of the Binding Heads of Agreement between the Company, THC Pharma (the Company's wholly owned subsidiary, and owner of the Southport Facility), The Valens Company Inc (Valens), and Valens Australia Pty Ltd (Valens' wholly owned subsidiary) (Valens AU) are provided below:

1. The Parties must use their best endeavours to execute the following documentation by 30 November 2021 to formalise the terms in the Binding Heads of Agreement:
 - a. The Epsilon-Valens Management/Operational Consultancy (the **Operational Agreement**); and
 - b. The Epsilon-Valens Export Supply Agreement (the **Export Supply Agreement**) (together, the **Definitive Agreements**).
2. The conditions precedent for the execution of the Definitive Agreements are:
 - a. Epsilon and THC Pharma being satisfied that their entry to the Definitive Agreements will not jeopardise any regulatory licence or other authorisation held by THC Pharma (including any licence or authorisation granted by the Therapeutic Goods Administration or the Office of Drug Control);
 - b. Each of the Parties obtaining all required authorisations from any Government agency or regulatory body including, but not limited to, the Therapeutic Goods Administration and the Office of Drug Control.
3. The material terms of the Operational Agreement are:
 - a. Valens and/or Valens AU will provide management and operational consultancy services to THC Pharma in respect of its manufacture of medicinal cannabis and medicinal cannabis products for supply to the Australian and international markets, including a licence to use Valens know-how and other intellectual property rights regarding the manufacture of medicinal cannabis products.
 - b. During the term of the Operational Agreement, Valens will cover the cost of all THC Pharma's operational and capital expenditure. In return for priority access to THC Pharma's manufacturing output.
 - c. Valens will leverage its preferred partnership with Cannvalate to sell GMP products manufactured in the Epsilon Southport Facility for sale in Australia or New Zealand.
 - d. THC Pharma will pay Valens a management fee on all medicinal cannabis products manufactured by THC Pharma for Valens customers such that in effect THC Pharma retains a 'royalty' of 2.5% to 4% of sales revenue for all Valens customers products.
 - e. THC Pharma will pay Valens a management fee on all medicinal products manufactured by THC Pharma for its own customers being the cost of production plus 25%, or such other amount the parties agree after good faith negotiations.
 - f. Valens is required to use the Epsilon Southport Facility for all production of medicinal cannabis products for sale in Australian or New Zealand.
 - g. The term of the agreement is for a minimum of five years, with one five year option, and a final 12 month option, each of which can be exercised at Valens's discretion.
 - h. The Operational Agreement may otherwise only be terminated in the event of a material increase in the monthly forecasted costs or annual costs of the facility over a continuous period, in the event of a failure to meet regulatory and statutory requirements, a breach of

law or regulation, a change of control of THC Pharma, or failure to meet specified confidential performance criteria under the Agreement for two consecutive quarters.

4. The material terms of the Export Supply Agreement are:
 - a. Valens AU appoints THC Pharma as its contract manufacturer for the manufacture of medicinal cannabis products in Australia at the order of Valens AU for export from Australia by Valens AU to Valens customers.
 - b. Valens AU will be the 'sponsor' of the product for Australian compliance purposes and will be responsible for all regulatory obligations as the sponsor of the products.
 - c. The term of the agreement is for a minimum of five years, with one five year option, and a final 12 month option, each of which can be exercised at Valens's discretion.

The Company will provide further updates as the definitive agreements detailed in this Schedule are executed.

Schedule 2

The material terms of the Share Sale Agreement between Cannvalate Pty Ltd (**Cannvalate**) and the Company for the acquisition of AlternaMed Pty Ltd (**AlternaMed**) are provided below:

1. Subject to the satisfaction of the conditions precedent (disclosed below), the Company will acquire AlternaMed from Cannvalate in consideration for the issue of 28,906,042 fully paid ordinary shares in the Company, to be issued at an issue price of \$0.15 per share (\$4.3 million) (the **Consideration Shares**).
2. The conditions precedent for completion include:
 - a. The execution of the definitive agreements under the Binding Heads of Agreement between The Valens Company Inc and the Company;
 - b. Cannvalate and the Company entering into an executive services agreement (of no fixed term) pursuant to which the services of a nominee of Cannvalate will be made available to serve as an executive director of the Company with no consideration or remuneration being paid for this position or the services provided by Cannvalate;
 - c. Cannvalate and the Company entering into a services agreement for Cannvalate (of no fixed term) to provide advice on the launch of the Medimar platform, development of clinical trial drug manufacturing capabilities, and business development support with no or nominal consideration being paid for these services for at least the first 12 months of the agreement;
 - d. AlternaMed having an agreement for access to the Sigma Pharmaceuticals scheduled medicines storage facility on terms satisfactory to the Company;
 - e. AlternaMed owning three provisional patent applications for novel cannabinoid therapeutic clinical assets; and
 - f. Receipt by the Company of any regulatory or shareholder approval which may be required by the Company including approval for the issue of the consideration shares pursuant to the ASX Listing Rules or the *Corporations Act 2001* (Cth).
3. Cannvalate has agreed to a holding lock on the Consideration Shares for a period of twelve months from the date of issue of the Consideration Shares. However, the holding lock will cease in the event of either of the two following events occurring at any time prior to the date that is twelve months

from the date of issue (including, at any time following the execution of the Share Sale Agreement but prior to the Consideration Shares being issued, in which case no holding lock will be applied):

- a. The Company conducting an acquisition of an entity or business with an enterprise value equal or greater than A\$30,000,000; or
- b. In the event of a Takeover Bid (as that term is defined in the Corporations Act) for either all of the Company's ordinary securities or a proportion of the Company's ordinary securities.

The Company will provide further updates as to the satisfaction of the conditions precedent to the completion of the Share Sale Agreement.

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