

1st February 2024

Ref: Shareholders Update

Dear Shareholder,

I write to you today to provide an update of Orange River Capital and our mutual investment in Greengrow Capital. In the first instance I wish to highlight the business plan of Orange River Capital, its goals and shareholder liabilities and then present a current status of our investment with the proposed action plan moving forward that will achieve our desired success.

Orange River Capital

Established in 2020, Orange River Capital was created to benefit from the blossoming medical cannabis industry, one which has seen immense market growth over the last few years yet remains at a very embryonic stage. Since Uruguay legislated to legalise cannabis in 2013, being the first country to do so since the near 100 year global prohibition of cannabis, over 70+ countries have since followed with their own legislation accounting for almost half of the entire world in just 10 short years. In addition, the advancement of understanding and medical applications available from the cannabis plant has grown exponentially yet also remains a new frontier of plant derived medicines that are uniquely matched to the human body treating many of the most serious medical conditions as well as contributing to overall wellbeing.

Greengrow Capital

Located outside Pretoria, South Africa, Greengrow Capital was awarded a 15 year + 15 year exclusivity of one of the first 3 SAHPRA (South Africa Health Products Regulatory Authority) licenses to cultivate pharmaceutical grade cannabis. In doing so, Greengrow built a dedicated indoor cultivation facility able to produce 3,000kg of medical cannabis with projected revenues of \$6million USD per annum.

ORC Preferential Shares

In 2022, via its preferential share issue, Orange River Capital secured a 49% equity stake in Greengrow for the benefit of its shareholders, achieving ORC's stated goal as set out in our prospectus. Subsequently, all of ORC's shareholders, irrespective of class, were and are directly secured against the holding in Greengrow and the fixed dividend attributed to the preferential shares of Orange River Capital was set against the revenues of Greengrow.

The preferential share issue of Orange River Capital is designed to take advantage of the medical cannabis market by securing equity in a licensed and regulated operator, being Greengrow, and thereafter adding value to the business through additional funding rounds to expand its production capabilities as well as add additional revenue streams through subsequent acquisitions or add on operations to Greengrow such as processing and distribution. The business plan is and has always been a private equity model of buying into a growth business/market, adding value and exiting via a public listing or sale of the company at an increased value for the benefit of ORC's shareholders. The added factor of a fixed dividend to the preferential shares was reflective of the business model of Greengrow, that once its commercial business was operational it would be producing 3,000kg per annum with projected revenues of \$6Million USD and a gross profit of circa \$4million USD, which would provide Orange River Capital a distribution of circa \$1.4Million USD per year, well in excess of the maximum \$900kUSD fixed dividend liability. This we felt should be passed on to shareholders through the term, yet the growth value of the investment was always and remains the key driver.

Dividend Policy

Orange River Capitals dividend policy is 15% per year in arrears due each January with the option to make interim dividend payments through the year at the Directors discretion, notably July.

Dividends are accrued for each shareholder yearly on a pro rata basis, from the date of their share certificate to December 31st each year, the month before the dividend date of January 31st, except for the biannual interim dividend paid mid 2022. The dividend for 2021 was paid Q1 2022, 2022's dividend was paid Q3 2022 and Q1 2023.

The nature of the fixed dividend policy is such that it is a liability on Orange River Capital, and it continues to accrue until it is paid, rolling up throughout the term of the shareholding until settled. It therefore acts as a coupon similar to that of a Loan Note/Corporate Bond which is not determined by the profitability of ORC and remains a liability owed to shareholders until fully paid. As such, we made provisions for the 1st period of dividends in 2022/2023 to be set aside ensuring the dividends would be met and affording Greengrow the opportunity to scale up its commercial operations and meet its revenue targets.

Greengrow Operations

As you are all aware, our choice of partner, Greengrow, was chosen as it met a number of key factors, being;

- Access to a Government issued license recognised globally
- Regulated by a Government Health Authority
- Built facility based on its own land with significant expansion potential
- Low-cost production base
- Projected high profit financial model
- Expert management team

Greengrow not only met these requirements, with additional funding and direction it had the potential to exceed them being spearheaded by a highly regarded and educated scientific team. Whilst the management team at Greengrow is undeniably talented and leaders within their respective fields it has become apparent that their desired push for innovation does not meet the necessary commercialisation of operations for Orange River Capital's expectations and as such the balance between innovation and commercial success has been too weighted to scientific breakthrough rather than delivering sales revenue.

2023 Dividend

The undesired effect of seeking scientific breakthrough above profitability is that Greengrow has not commercially produced revenues to meet a distribution to Orange River Capital and therefore ORC is unable to pay its 2023 dividend.

ORC's Remedial Action

Whilst ORC applauds and indeed backs the scientific approach instigated by the management of Greengrow as in itself there are future possibilities that will be beneficial both medically and commercially, we also believe that it should be balanced with a current commercial mindset ensuring that Greengrow meets its revenue targets, which not only afford the distribution to Orange River Capital and thus its shareholders, but also provides further funding for scientific research. The two directions, to our mind, do not have to be mutually exclusive.

Therefore, we have been working in the background to secure the agreement of other Greengrow shareholders to create a majority cooperative to meet both these goals.

ORC's Action Plan

In conjunction with other Greengrow shareholders we have notified the management and remaining shareholders of Greengrow that whilst we are wholly committed to Greengrow, we intend to put in place our own Director of Operations to bring the facility commercially online. In the first instance, this will include a full audit of the last 2 years of operation including what is required to make the facility commercially able to meet its obligations.

We have worked tirelessly to secure the services of a new Operations Director and are pleased to state that he has agreed and in doing so brings with him not only a decade of experience in commercial cultivation of cannabis but also direct contracts for sale of the cultivated crop, encompassing the full production of the Greengrow facility.

The facility of course is able to produce 4 crops per annum, ie 1 per quarter, and as such once our Operations Director is in place, he is able to cultivate specifically to the sales contracts delivering revenues every 3-4 months. This therefore means that once active commercially, the facility can deliver to its shareholders, and subsequently ORC shareholders, the expected revenue after deducted operational costs.

We do believe that the instigation of our action plan will require additional funding to ensure its success. Therefore, we will be seeking an additional \$1.2Million USD through our preferential share issue that will enable our action plan to be enacted for the benefit of all shareholders. This additional funding will still keep us below the threshold as previously highlighted to the maximum fixed dividend of \$900k per annum.

I will be updating everyone periodically, in the first instance the audit report from our operations manager, its conclusions as well as its forward plan in making the facility commercially active to the standards set out. From this we can set out a plan that includes the settlement ongoing of 2023 dividends, which we expect to do throughout the year. Again, I must express that all ORC shareholders are secured against the equity in Greengrow, and with the support of other Greengrow shareholders which I have secured, we can instigate a plan of action to drive Greengrows commercial success which is eminently achievable.

Conclusion

Of course, I appreciate this is not the update you were expecting, however we all appreciate that any new business operation will and shall encounter hurdles along the way. We have therefore taken decisive action to remedy the situation and in doing so placing Greengrow on the right path to success. This will require the support of all ORC shareholders.

I also personally appreciate that you may have additional questions that I have not covered herein, so I am opening my diary to personally accept any call, zoom or meeting that you require with me. Please do email me directly so we can arrange a time that is convenient if you so wish.

Yours Sincerely,



Lee Farbrace
Director