MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THIRTEEN MONTHS ENDED JUNE 30, 2020

The following Management's Discussion and Analysis ("**MD&A**") of Orchid Ventures, Inc. (DBA "Orchid Essentials"), (the "Company" or "Orchid"), is for the thirteen months ended June 30, 2020 and covers information up to the date of this MD&A. For more information on the Company visit its website at www.orchidessentials.com. For additional information please visit SEDAR at www.sedar.com.

This MD&A is dated January 15, 2021.

This MD&A should be read in conjunction with the Company's consolidated financial statements and the notes thereto for the thirteen months ended June 30, 2020, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All dollar amounts herein are expressed in US Dollars unless stated otherwise.

References to EBITDA in this MD&A refer to net earnings from continuing operations before interest, taxes and tax recoveries, amortization, deferred income tax recovery, unrealized foreign exchange losses, non-cash share-based expenses (Black-Scholes option pricing model) and write-off of assets. EBITDA is not an earnings measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Management believes that EBITDA is an alternative measure in evaluating the Company's business performance. Readers are cautioned that EBITDA should not be construed as an alternative to net income as determined under IFRS; nor as an indicator of financial performance as determined by IFRS; nor a calculation of cash flow from operating activities as determined under IFRS; nor as a measure of liquidity and cash flow under IFRS. The Company's method of calculating EBITDA may differ from methods used by other issuers and, accordingly, the Company's EBITDA may not be comparable to similar measures used by any other issuer.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The information provided in this MD&A, including information incorporated by reference, may contain "forward-looking statements" about the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward- looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

(a) the regulation of the recreational cannabis industry in the State of Oregon and the State of California;

(b) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and

(c) other risks described in this MD&A and described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

With respect to the forward-looking statements contained herein, although the Company believe that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS (continued)

statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the availability of sources of income to generate cash flow and revenue; the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to additional funding requirements; due diligence risks; exchange rate risks; potential transaction and legal risks; risks relating to regulations applicable to the production and sale of Cannabis; and other factors beyond the Company's control.

Consequently, all forward-looking statements made in this MD&A and other documents of the Company, as applicable, are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

COMPANY OVERVIEW

Orchid is a Vancouver, WA based consumer products and services company that builds strong, trusted brands and leverages proprietary technologies and processes across multiple product categories in both Cannabis and CBD industries. Orchid has 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.

Given the realities of building a business within a new, emerging and highly regulated industry like Cannabis and CBD, it is important to assemble an experienced management team in order to effectively navigate and deal with the inevitable volatility and challenges of an ever-changing marketplace. Orchid has brought together a highly experienced management team with expertise in branding, product development, food manufacturing, franchising & licensing, e-commerce, plus sales and retail management. The team has a proven track record of working with both start-up companies and more mature businesses to scale revenues, build value-generating strategic partnerships and create enterprise value.

The Company launched in Oregon and California in August 2017 and has since developed a mass-market brand and loyal consumer following with its premium cannabis products. Orchid's product lines are currently sold in 200+ dispensaries across California and Oregon and are handcrafted and designed for optimal user-experience and overall enjoyment. The company's proven processes and passion for what it does carry through into its products. The end result is an unparalleled experience for new and practiced cannabis users alike. Orchid plans to expand its operations into new national markets through a licensing model that will accelerate growth, focus on the company's strengths and enable expansion beyond the US, into global markets such as Canada, Latin America and Europe.

The Company's head office, principal address and records office is 1220 Main Street, Suite 400, Vancouver, WA 98660, United States..

On March 7, 2019, the Company completed a business combination with CR International, Inc. ("CR International"). The transaction was an arm's length transaction and constituted a reverse takeover ("RTO") of Earny by CR International, pursuant to the policies of the TSX Venture Exchange ("TSX-V").

COMPANY OVERVIEW (continued)

CR International was organized in the State of Nevada on June 18, 2018 by the shareholders of CR Companies, LLC ("CR Companies"), a company organized in the State of California on November 9, 2017. CR International and CR Companies completed a corporate reorganization (the "Corporate Reorganization"), the purpose of which was to facilitate the listing of CR Companies on the Canadian Securities Exchange (the "CSE").

In connection with the RTO, the Company voluntarily delisted from the TSX-V and received approval to list its common shares on the CSE on March 15, 2019.

Growth Strategy

The Company believes that the size of the U.S. cannabis market could surpass US$45 billion over the next ten years with the continued expansion of legalization of cannabis in new states throughout the United States. On the recreational side, there are currently fifteen states in which the recreational sale of cannabis has been approved. These states are Alaska, Oregon, Washington, Nevada, California, Montana, South Dakota, Colorado, Illinois, Massachusetts, District of Columbia, Maine, Michigan, New Jersey and Vermont. In these markets, recreational sales will continue to grow as new population groups, like baby boomers, realize the magnitude of cannabis applications and cannabis is accepted by more demographics. The company plans to launch several new initiatives and partnerships that are aimed at setting the foundation for greater diversification and an expanded product portfolio. Orchid plans to capitalize on the significant increase in cannabis consumption by building off their experience and knowledge of the industry from their established businesses in California and Oregon. 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*.

The *Orchid Collective* comprises 3 wholly owned subsidiary companies that form a dynamic and interconnected network that interact with one another to create and exchange sustainable value for consumers and importantly, for shareholders.

Orchid Essentials has a history of manufacturing and producing cannabis products for the California and Oregon markets. However, the company has shifted away from this cannabis-touching vertical integration strategy and moved to a Licensing business model by leveraging the power of the Orchid Essentials brand franchise. The company leverages its branding, marketing and operational expertise to create opportunities to license 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 to penetrate new markets and leverage Orchid's portfolio of brands and products to accelerate growth and secure market share.

Integral to the growth strategy, the Company has launched PurTec Delivery Systems ("PurTec"), which 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. With the development of Orchid Essentials in 2017, the company realized its vaporizer hardware has yet to be beat in the cannabis industry, and since inception, has been considered one of the best delivery systems on the market in providing a superior consumer experience. The Company has spent years developing manufacturing standards and protocols that have created unique hardware options that the Company believes to be safer, more effective, providing a better user-experience.

Additionally, the Company has also launched CELLg8 Sciences, a wholly owned subsidiary sells bioavailability technologies to manufacturers and brands in the Cannabis industry.

Currently, the Company implements and utilizes consistent branding and messaging of its cannabis products using the "Orchid Essentials" name. The Company intends to launch multiple brands, outside of its flagship "Orchid" brand, across multiple states. With these brands, the Company seeks to target various consumer segments from budget conscious to premium. The Orchid management team has built a marketing services platform that is "best in class" within the industry. Expertise in brand management and core capabilities in marketing that create consumer demand and brand loyalty are an essential part of the foundation of the Orchid business model for success. These core capabilities include creative development and design, digital marketing and community outreach, retail intelligence and merchandising, product development, market and product research, pricing analytics, e-commerce, packaging design plus sales and business development.

Product Development and Scale

Management has extensive knowledge about the cannabis industry, its customers, the competitive landscape and market dynamics. The Company strategically bases product development decisions on the "Voice of the Customer", market trends, innovation, volume potential, margin, and ability to deliver quality and safety, then leverages its branding and marketing expertise and ability to create powerful go-to-market plans that disrupt the market, expand customer reach and build retail distribution.

Orchid develops, brands, and sells cannabis vapor devices consisting of kits and cartridges (the "Orchid Cannabis Products"). Orchid licenses its brand and proprietary hardware to a licensed manufacturer and distributor in Oregon, with plans to license the brand franchise in California and expand into additional states that have legalized the distribution and sales of medical and recreational cannabis. Orchid's Licensees will manufacture, produce, package, sell and deliver the Orchid Cannabis Products to state-authorized cannabis dispensaries and distribution channels on cash or delivery terms.

RECENT EVENTS AND OUTLOOK

COVID-19 Emergency Response

The Company has taken several steps in response to the COVID-19 pandemic including, but not limited to, the following:

- instructing staff to work from home; and
- implementing emergency guidelines for the Company's Oregon operations, which remains open.

The company monitors closely all developments, communications and recommendations or mandates from local government agencies to ensure full compliance with COVID-19 protocols and procedures to ensure a safe and productive work environment.

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.

The Company takes the health of their employees and that of the general public very seriously. Though the Company will be adjusting how it conducts business, the Company will continue to supply products to consumers and business clients. The Company's manufacturing partner in China is one of the largest in the industry and fully operational and ready to manufacture PurTec products (see below). Slowdowns are to be expected, although far less than in months prior and less than most other manufacturers.

PurTec Delivery Systems

On February 26, 2020, the Company launched PurTec. PurTec will design and sell proprietary, patent pending hardware delivery systems to the Cannabis and CBD industries both in North America and globally. Consistent with the Company's position "to build consistent, high quality brands and products that consumers can relate to and trust", PurTec products are built with the highest quality materials, are emissions and leach tested to ensure consumer safety, and are uniquely designed to create an optimal consumer experience.

Initially, PurTec will be launching two ceramic coil cartridges at a price point considerably less than comparable products in the market due to improved design and engineering. Management also intends to launch a disposable product that improves the customer experience, delivers more flavour, and costs less to manufacture than other disposables. Additional PurTec initiatives will include the following:

i) The launch of PurTec Concierge will act as a complimentary service for PurTec clients. This service will help customers launch new products, setup and streamline production facilities, including setting up automation production lines, filling machines, and overall improving efficiencies.

RECENT EVENTS AND OUTLOOK (Continued)

ii) The launch of the 'Orchid Platform' where the Company will be direct-selling PurTec products and Orchid services to various brands, processors and retailers that want a white-label product to extend their business. The Company will assist clients with developing their co-branded product where they will use the Company's PurTec hardware and packaging, or help them source oil, fill product, manage compliance, and distribute the product into the market.

<u>CELLg8®'s Global License Agreement</u>

On March 31, 2020, the Company entered into a licensing agreement (the "Licensing Agreement") with two privately held nutrient delivery system companies (the "Licensors").

Pursuant to the Licensing Agreement, the Company will have the global exclusive right to sell CELLg8® for use in THC products and the non-exclusive right to sell the product within CBD, supplement, vitamin, and nutraceutical industries. CELLg8® is a nutrient delivery system that has been clinically proven through safety, absorption, and blood glucose studies to enhance the absorption of most vitamins, minerals, herbs and cannabinoids. CELLg8® was developed by Dr. Emek Blair and has been published in five medical journals including The American Journal of Endocannabinoid Medicine and the Journal of the American Chemical Society. When CellG8® is formulated with cannabis products, it drastically increases bioavailability and even more importantly, makes edible products effective in less than 5 minutes. The amount of active THC needed in a dose is also reduced by over 80% because of the effectiveness and bioavailability. Published clinical studies can be found at www.CELLg8Sciences.com.

Pursuant to the Licensing Agreement, the Company will have the global exclusive right to sell CELLg8® for use in THC products and the non-exclusive right to sell the product within CBD, supplement, vitamin, and nutraceutical industries. Under the Licensing Agreement, the Company issued an aggregate of 3,000,000 common share purchase warrants ("Warrants") which allow the Licensors to acquire one common share of the Company (a "Warrant Share") at a price of $0.05 per Warrant Share for a period of 24 months. Certain of the Warrants are subject to certain vesting milestones, as follows: (a) 750,000 Warrants are immediately exercisable (outstanding); (b) 750,000 Warrants once the Company does US$3MM in aggregate sales of CELLg8®; (c) an additional 750,000 Warrants once the Company does US$10MM in aggregate sales of CELLg8®; and (d) 750,000 Warrants once the Company does US$15MM in aggregate sales of CELLg8®. The Warrants issued in connection with the Licensing Agreement are non-transferable and any Warrant Shares issued upon the exercise thereof will be subject to a four-month-and one-day statutory hold period in accordance with applicable securities laws.

To maintain global exclusivity of CELLg8® use in THC products, the Company must meet the following purchase requirements:

i) Purchasing at least US$350,000.00 in products from CELLg8® by the end of the first consecutive 6-month period;
ii) Purchasing at least US$650,000.00 in products from CELLg8® by the end of the consecutive 12-month period; and
iii) Purchasing at least US$1,000,000.00 in products from CELLg8® by the end of the consecutive 18-month period.

<u>1933 Industries Inc. Supply and License Agreement</u>
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.
Pursuant to the terms of the three-year Agreement, 1933 will purchase the Company's PurTec hardware and packaging component products and proprietary terpene blends required for the production of Orchid Essentials products. 1933 will act as the exclusive supplier of the Orchid Essentials Brand products and future lines, and will also purchase the same hardware components, packaging and terpenes for its own branded products under the same pricing terms. PurTec's cartridges are one of the only cartridges for cannabis oil that are emissions tested at AFNOR standards, the strictest guidelines set by the European Union.

RECENT EVENTS AND OUTLOOK (continued)

Other Events

On October 8, 2019, the Company announced that it had entered into a stock purchase agreement effective October 7, 2019, to purchase 100% of the membership interest of a San Bernardino, CA based company, Pure Dispensaries, for a total of 5,000,000 shares of the Company's common stock and $1,250,000 USD. As of January 21, 2020, both parties agreed that it was in their mutual best interest to terminate the acquisition.

On October 24, 2019, the Company closed a non-brokered private placement with the issuance of a total of 10,115,089 units ("Units") for gross proceeds of CAD$1,179,210. Each Unit consists of one common share and one full-share purchase warrant (a "Warrant") (the "Units"). Each full Warrant entitles the holder to acquire one common share at CAD$0.18 per share for 24 months following closing.

On March 19, 2020, Tom Soto and Robert MacDonald resigned from the board to focus on other business initiatives. To replace Mr. Soto and Mr. MacDonald, the Company added Wayne R. Johnson TEP to the board of directors. Mr. Johnson is the founding member of Wayne R. Johnson & Associates, PLC, a boutique law firm located in Beverly Hills, California. Mr. Johnson's practice is concentrated in the areas of corporate and general business matters, entertainment and music law and transactions, domestic and international tax planning and controversy, business strategy and planning, and mergers and acquisitions. Mr. Johnson earned B.S. degrees in accounting, business finance and economics from North Dakota State University in 1989; a Juris Doctorate (with Distinction) from the University of North Dakota School of Law in 1994; and a Master of Laws degree (LL.M.) in Taxation Law from New York University School of Law in 1995. Wayne is a member of the State Bar of California, the Society of Trust and Estate Practitioners, and admitted to practice before the U.S. Tax Court, the U.S. District Court for the Central District of California, and the Ninth Circuit Court of Appeals. He has also been an active member of several bar associations, including the State Bar of California, and is a former chair of the California State Bar's Taxation Section (2008-2009). Law and Politics Magazine and the publishers of Los Angeles Magazine named Mr. Johnson a SuperLawyer in the field of taxation law from 2009 to 2020. In November 2011, Mr. Johnson received the V. Judson Klein Award from the California State Bar's Taxation Section. The V. Judson Klein Award is annually presented to a mid-career California attorney who displays excellence, professionalism, and leadership in the field of taxation law.

On May 14, 2020, the Company entered into a licensing agreement to license its Orchid Essentials brand in the state of Oregon. Included in the transaction, is the sale of an OLCC distribution license assigned to the Orchid Essentials' facility in Clackamas, Oregon, and the rights to expand into Colorado and Oklahoma, under a separate agreement at a later date. The licensee will do business as Orechid LLC, while ownership of the distribution license will transfer to Tine Trading Company, LLC. Both entities are led by senior management for a portfolio of multi-state, vertically integrated companies, with 10 years of experience in cultivation, manufacturing, and retail dispensaries. In addition, they have over 30 years of sales, manufacturing, and supply chain experience in the food service and CPG industries.

Terms of the Agreement: Orechid LLC, combined with Tine Trading Company LLC, will pay Orchid $630,000 USD for the acquisition of Orchid's inventory and revenue in the Oregon facility, and the rights to expand into Colorado and Oklahoma, plus the opportunity to secure the rights to license Orchid Essentials in other domestic states. Orechid LLC, will pay Orchid a licensing fee on all Orchid Essentials brand sales over a 10-year term and, as part of the licensing agreement, will purchase all vaporizer hardware and packaging through PurTec Delivery Systems.

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.

RECENT EVENTS AND OUTLOOK (Continued)

On September 23, 2020, the Company launched three new product lines in California and Oregon. Firstly, there is Orchid Vibes, a value-priced product featuring a newly developed PurTec Summit cartridge and introducing more contemporary terpene profiles such as Mimosa and Purple Punch. The Company has also improved the Orchid Classic line up, which are mid-tier products featuring their classic Orchid Essential formulations like Jack Herer and Dutch Treat. Lastly, the Company introduced Orchid Gold. Orchid Gold consists of live resin, seasonal craft strains and flavours that rotate throughout the year. The new product lines are currently being launched into the Oregon market through an Orchid Licensee, Tine Trading Company, and in California through partnerships with contract manufacturers and the Company's evolving distribution network.

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. This is primarily due to the health backlash with vape products in general. The Company would like to reiterate that all 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.

Sales and gross profit decreased from the comparative year from $5,514,593 in 2019 to $1,568,276 in 2020. 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"). Nabis is a distributor in the business of providing warehousing, storage space, material handling, and transportation services. In connection with this change, inventory of $304,635 was returned from Indus and transferred to Nabis. Under the terms of the previous Indus distribution agreement, legal and beneficial ownership, right and title to the Company's products were considered transferred upon delivery to Indus. Under the terms of the distribution agreement with Nabis, legal and beneficial ownership, right and title to the Company's products are not considered transferred until the products are delivered to their destination as determined by the Company. Due to the differing terms of the Nabis distribution agreement, the Company recognized a sales return of $593,376 and an increase in inventory of $304,635 during Q2 2020.

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 decreases in legal and professional fees, sales, marketing and advertising, 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.

ORCHID VENTURES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THIRTEEN MONTHS ENDED JUNE 30, 2020

SELECTED ANNUAL INFORMATION

		Thirteen months ended June 30, 2020		Year ended May 31, 2019		Year ended May 31, 2018
Revenues	$	1,568,276	$	5,514,593	$	2,473,000
Cost of goods sold	$	1,704,190	$	3,541,475	$	1,216,082
Gross profit (loss)	$	(135,914)	$	1,973,118	$	1,256,918
Expenses including non-cash items	$	5,465,417	$	6,875,827	$	2,885,302
Net loss for the year	$	(7,051,457)	$	(6,692,581)	$	(1,696,494)
Number of common shares outstanding		90,348,067		66,151,849		-
Loss per share	$	(0.08)	$	(0.85)	$	(0.00)
Cash	$	76,017	$	111,671	$	73,409
Working capital (deficit)	$	(1,786,153)	$	2,580,475	$	(690,465)
Total assets	$	1,488,021	$	4,369,123	$	439,770
Shareholders' equity (deficiency)	$	(1,445,434)	$	2,933,140	$	(633,947)
Long-term financial liabilities	$	211,896	$	0.00	$	0.00
Dividends paid per share	$	0.00	$	0.00	$	0.00

SUMMARY OF QUARTERLY RESULTS

		Four months ended June 30, 2020		Three months ended February 28, 2020		Three months ended November 30, 2019		Three months ended August 31, 2019
Revenues	$	70,114	$	628,485	$	43,590	$	826,087
Cost of goods sold	$	453,074	$	571,438	$	(48,803)	$	728,481
Gross profit	$	(382,960)	$	57,047	$	92,393	$	97,606
Net expenses including non-cash items	$	1,075,016	$	447,900	$	1,862,783	$	2,079,718
Loss for the quarter	$	(1,972,936)	$	(260,717)	$	(2,757,244)	$	(2,060,560)
Basic and diluted loss per share	$	(0.00)	$	(0.00)	$	(0.04)	$	(0.03)
Common shares outstanding		90,059,734		90,059,734		90,059,734		67,687,187

		Three months ended May 31, 2019		Three months ended February 28, 2019		Three months ended November 30, 2018		Three months ended August 31, 2018
Revenues	$	2,867,335	$	821,216	$	891,830	$	934,212
Cost of goods sold	$	2,382,074	$	576,928	$	321,049	$	261,424
Gross profit (loss)	$	485,261	$	244,288	$	570,781	$	672,788
Net expenses including non-cash items	$	3,686,540	$	1,135,315	$	1,233,887	$	820,085
Loss for the quarter	$	(4,988,038)	$	(891,027)	$	(663,106)	$	(150,410)
Basic and diluted loss per share	$	(0.33)	$	-	$	-	$	-
Common shares outstanding		14,967,904		-		-		-

LIQUIDITY AND CAPITAL RESOURCES

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).

On January 25, 2019, the Company entered into a distribution agreement (the "Agreement") with Cypress Manufacturing Company, a California corporation doing business as Indus Distribution ("Indus"). Under the terms of the Agreement, Indus will be the sole distributor of certain of the Company's products (the "Products"). Indus shall provide the Company with a request for Products ("Purchase Orders"). Indus' obligation under the Agreement is limited to sales representation, marketing, storage and delivery of the Products and purchase of only those quantities of Products itemized in its Purchase Orders, which Products are assembled, packaged, and delivered in accordance with such Purchase Order. All Products delivered to Indus shall be fully packaged in compliance with applicable law and ready for sale, pending the results of product testing.

The term of the Agreement is for a period of 2 years. If the Agreement is terminated without cause prior to such date, the terminating party must pay the lessor of (a) $1,000,000 and (b) the sum of the most recent 3 months net revenue.

As part of the Agreement, Indus loaned $651,400 to the Company. The loan was unsecured and was to be repaid at a stated rate per unit sold by Indus until the loan has been repaid. In such case that the Company's RTO was completed while there is still a balance owing, the Company would remit the balance to Indus within 10 days of the RTO closing date. As at June 30, 2019, the remaining outstanding loan was $196,115.

On November 20, 2019, the Agreement was terminated with cause, thereby mutually releasing both the Company and Indus from the aforementioned commitments. During the thirteen month period ended June 30, 2020, the Company recognized $376,529, net of the remaining outstanding loan of $196,115 in bad debt in the consolidated statement of loss and comprehensive loss related to this arrangement.

On April 30, 2019, the Company issued an unsecured promissory note to an arm's length party for a loan of $100,000 at an interest rate of 5%, due on May 15, 2019. Principal and interest of $10,000 were repaid during the thirteen month period ended June 30, 2020.

On May 23, 2019, the Company issued an unsecured promissory note to an arm's length party for a cash loan of $18,000 at no stated interest rate and due on demand. The principal was repaid during the thirteen month period ended June 30, 2020.

On June 27, 2019, the Company issued a promissory note for a principal amount of $150,000 at an interest rate of 6%, due on July 10, 2019 amounting to $4,800. The principal and interest were repaid during the thirteen month period ended June 30, 2020.

On July 10, 2019, the Company issued a promissory note to an arm's length party for a CAD $25,000 non-interest-bearing loan. The principal was due at the earliest of (a) October 10, 2019, or (b) upon the date of the Company closing a financing. The Company was obligated to pay an additional 15% cash payment as a loan bonus, payable at the time of repayment. The principal was repaid during the thirteen month period ended June 30, 2020 the arm's length party waived the payment of the loan bonus.

On July 10, 2019, the Company issued a promissory note to an arm's length party for a CAD $75,000 non-interest-bearing loan. The principal was due at the earliest of (a) October 10, 2019, or (b) upon the date of the Company closing a financing. The Company was obligated to pay an additional 15% cash payment as a loan bonus, payable at the time of repayment. The principal was repaid during the thirteen month period ended June 30, 2020 and the arm's length party waived the payment of the loan bonus.

LIQUIDITY AND CAPITAL RESOURCES (continued)

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 and management will undertake to issue equity securities through the Proposed Transaction (see *"Overview and Outlook"*). Management takes all necessary precautions to minimize risks however additional risks could affect the future performance of the Company. Business risks are detailed in the *"Risks and Uncertainties"* section of this MD&A.

FOURTH QUARTER INFORMATION

The loss for the quarter ending June 30, 2020 decreased to $1,972,936 (2019 – $4,988,035). This is principally due to cost cutting measures the Company has put in place as well as a decrease in non-cash items such as listing expense and share-based payments. Sales decreased during Q4 2020 to $70,714 from $2,867,335 in Q4 of 2019. This is primarily due to the ongoing COVID-19 pandemic as well as the after effects of the health backlash for vape products.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTRACTUAL OBLIGATIONS

a) Settlement Agreement

On February 7, 2019, the Company entered into a Settlement and Release Agreement with Brown & Streza, LLP ("B&S"), a former legal service provider to the Company, whereby the Company and B&S agreed the Company shall pay $165,000. During the period ended June 30, 2020, the Company repaid $40,000 (2019 - $60,000) and to June 30, 2020, the Company owes B&S $65,000 (May 31, 2019 - $105,000) and the Company recorded an expense recovery of $Nil (year ended May 31, 2019 - $370,444) for amounts previously accrued by the Company for legal services provided by B&S.

b) Severance Agreement

On May 22, 2019 (the "Termination Date"), the Company entered into a Severance Agreement with its former President, Rene Suarez whereby the Company agreed to pay Mr. Suarez $18,000 upon execution of the Severance Agreement and $25,000 either (a) in equal instalments of $4,167 over the six months beginning July 1, 2019;or (b) in full, upon closing of the next private placement equity financing of at least $2,000,000. The Company also agreed to vest 20% of Mr. Suarez's option grant of 1,000,000 shares such that a total of 200,000 shares shall be fully vested on the Termination Date. The options are exercisable for one year after the Termination Date. During the period ended June 30, 2020, the Company paid Mr. Suarez $20,833. As of June 30, 2020, the Company owes Mr. Suarez $4,167.

c) Leases

On September 15, 2018, the Company entered into a Commercial Lease Agreement for its licensed production facility located in Clackamas, Oregon. The lease term ends on September 30, 2023, with two successive options to extend the lease term for a period of 5 years. Monthly base rent is $9,936 and a security deposit of $19,872 was paid.

On June 1, 2019, the Company entered into a Commercial Lease Agreement for its head office located in Irvine, California. The lease is a Triple Net lease, which commenced on June 1, 2019 and expires on July 31, 2024 for a lease term of sixty-one months with an option to review for five additional years. The Company paid a security deposit of $15,000 upon execution of the lease.

CONTRACTUAL OBLIGATIONS (continued)

c) Leases (continued)

Base rent (net) per month is payable as follows:

	Base rent $
2020	302,981
2021	236,488
2022	127,351
2023	121,617
2024	30,404
	818,840

d) GreenBloom Arbitration

During the thirteen month period ended June 30, 2020, the Company entered into the following series of related transactions -

On July 3, 2019, as last amended on July 29, 2019, the Company entered into a definitive agreement with GreenBloom for the acquisition of certain assets (the "Asset Purchase Agreement"). As consideration, the Company will pay an aggregate purchase price of $10,000,000 to be paid over 12 months from the date of closing, and issue 50,000,000 common shares at a price of CAD $0.50 per share (the "Payment Shares"). To June 30, 2020, the Company issued 5,078,623 common shares at a fair value of $805,841.

On July 29, 2010, the Company entered into a share purchase agreement, whereby the Company agreed to acquire the issued and outstanding common shares of Bimini Farms, Inc. ("Bimini") As initial consideration, the Company was obligated to pay a non-refundable deposit of $100,040 (paid).

On September 20, 2019, the Company also entered into a Commercial Lease Agreement (the "Lease Agreement") with a company related by way of common shareholders, which provided the Company a lease for real property located in, Calexico, California. The premise is to be used as cannabis cultivation, manufacturing, distribution and retail as permitted by state and local jurisdictions. In the event the Company is unable to secure a cannabis cultivation license from the City of Calexico, the Company will remain liable for the first month's rent, last month's rent, and security deposit, totalling $540,000 (unpaid), which will be retained as a termination fee. The Company will otherwise be released of any further liability under the Lease Agreement

Upon completion of the due diligence process, the Company served notice of termination of the Asset Purchase Agreement and Lease Agreement. Further, the Company determined not to pursue the purchase of Bimini. Accordingly, to June 30, 2020, the Company has recorded an impairment of asset acquisition of $905,881.

On November 6, 2019, GreenBloom filed an arbitration claim against the Company seeking $10,000,000 in damages for breach of contract and damages for termination of the Asset Purchase Agreement and the Lease Agreement. The Company has assessed the claim and believes it is without merit and that it is unlikely for Greenbloom to prevail in the arbitration.

RELATED PARTY TRANSACTIONS

Key Management Compensation:

Related party transactions not otherwise described in these consolidated financial statements are shown below. The remuneration of the Company's directors and other members of key management, being the CEO, President, and CFO who have the authority and responsibility for planning, directing and controlling the activities of the Company, consist of the following amounts:

	Thirteen Months Ended June 30, 2020	Year Ended May 31, 2019
	$	$
Management fees	304,650	425,650
Consulting	71,546	9,000
Share-based compensation	731,302	432,389
	1,107,498	**867,039**

Management fees were charged by the Company's CEO, Corey Mangold, the Company's President, Rick Brown, and the Company's CFO, Mathew Lee. During the thirteen month period ended June 30, 2020, the Company issued 200,000 common shares to the President of the Company at a fair value of $28,044 as a share-based payment as compensation for services provided.

During the period ended June 30, 2020 the Company incurred:

(a) $Nil (year ended May 31, 2019 - $21,627) in rent expense to an entity related by a common director and officer.
(b) $Nil (year ended May 31, 2019 – $36,000) in marketing expense to an entity related by a common director and officer.

A total of $390,192 (May 31, 2019 - $96,000) was recorded in trade payables and $263,136 (May 31, 2019 - $87,400) was recorded in wages payable for amounts due to directors and officers of the Company. The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

PROPOSED TRANSACTIONS

There are no proposed transactions.

SUBSEQUENT EVENTS

Subsequent to June 30, 2020, the Company:

i) Granted a total of 6,250,000 stock options to its officers and employees in accordance with the Company's plan. Each stock option is exercisable at a price of CDN $0.06 per share for a period of 5 years. The Company cancelled 100,000 stock options that were granted in March 2019 at a price of $0.33 per share.

ii) Sold the CA Forrest license and all the other assets to a manufacturing, production, distribution and retail company based in Colorado and Oregon for a sale price of $81,400.

iii) On November 19, 2020, the Company entered into an agreement with Sea2Sky, LLC ("Sea2Sky"), a service provider, in order to formalize a payment plan for fees owing to Sea2Sky. The payment plan includes the following:
- Payment of the outstanding balance of $72,560 in a series of instalments, no later than February 28, 2021;
- Accrual of 10% simple interest on the outstanding balance;
- Issuance of 500,000 common shares; and

SUBSEQUENT EVENTS (continued)

- Repricing of 650,000 stock options outstanding.

Additionally, the Company approved the issuance of 300,000 common shares for past services provided. Subsequent to the period ended June 30, 2020, 800,000 of the common shares have been issued, but none of the stock options have been repriced. The Company has paid instalment payments in accordance with the agreed-upon payment plan.

iv) Entered into a $100,000 line of credit facility with Augustiner Capital Ventures, LLC, a Delaware LLC ("Augustiner"). The line of credit facility is secured against the assets of the Company and will allow the Company to borrow up to a maximum of $100,000 at an interest rate of 10% per annum. Advances made under the line of credit will bear a 60-day term from the date each advance is made. In consideration for the line of credit facility, the Company has agreed to issue Augustiner warrants equal to 10 times the amount of each advance, to a maximum of 1,000,000 warrants. Each warrant will be exercisable into one common share of the Company for a period of one year from the date of issuance as such price that is equal to the greater of (i) the closing price of the Company's common shares on the date of the advance; and (ii) CDN $0.05. The Company has drawn a total of $99,999 from the line of credit facility and as such, has issued Augustiner a total of 999,999 warrants. Each warrant is exercisable at a price of CDN $0.06 per share until December 17, 2021.

NEW ACCOUNTING POLICIES ADOPTED DURING THE YEAR

The following IFRS standard has been recently issued by the IASB. Pronouncements that are not applicable or where it has been determined do not have a significant impact to the Company have been excluded herein.

Leases

On June 1, 2019, the Company adopted IFRS 16 – Leases ("IFRS 16") which replaced IAS 17 Leases and IFRIC 4 – Determining Whether an Arrangement Contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applied in IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company applied IFRS 16 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease liabilities related to its lease commitments for each of its leases. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rate as at June 1, 2019, the date of initial application, resulting in no adjustment to the opening balance of deficit. The associated right-of-use assets will be measured at the lease liabilities amount, plus prepaid lease payments made by the Company. The Company has implemented the following accounting policies permitted under the new standard:

a) leases of low dollar value will continue to be expensed as incurred; and
b) the Company will not apply any grandfathering practical expedients.

NEW ACCOUNTING POLICIES ADOPTED DURING THE YEAR (continued)

Leases (continued)

New accounting policy for leases under IFRS 16

The following is the accounting policy for leases as of June 1, 2019 upon adoption of IFRS 16:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable under a residual value guarantee;
d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

As at June 1, 2019 the Company recognized $883,258 in right-of-use assets and $883,258 of incremental lease obligations.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future that affect the amounts recorded. Actual results could differ from these estimates. Estimates and assumptions are based on historical experience, expectations of future events and other factors considered by management to be reasonable. The estimates and assumptions that could result in a material impact to the carrying amounts of assets and liabilities are outlined below:

Use of Estimates

(a) Inventory valuation

The Company records a write-down to reflect management's best estimate of the net realizable value of inventory which includes assumptions and estimates for future sell-through of units, selling prices as well as disposal costs, where appropriate, based on historical experience. Management continually reviews the carrying value of its inventory, to assess whether the write-down is adequate, based on current economic conditions and an assessment of sales trends.

(b) Share-based compensation

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant.

(c) Equipment

Depreciation of property and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

(d) Recognition and valuation of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgement regarding the future financial performance or the timing of the reversed deferred tax liabilities where deferred tax assets have been recognized.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of estimated discounts. The Company considers the terms of the sales contracts as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement.

(f) Expected credit losses

The Company recognizes an allowance for expected credit losses ("ECL") for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Use of Estimates (continued)

(f) Expected credit losses (continued)

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. A financial asset is considered in default when contractual payments are 365 days past due. Therefore, the Company does not track changes in credit risk but makes a loss allowance based on 12 months ECL.

A financial asset may also be considered to be in default if internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(g) Warranty provision

The Company estimates warranty expense based on historical records, taking into account the likelihood of a warranty issue, estimated costs of warranty repair and total units in the market. The Company records a liability in respect of estimated future warranty costs. The actual cost that the Company may incur and the timing of the repairs to be carried out may differ significantly from the estimated accrual.

The Company warrants that its products will operate substantially in conformity with product documentation. The Company accrues for known warranty issues if a loss is probable and can be reasonably estimated and accrues for estimated incurred but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

Use of judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements applying to the Company's financial statements include the assessment of the Company's going concern.

FINANCIAL AND OTHER INSTRUMENTS

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year. Disclosures relating to exposure to risks, in particular credit risk, liquidity risk, foreign exchange risk and interest rate risk are provided below.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash and trade receivables.

The Company limits its exposure to credit risk with respect to cash by investing available cash with major banks in the United States of America. The Company's cash is not subject to any external restrictions

The Company's receivables are as follows:

	As At	
	June 30, 2020	**May 31, 2019**
	$	**$**
Current	81	105,000
31-60 days	63,708	568,000
Over 60 days	5,961	1,600,289
	69,750	**2,273,289**

With respect to receivables, the Company mitigates the risk by performing ongoing credit evaluations of its customers' financial condition. The Company monitors collectability of receivables on an on-going basis to determine credit risk.

Credit Risk (continued)

At June 30, 2020, any accounts receivable due beyond one year have been provided for in the allowance for doubtful accounts.

Liquidity Risk

As at June 30, 2020 the Company had cash of $76,017 (2019 - $111,671) available to settle current liabilities of $2,721,559 (2019 - $1,435,983), all of which are due within one year. The Company expects to finance its inventory purchases and administrative expenditures through cash flows from operations, debt, as well as equity financing. Liquidity risk is assessed as high.

Market Risk

The Company is exposed to market risk with respect to foreign currency risk.

The Company is exposed to foreign currency risk on fluctuations related to cash, trade payables and accrued liabilities that are denominated in a foreign currency. As at June 30, 2020, the Company had trade payables of $319,977 (2019 - $Nil) denominated in foreign currencies. Management's assessment of the Company's exposure to market risk is low.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk is minimal.

ORCHID VENTURES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THIRTEEN MONTHS ENDED JUNE 30, 2020

CAPITAL MANAGEMENT

As at June 30, 2020, the Company's capital is composed of shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the manufacturing operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of the issued members' equity units. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through a combination of equity capital raised by way of private placements and short-term debt. There can be no assurances that the Company will be able to continue raising equity capital and short-term debt in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash and other short-term deposits, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period ended June 30, 2020.

OTHER MD&A REQUIREMENTS

DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this report, there were 91,148,067 common shares, 2,994,986 exchangeable units, 14,250,000 stock options, and 14,518,438 warrants issued and outstanding.

OVERVIEW OF UNITED STATES REGULATION OF CANNABIS

On February 8, 2018 the Canadian Standards Association ("CSA") published a staff notice setting out the CSA's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States ("Staff Notice 51-352"). Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views Staff Notice 51-352 favourably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States.

As of June 30, 2020, all of the Company's assets are exposed to U.S. cannabis related activities. In this respect, all of the Company's assets and operations are currently related to U.S. cannabis related activities.

The chart on the following page is a summary of the Company's material assets and investments. References to "Direct", "Indirect" or "Ancillary" classifications of each asset or investment have the meanings ascribed thereto in the Staff Notice 51-352. All of the Company's investments that give the Company "Direct", "Indirect" and "Ancillary" involvement in the U.S. marijuana industry are included in the chart:

Asset Name	Description	Type of Relationship	Jurisdiction	Classification
CR Manufacturing OR, Inc. ("CR OR")	CR OR, Inc. has received a recreational wholesale license (#10136614016. CR OR has secured the Oregon Facility in Clackamas County, Oregon. The Oregon Facility is fully equipped for manufacturing and is in industrial zoning which enables CR OR to do co-packing, manufacturing, processing and distribution. CR OR has obtained its Land Use Compatibility Statement from the Clackamas County Planning Department for cultivation, processing and wholesaling.	Wholly owned subsidiary	Oregon	Direct
CA Forrest Green, LLC ("CA FG")	CA FG is the sole owner of a provisional Cannabis distribution license ("Temporary License"), license number C11-0000967-LIC, of the Bureau of Cannabis Control ("BCC") and certain related proprietary documents such as the floor plans, security plan, standard operating procedures, Long Beach co-location license, and other intellectual property rights and the lease of real property located at 2338 East Anaheim Street, Suite 203C, Long Beach, California 90804. Until the actual site is up and operating, the Temporary License granted by the BCC is suspended.	Wholly owned subsidiary	California	Ancillary

Compliance of United States Operations

The Company's activities are compliant with applicable U.S. state and local law. The Company will develop a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied. Orchid has hired General Counsel, who is a licensed attorney in both California and Oregon with extensive experience in the cannabis industry to implement and monitor regulatory compliance. The General Counsel and Chief Operating Officer have worked together to implement best standard SOPs for all facilities. Management also employs compliance operators to assist with monitoring products through the state-wide track-and-trace programs in Oregon and California. In addition, the General Counsel has retained local outside counsel and industry experts as well to advise the Company in connection with compliance with California law, Oregon law, U.S. federal laws and Canadian laws on an ongoing basis. Management will continue to work closely with outside counsel and internal legal counsel to develop and improve its internal compliance program. The Company has developed and will continue to develop best-practice SOPs and management will ensure all operations conform with legally compliant SOPs. The Company further requires its employees and management undergo ongoing training and to report and disclose all instances of non-compliance or regulatory, administrative, or legal proceedings that may be initiated against them.

RISKS AND UNCERTAINTIES

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Regulation of Marijuana in the United States
Unlike in Canada which has proposed to have federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada), investors are cautioned that in the United States, cannabis is largely regulated at the State level. To the Company's knowledge, there are to date a total of 33 States, plus the District of Columbia, that have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act (the "**CSA**") in the United States and as such, remains illegal under federal law in the United States.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture.

As a result of the conflicting views between State legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorney acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US States had enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined the priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice never provided specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

In March 2017, the newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit. However, on January 4, 2018, Mr. Sessions issued a new memorandum that rescinded and superseded the Cole Memorandum effective immediately (the "**Sessions Memorandum**"). The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow

Regulation of Marijuana in the United States (continued)

well-established principles when pursuing prosecutions related to marijuana activities. The inconsistency between federal and state laws and regulations is a major risk factor.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, nonetheless the stated position of the current administration is hostile to legal cannabis, and furthermore may be changed at any time by the Department of Justice, to become even more aggressive. The Sessions Memorandum lays the groundwork for United States Attorneys to take their cues on enforcement priority directly from Attorney General Jeff Sessions by referencing federal law enforcement priorities set by the Attorney General Jeff Sessions. If the Department of Justice policy under Attorney General Jeff Sessions was to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries, and (ii) the arrest of its employees, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis.

Notably, current federal law (in the form of budget bills) prevents the Department of Justice from expending funds to intervene with states' rights to legalize cannabis for medical purposes.

Now that the Cole Memorandum has been repealed by Attorney General Jeff Session, the Department of Justice under the current administration or an aggressive federal prosecutor could allege that the Company and its Board and, potentially its shareholders, "aided and abetted" violations of federal law by providing finances and services to its portfolio cannabis companies. Under these circumstances, it is possible that the federal prosecutor would seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Proceeds of Crime Statutes

The Company will be subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In the event that any of the Company's license agreements, or any proceeds thereof, in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could be materially averse to the Company and, among other things, could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Regulatory Scrutiny of the Company's Interests in the United States
For the reasons set forth above, the Company's interests in the United States cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to carry on its business in the United States.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. It has been reported by certain publications in Canada that The Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of holders of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to affect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational

cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Our business is dependent on laws pertaining to the cannabis industry.
Continued development of the marijuana industry is dependent upon continued legislative authorization of the use and cultivation of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of marijuana, which would negatively impact our proposed business.

Currently, thirty-three states and the District of Columbia allow its citizens to use medical cannabis. Additionally, ten states have legalized cannabis for adult use, including the states of Oregon and California. The state laws are in conflict with the federal CSA, which makes marijuana use and possession illegal on the federal level. The Obama administration, pursuant to the Cole Memorandum, previously effectively stated that it is not an efficient use of resources to direct law federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, the Sessions Memorandum under the Trump administration has reversed this position which creates a risk of prosecution by a number of federal agencies. Additionally, there can be no assurance as to the position any new administration may take on cannabis and could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders.

Cannabis remains illegal under Federal law
Cannabis is a Schedule 1 controlled substance and is illegal under federal U.S. law. Even in those states in which the use of cannabis has been legalized, its use remains a violation of federal law. Since federal law criminalizing the use of cannabis pre-empts state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Company's business, prospects, results of operation, and financial condition.

Unfavourable Tax Treatment of Cannabis Businesses

Under Section 280E of the U.S. Internal Revenue Code ("**Section 280E**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the IRS to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E therefore has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its income tax expenses.

State Regulatory Uncertainty

The rulemaking process for cannabis operators at the state level in any state will be ongoing and result in frequent changes. As a result, a compliance program is essential to manage regulatory risk. The Company's legal team will provide guidance in regards to any rulemaking processes and resulting regulatory changes. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Company's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that the Company will receive the requisite licenses, permits or cards to operate its businesses.

In addition, local laws and ordinances could restrict the Company's business activity. Although legal under Oregon state law, local governments have the ability to limit, restrict, and ban cannabis businesses from operating within their jurisdiction. Land use, zoning, local ordinances, and similar laws could be adopted or changed, and have a material adverse effect on the Company's business.

Restricted Access to Banking

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defences from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Limited Trademark Protection

The Company will not be able to register any United States federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is a crime under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it conducts business. The use of its trademarks outside the states of Oregon and California by one or more other persons could have a material adverse effect on the value of such trademarks.

Potential FDA Regulation
Should the federal government legalize cannabis, it is possible that the U.S. Food and Drug Administration (the "**FDA**"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results and financial condition.

Legality of Contracts
Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

Nature of Licenses
In California, the Company is relying upon a cannabis license to operate its business. The license granted by the Bureau of Cannabis Control is temporary and it's not guaranteed that the Company will obtain the annual license. The provisional license (C11-0000967-LIC) in California initially expired on August 7, 2020 and was renewed until August 7, 2021. Due to the temporary nature of the licenses, there is a risk that the Company will be unable to renew these licenses and to continue to rely on their terms to operate its business.

The Company has no operating history
The Company has no operating history and may not succeed. The Company is subject to all risks inherent in a developing business enterprise. The Company's likelihood of continued success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the competitive and regulatory environment in which it operates. For example, the adult use cannabis industry is a relatively new industry which, as a whole may not succeed, particularly should the federal government of the United States decide to prosecute various parties under federal law.

The Company's products
As a relatively new industry, there are not many established players in the recreational cannabis industry whose business model the Company can follow or build on the success of. Similarly, there is no information about comparable companies available for potential investors to review in making a decision about whether to invest in the Company.

Shareholders and investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur and they may result in material delays in the operation of The Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company Shares to the point investors may lose their entire investment.

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing products and new products and services. These products are relatively untested, and the Company cannot assure shareholders and investors that it will achieve market acceptance for these products, or other new products and services that The Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business. In addition, new products and services may pose a variety of challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products and services could seriously harm the Company's business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

Proposed management of the Company believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis produced. Consumer perception of the Company's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or the Company's proposed products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.