



ORCHID VENTURES REPORTS ANNUAL FINANCIAL RESULTS FOR FISCAL YEAR 2020

VANCOUVER, WA - January 15, 2021 - **ORCHID VENTURES, INC. (CSE: ORCD OTC: ORVRF)** (the “**Company**” or “**Orchid**”) is pleased to announce its audited annual financial results for thirteen-month period ended June 30, 2020 (“Fiscal 2020”). All amounts, unless specified otherwise, are expressed in United States Dollars.

Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). Detailed information regarding the Company's financial results as well as management's discussion and analysis can be found at <https://sedar.com/> and <https://ir.orchidventures.com/>.

Fiscal 2020 Financial Highlights

	Thirteen months ended June 30, 2020	Year ended May 31, 2019
Revenues	\$ 1,568,276	\$ 5,514,593
Cost of goods sold	\$ 1,704,190	\$ 3,541,475
Gross profit /(loss)	\$ (135,914)	\$ 1,973,118
Expenses including non-cash items	\$ 6,921,543	\$ 6,875,827
Net loss for the year	\$ (7,051,457)	\$ (6,692,581)
Number of common shares outstanding	90,348,067	66,151,847
Loss per share	\$ (0.08)	\$ (0.85)
Cash	\$ 76,017	\$ 111,671
Working capital (deficit)	\$ (1,786,153)	\$ 2,580,475
Total assets	\$ 1,488,021	\$ 4,369,123
Shareholders' equity (deficiency)	\$ (1,445,434)	\$ 2,933,140
Long-term financial liabilities	\$ 211,896	\$ 0.00
Dividends paid per share	\$ 0.00	\$ 0.00

Results Of Operations

During the thirteen months ended June 30, 2020 ("2020"), the Company reported a net loss of \$7,051,457 against revenues of \$1,568,276 compared to a net loss of \$6,692,581 against revenues of \$5,514,593 for the year ended May 31, 2019 ("2019").

Sales decreased from the comparative period while the company was focused on a fundamental shift in their business strategy and operations. Sales also decreased due to the general health backlash related to vape products in the industry. As the causal factors were identified and sourced to the illegal cannabis market, legal vape sales improved as a consistent focus on education and providing high quality, safe products reinforced consumer confidence. The Company would like to reiterate that all Orchid products are sent to third-party independent laboratories for emissions testing. To date, there have been no reported incidents of illness or health related issues with Orchid's products and Orchid continues to work with state regulators to ensure that all testing and mandated quality and safety standards are met. Orchid has also been working with state regulators to inform and educate as to the materials and ingredients that are used in Orchid products and to ensure that Orchid remains at the forefront in terms of quality, safety and efficacy.

During Q2 2020, the Company terminated its distribution agreement with Cypress Manufacturing Company, a California corporation doing business as Indus Distribution ("Indus"), and entered into a distribution agreement with Nabione, Inc., doing business as Nabis ("Nabis"), a distributor in the business of providing warehousing, storage space, material handling, and transportation services.

Total operational expenses were \$5,465,417 during 2020 compared to \$6,875,827 for the comparative year. Operational expenses for 2020 include non-cash items such as bad debts expense of \$493,091 (2019 - \$42,610), depreciation and amortization of \$267,157 (2019 - \$13,601) and share-based payments of \$1,105,474 (2019 - \$2,171,891). The primary reason for the decrease in operational expenses this year compared to 2019 is due to a stronger focus on cash and expense management which resulted in decreases pertaining to legal and professional fees, sales, marketing and advertising expenses, and management fees.

Other factors reported in the net loss for YTD 2020 include a non-cash impairment of \$905,881 (Q2 2019 - \$Nil) relating to the terminated GreenBloom acquisition.

Management Commentary

The net assets of the Company decreased from \$2,933,140 at May 31, 2019 to a deficiency of \$1,445,434 at June 30, 2020, a decrease of \$4,378,574. At June 30, 2020, the Company had cash of \$76,017, trade receivables of \$69,750, GST receivable of \$194, prepaids of \$172,288, and inventory of \$567,157, compared to cash on deposit in the amount of \$111,671, trade receivables of \$2,273,289, GST receivable of \$17,849, prepaids of \$231,813, and inventory of \$1,381,836 at May 31, 2019. The most significant liabilities at June 30, 2020 were trade payables of \$1,145,754 (2019 - \$838,468).

The Company's primary source of revenue is from its vaporizer cannabis products. The Company can for the near term generate the necessary capital resources required to finance operations by way of the sales of its products. Management takes all necessary precautions to minimize risks however additional risks could affect the future performance of the Company.

Path to Profitability

With fifteen states opening up to the recreational sale of cannabis, sales will continue to grow as new population groups, like Baby Boomers, Generation X and Millennials, realize the magnitude of cannabis applications and cannabis is accepted by more demographics. Orchid plans to capitalize on the opportunity by launching several new initiatives, including the expansion of the Orchid Brand franchise through a licensing model and by expanding their product portfolio and leveraging new technologies.

Based on Orchid's branding, marketing and operational expertise the company will continue to create opportunities for licensing the Orchid brand in order to expand reach into new markets and build strategic partnerships with high quality and respected local operating companies in the Cannabis industry. These licensees will leverage their operational strength and core capabilities to penetrate new markets by leveraging the Orchid brand and portfolio of products to accelerate growth and secure market share.

PurTec Delivery Systems ("PurTec"), sells vaporizers and other delivery systems that are highly differentiated and have gone through the strictest emissions standards in the world, set by the European Union. PurTec has announced the launch of two new technology platforms, PurCore R1 and PurCore F1, both differentiated and disruptive within the cannabis vaporizer market in terms of safety and performance

In addition, the company will continue to focus on driving operational efficiencies and cost control measures as the new strategic shift proceeds and begins to gain traction in terms of revenue generation and product/technology advancements. Investment will focus on People, Process and Technology to better position the company for growth.

Fiscal 2020 Key Developments

In October 2019 the Oregon regulatory body (OLCC) banned the sale of botanical based or flavored vaporizer products state-wide due to health concerns. This negatively impacted revenues for the Company's 2nd and 3rd fiscal quarters. Ultimately the ban was reversed after 2 weeks but negative consumer perception persisted. Over time the OLCC concluded that all issues pertaining to EVALI (E-Cigarette or Vaping Associated Lung Injury) were a result of products acquired from illegal dispensaries and from black market products with a harmful cutting agent called Vitamin-E Acetate used as a filler ingredient to reduce costs. Orchid products have never used anything harmful in their products, as they adhere to all state regulated quality standards and the company conducts emissions testing with their vape hardware to ensure all Orchid products test clear of any harmful heavy metals and safe when emission tested compared to AFNOR standards used in Europe.

Starting in January 2020, the Company pivoted and adjusted its business strategy to focus on building an Orchid Ecosystem that is non-cannabis touching and better focused on the company's core strengths, capabilities and product innovations that will better differentiate within markets and disrupt the status quo. The key pillars to the strategy involve 1) expanding the Orchid brand portfolio and commercializing new product innovation, 2) fine-tuning and leveraging a licensing model to accelerate growth in California and Oregon, plus expand into additional North American markets, 3) diversification beyond making cannabis products to servicing the cannabis industry with differentiated and disruptive hardware delivery systems, intellectual property development and strategic opportunities, plus 4) leveraging the company's

core capabilities to provide go-to-market services like marketing, sales and retail expertise, e-commerce, plus packaging and distribution.

To support this strategy, Orchid has either fully developed or secured exclusive access to highly impactful product innovations and intellectual property, which forms the foundation of the Orchid Collective. This Collective consists of 3 wholly owned subsidiary companies that form a dynamic network, interacting with each other to create and exchange sustainable value for consumers and ultimately shareholders.

Orchid Essentials

Pivoted away from the traditional business model of “Vertical Integration” and the production and manufacturing of cannabis products by moving to a Licensing business model. Locate high quality operational partners that will leverage the Orchid Brand through a licensing arrangement.

Purtec Delivery Systems:

Company sells proprietary, patent pending hardware delivery systems to the Cannabis and CBD industries both in North America and globally. PurTec offers unique and differentiated hardware options that are disruptive to the industry, by providing a safer, more enhanced consumer experience and value.

Cellg8 Sciences:

Company provides CELLg8™ technology to manufacturers and brands in the Cannabis industry.

On May 3, 2020 the Company entered into a Licensing Agreement for the Oregon business with the Tine Trading Company, a privately held enterprise, under the dba Orechid LLC. Pursuant to the Licensing Agreement the Licensee has the exclusive right to manufacture, produce, package, distribute, market and sell the Orchid Essentials Brand franchise in the State of Oregon for a 10 year period. Tine Trading has over 30 years of sales, manufacturing, and supply chain experience in the food service and CPG industries.

On June 9, 2020, the Company partnered with Driven, California’s fastest growing online cannabis retailer and direct-to-consumer logistics company, to launch the Company on its new ecommerce platform, Brand Budee. The new platform will allow the Company’s customers to purchase directly from the Orchid website for delivery throughout the state.

The company remains in the arbitration process with Greenbloom and is confident that it’s position in the case is strong and the company’s legal defense team is steadfast in their resolve and belief in the company’s strategy. Furthermore, the company’s insurance provider has engaged legal counsel to assist in the arbitration process, which the company believes will add more strength to the legal team.

Management expects that their continued commitment and execution to their strategic priorities, driven by further developing and fine-tuning their product offerings and operations for each company within the Orchid Collective, will place them on a consistent path to revenue and profit growth in FY 2021. Efforts will continue to focus on creating differentiation with superior, high quality and safe products combined with leveraging new technologies and innovations to disrupt markets, attract more consumers and build market share. The company believes that

the new business model and strategy will establish a more viable and attractive option for not just consumers, but for employees and investors as well.

Highlights of Subsequent Events

On September 23, 2020, the Company launched three new product lines in California and Oregon:

- Orchid Vibes, featuring a newly developed PurTec Summit cartridge and introducing more contemporary terpene profiles such as Mimosa and Purple Punch.
- Improved Orchid Classic line up, which are mid-tier products featuring their classic Orchid Essential formulations like Jack Herer and Dutch Treat.
- Orchid Gold live resin, full spectrum, seasonal craft strains and flavours that rotate throughout the year, launched in Oregon through licensee, Tine Trading Company.

On October 20, 2020, the Company entered into a Supply and Licensing Agreement (“Agreement”) for the manufacturing and distribution of Orchid products into the regulated Nevada cannabis market with 1933 Industries Inc. (“1933”). The Company entered into an exclusive agreement with 1933, for the purposes of manufacturing, selling and marketing Orchid Essentials Brand products in Nevada, leveraging 1933’s extraction expertise and well-established sales and distribution channels in the state.

In December 2020 PurTec Delivery Systems (“PurTec”), launched an innovative ceramic film atomization heating and world's first cotton-free vaporizer technology, PurCore F1. jointly developed with our strategic partner, JWEI Group Advanced Technology Research Institute, built on the JWEI µKera Ultra technology platform.

PurCore R1 is another joint development project with our strategic partner, JWEI Group Advanced Technology Research Institute, This new technology will set new product safety standards throughout the cannabis vaporizer industry.

Manufacturing partners and the supply chain in China are operational and have been active since March 3rd. The Company has experienced a slight slowdown from manufacturers in China amidst the pandemic but much less than other manufacturers. Despite the pandemic, the Company is seeing an increase in order volume from several key accounts.

In October 2020, Mathew Lee, the Chief Financial Officer tendered his resignation from the company, due to his desire to pursue other opportunities. His resignation was accepted and is effective January 15, 2021. The Company has since filled the CFO role, having recently hired Yousuf Jaffar, FCA who is a Chartered Accountant with thirty years of post qualification experience in corporate finance. He has worked in senior positions in the manufacturing, telecommunication and real estate industries and has vast exposure to business environments in the US, Canada, Europe and Asia. Mr. Jaffar was appointed as CFO effective January 15, 2021.

ABOUT ORCHID ESSENTIALS

Orchid Essentials is a California-based cannabis innovation company that has developed a mass-market brand and loyal consumer following with its premium cannabis products and unique vape hardware delivery systems. Orchid also owns 100% of PurTec Delivery Systems, a company that produces, markets and sells clean vaporizer hardware that has been emissions tested against the most stringent standards in the world set forth by the EU and has unrivaled product quality and value pricing. Orchid's management brings significant branding, product development and distribution experience with a proven track record of scaling businesses and building sustainable revenue growth through value-generating partnerships and innovation that creates enterprise value. Learn more at <https://orchidessentials.com/>

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