



## ORCHID VENTURES REPORTS ANNUAL FINANCIAL RESULTS FOR FISCAL YEAR 2021

VANCOUVER, WA - November 3, 2021 - **ORCHID VENTURES, INC. (CSE: ORCD OTC: ORVRF)** (the “**Company**” or “**Orchid**”) announces its audited annual financial results for twelve-month period ended June 30, 2020 (“Fiscal 2021”). 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

Year	ended Thirteen months ended June 30, 2021
<b>2020</b>	<b>June ,</b>
Revenues	\$ 3,720,366
Cost of goods sold	\$ 1,568,276
Gross profit /(loss)	\$ 2,521,704
Expenses including non-cash items	\$ 1,720,742
	\$ 1,198,662
	\$ (152,466)
	\$ 3,951,165
	\$ 5,448,865

Loss from discontinued operations	\$
	(16,414)
	\$
Net loss for the year	\$
	(3,150,866)
	\$
	(7,051,457)
Wtd. Avg. common shares outstanding	
	29,602,304
	21,472,483
Loss per share	\$
	(0.107)
	\$
	(0.328)
Cash	\$
	1,276,435
	\$
	76,017
Working capital (deficit)	\$
	(1,567,696)
	\$
	(1,786,153)
Total assets	\$
	2,182,197
	\$
	1,488,021
Shareholders' equity (deficiency)	\$
	(1,541,874)
	\$
	(1,445,434)
Long-term financial liabilities	\$
	154,329
	\$
	211,896
Dividends paid per share	\$
	0.00
	\$
	0.00

### **Results Of Operations**

During the year ended June 30, 2021 ("2021"), the Company reported revenues of \$3,720,366 compared to revenues of \$1,568,276 for the thirteen months ended June 30, 2020 ("2020"), an increase of 137%. The Company also reported gross profit of \$1,198,662 in 2021 compared to a gross loss of \$152,466 in 2020, or an increase of 886% year-over-year. The Company reported

a net loss of \$3,150,866 in 2021 compared to a net loss of \$7,051,457 in 2020. The net loss reported fell by 55% year-over-year.

During the current reporting period the Company continued its fundamental shift in its business strategy and operations, through which the Company is transitioning away from cannabis touch activities and toward manufacture of hardware delivery systems and licensing the Orchid brand. As a result of the Company's strategic shift, and despite the impact of COVID-19 on the market, the Company's revenues increased significantly, resulting in the Company reporting a positive annual gross profit.

In addition to improved sales and margin for the current reporting period, the Company successfully reduced total operational expenses during the period. The Company reported operational expenses of \$3,951,165 for 2021, compared to \$5,448,865 in operational expenses during fiscal year 2020, a 27% cost savings year-over-year. Operational expense savings resulted from the Company's improved management of operations and tightened focus on the Company's shift in its business objectives. It should be noted that included within the operational expenses for 2021 are several non-cash expense items such as depreciation and amortization of \$148,264 (2020 - \$267,157) and share-based payments of \$1,295,382 (2020 - \$1,105,474).

The Company also reduced Other Expenses by 74% during the current reporting period.

Other factors reported in the net loss for YTD 2021 include a non-cash Fair value change in warrant liability \$333,475 (2020 - \$63,243) relating mostly to extending the term and reducing the exercise price of warrants issued on October 24, 2019.

### **Management Commentary**

Total assets of the Company increased from \$1,448,021 at June 30, 2020 to \$2,182,197 at June 30, 2021, an increase of \$734,176. At June 30, 2021, the Company had cash of \$1,276,435, trade receivables of \$51,084, GST receivable of \$3,705, prepaids of \$176,395 and inventory of \$294,863, compared to cash on deposit in the amount of \$76,017, trade receivables of \$69,750, GST receivable of \$194, prepaids of \$172,388 and inventory of \$567,157 at June 30, 2020. The most significant liabilities at June 30, 2021 were warrant liability \$1,910,291 (2020 - \$185,959) and trade payables of \$985,697 (2020 - \$1,216,503).

The Company's primary sources of revenue are from its vaporizer cannabis products and licensing revenues generated from the Orchid Essentials brand. 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. Expectation is that both medical and recreational Cannabis legislation will continue to open up new markets, accelerating the growth of Cannabis throughout North America, South America and Europe. Orchid plans to capitalize on the opportunity by launching several new initiatives, including the expansion of the Orchid Essentials Brand franchise through a licensing model and by expanding their vaporizer product portfolio, plus leveraging new technologies.

The Company has continued to focus on their strategy to build an Orchid Ecosystem that is non-cannabis touching and better focused on leveraging the Company's core strengths, capabilities and product innovations in order to better differentiate within markets and disrupt the status quo. The key pillars to the strategy involve 1) licensing the Orchid Essentials brand in the North America and Europe, expanding the Orchid product portfolio and commercializing new product innovation, 2) diversification beyond making cannabis products to servicing the cannabis industry with differentiated and disruptive hardware delivery systems, intellectual property development and strategic opportunities, plus 3) 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 2 wholly owned subsidiary companies, Orchid Brands and Purtec Delivery Systems, forming a dynamic network, interacting with each other to create and exchange sustainable value for consumers and ultimately shareholders.

### Orchid Brands

Based on Orchid's branding, marketing and overall Cannabis experience and operational expertise the Company will continue to create opportunities for licensing the Orchid Essentials 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 use their operational strength and core capabilities to penetrate new markets by leveraging the Orchid Essentials brand and portfolio of products to accelerate growth and secure market share.

### PurTec Delivery Systems

PurTec Delivery Systems ("PurTec"), sells vaporizers and other delivery systems that are highly differentiated based on 4 key product imperatives: Design, Quality, Technology, and Safety. Importantly all Purtec products go through extensive quality control and durability testing, plus they are emissions tested against the strictest standards in the world, set by AFNOR for the European Union. 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 moving forward.

## **Fiscal 2021 Key Developments**

### Orchid Line Extensions

In September, 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.

### PurTec New Products and Technology

In early 2021 PurTec announced the launch of two new technology platforms, PurCore R1 Cartridges and Disposables powered by the new uKera Notch Coil technology and the PurCore F1 POD featuring the new uKera Ultra Nano technology, an innovative ceramic film atomization heating system. Both are the world's first cotton-free vaporizer platforms. These truly NexGen technologies are expected to be highly differentiated and disruptive within the cannabis and CBD vaporizer markets in terms of quality, safety and performance. PurTec will also be leveraging their new PurGuard Age Verification and User Data software platform to ensure greater safety by restricting minors from being able to use vaporizer products. This will be a major advancement in terms of addressing an ongoing consumer and regulatory concern regarding underage access to vaping products.

These new patent pending technologies were developed by our strategic partner, JWEI Group Advanced Technology Research Institute and are exclusively marketed and sold by PurTec. The Company experienced a slowdown from supply chain partners in China amidst the Covid pandemic but much less than other manufacturers. JEWI and their supply chain manufacturing partners have been fully operational and active since March 3rd, 2021.

#### Gold Flora Licensing Agreement

On May 4, 2021, the Company entered into an exclusive licensing agreement with Gold Flora, a vertically integrated California company with operations in cannabis cultivation, manufacturing, distribution, delivery, and retail. Gold Flora will assume all production, sales, and distribution of Orchid Essentials products throughout the state of California and will purchase all hardware, packaging, and terpenes through PurTec Delivery Systems, a wholly owned subsidiary of the Company.

#### 1933 Industries - Nevada Licensee Agreement

On October 20, 2020, the Company entered into a Supply and Licensing Agreement with 1933 Industries Inc. to manufacture, distribute, market and sell Orchid Essential products in the regulated Nevada cannabis market. The Company intended to leverage 1933's extraction and formulation expertise, plus their well-established sales and distribution channels in the state. However, as of May 2 2021, the licensing agreement with 1933 Industries was formally terminated. 1933 Industries informed the Company that there had been a change in leadership and that they had decided to adjust their strategic focus. As this new strategic direction did not include the licensing of brands, they informed us that they decided to opt-out of their agreement with the Company in order to focus on new strategic priorities. The Company, in conjunction with 1933 Industries, had not launched the Orchid Brand in Nevada, as planning and timelines were just finalized, but execution had yet to commence. There was no financial impact of this event, nor any outstanding commitments to the Company, or to 1933 Industries. They remain a viable prospect for PurTec and for any potential contract manufacturing needs moving forward. The Company is currently in discussions with other viable licensing candidates that have the infrastructure and capabilities to operate and grow the Orchid brand in the state of Nevada.

#### Sale of Cannabis License for the State of California

On September 29, 2020, the Company agreed to sell their Bureau of Cannabis Control Distributor License for the State of California: License No. C11-0000967 for CA Forrest Green Distribution, LLC at 2338 Anaheim Street East, Suite 201C, Long Beach, CA 90804-573 to the Tine Trading Company, LLC.

#### Discontinued Operations

In August 2021 the Company proposed selling 80% equity interest in CA Forrest Green Distribution, LLC to Tine Trading Company, LLC for a price of \$500. A draft agreement in this regard was drafted but is still under consideration. As on June 30, 2021 the Company recognized CA Forrest Green Distribution, LLC as a discontinued operation, removing all its assets and liabilities from the consolidated financial statements and recognizing \$16,414 as loss from discontinued operations. Sale price proposed \$500 is included in assets held for sale

### Capital Raise and Share Consolidation

On April 1, 2021, The Company closed a non-brokered private placement of units of the Company by the issuance of 16,838,000 Units at CAD\$0.25 per unit for gross proceeds of CAD\$4,209,500. Each Unit consists of one post Consolidation Share and one-half of one transferrable common share purchase warrant. Each Warrant will entitle the holder to purchase one additional post Consolidation Share at a price of \$0.40 on or before April 1, 2023.

The Company paid eligible finders cash commission in the total amount of CAD\$276,850, being 7% of the aggregate proceeds from the sale of Units to purchasers introduced by the finders. The Company has also issued non-transferrable common share purchase warrants (the "Finder's Warrants") to the finders for the purchase of up to a total of 1,107,400 post Consolidation Shares, being 7% of the number of Units sold under the Offering. Each Finder's Warrant will entitle the holder to purchase one post Consolidation Share at a price of CAD\$0.25 on or before April 1, 2023.

All securities issued in connection with the Offering are subject to a statutory hold period of four months and one day ending on August 2, 2021. The Company intends to use the net proceeds of the Offering for general working capital.

## Weedbox Licensing Agreement

On January 20, 2021 the Company entered into a licensing agreement with Weedbox, a licensed Canadian cannabis retail and technology Company. The licensing agreement states that Weedbox has secured the exclusive Canadian rights to manufacture, market and sell the Orchid Brand according to the laws and regulations set forth both federally and provincially. This licensing agreement is currently being reviewed as the licensee is in breach of contract based on performance metrics that were stipulated in the agreement. Issues pertaining to the changing regulatory environment and market dynamics, plus the licensee's inability to secure the necessary funding required, has the Company re-evaluating the contract to determine the appropriate course of action. No products have yet been launched and no capital resources have been invested by the Company to date. The Company is also investigating other alternative opportunities to launch the Orchid Essentials brand in Canada.

## Additional Key Developments

Orchid Ventures has not renewed its exclusive license with the parent company of Ashford Pines Limited & Pulpo, LLC. but is still working with CELLg8 and acting as a reseller. This is not a core focus of the business as the shift in strategy has narrowed the focus exclusively to PurTec and Orchid Brand Licensing.

The Company remains in the arbitration process with Greenbloom and is confident that its 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.

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 was effective January 15, 2021. The Company has filled the CFO role, having hired Yousuf Jaffar, FCA who is a Chartered Accountant (ICAP) with thirty years of post qualification experience in corporate finance. Mr. Jaffar was appointed as CFO effective January 15, 2021.

## Outlook

Management expects that their continued commitment and execution to their strategic priorities, driven by further developing and fine-tuning their product offerings and go-to-market strategies, will place them on a consistent path to revenue and profit growth in FY 2022. 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.

## **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/>

## **ON BEHALF OF THE BOARD OF DIRECTORS – ORCHID VENTURES, INC.**

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### **Safe Harbor Statement**

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