

LOTUS VENTURES INC.

**LISTING STATEMENT
FORM 2A**

DECEMBER 30, 2020

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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Listing Statement are forward-looking statements or information (collectively “forward-looking statements”) which are based upon Lotus’s current internal expectations, estimates, projections, assumptions and beliefs. Lotus is hereby providing cautionary statements identifying important factors that could cause Lotus’s actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “may”, “is expected to”, “anticipates”, “estimates”, “intends”, “plans”, “projection”, “could”, “vision”, “goals”, “objective” and “outlook”) are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, Lotus has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of Lotus.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. Forward-looking statements in this Listing Statement include, but are not limited to, statements with respect to:

- the use of proceeds;
- the intention to grow the business and operations of Lotus;
- expected sale prices;
- expected growth in the number of users of medical marijuana in Canada;
- the number of grams of medical marijuana expected to be used by each user;
- the proposed executive compensation for the executives and directors of Lotus;
- the listing of Lotus Shares on the CSE;
- future liquidity and financial capacity;
- expectations regarding the ability to raise capital; and
- Treatment under government regulatory regimes.

With respect to the forward-looking statements contained in this Listing Statement, Lotus has made assumptions regarding, among other things:

- the ability of Lotus to obtain necessary financing;
- regulatory change both rational and irrational, substantive and petty,
- the economy generally;
- consumer interest in the products of Lotus;
- competition; and
- anticipated and unanticipated costs.

The risks, uncertainties and other factors, many of which are beyond the control of Lotus, that could influence actual results include, but are not limited to: risks and cost implications and time required for Lotus to become a Cannabis Act Licensed Producer; change in laws, regulations and guidelines; limited operating history; reliance on a single facility; reliance on management; requirements for additional financing; competition; risks inherent in an agricultural business; vulnerability to rising energy costs; unfavourable publicity or consumer perception; product liability; product recalls; reliance on key inputs; dependence on suppliers and skilled labour; difficulty in forecasting sales; conflicts of interest; litigation; price fluctuation of Lotus’s shares; no earnings or dividend record; limited market for Lotus’s securities; and other factors beyond the control of Lotus.

Further, any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, Lotus does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of Lotus or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. See “*Risk Factors*”.

CONVENTIONS

Certain terms used herein are defined in the “Glossary of Terms”. Unless otherwise indicated, references to \$ or "dollars" are to Canadian dollars and references to "US\$" are to United States dollars. All financial information with respect to the Issuer has been presented in Canadian dollars in accordance with generally accepted accounting principles in Canada.

GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this Listing Statement. This is not an exhaustive list of defined terms used in this Listing Statement and additional terms are defined throughout. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

“Affiliate”	<p>Means a company that is affiliated with another company as described below: A company is an “Affiliate” of another Company if:</p> <ul style="list-style-type: none"> (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. <p>A company is “controlled” by a Person if:</p> <ul style="list-style-type: none"> (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company. <p>A Person beneficially owns securities that are beneficially owned by:</p> <ul style="list-style-type: none"> (a) a Company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.
“Associate”	<p>When used to indicate a relationship with a person or company, means</p> <ul style="list-style-type: none"> (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer, (b) any partner of the person or company, (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity, (d) in the case of a person, a relative of that person, including <ul style="list-style-type: none"> (i) that person’s spouse or child, or (ii) any relative of the person or of his spouse who has the same residence as that person; but (e) where the Exchange determines that two persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.
“Auditor”	Means the auditor of Lotus, DeVisser Gray LLP.
“BCBCA”	Means the <i>Business Corporations Act</i> (British Columbia).
“Board”	Means the board of directors of Lotus.
“CEO”	Means Chief Executive Officer.
“CFO”	Means Chief Financial Officer.
“COO”	Means Chief Operating Officer.
“CSE” or “Exchange”	Means the Canadian Securities Exchange.

“CSE Escrow Agreement”	Means the escrow agreement among Lotus, the Transfer Agent and certain shareholders, pursuant to 14,650,000 common shares of Lotus were originally held in escrow at December 7, 2014.
“CSE Escrow Shares”	Means Lotus common shares that are held in escrow pursuant to the CSE Escrow Agreement.
“Company”	Unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
“Control Person”	Means any person or company that holds or is one of a combination of persons or companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.
“Exchange” or “CSE”	Means the Canadian Securities Exchange.
“Insider”	If used in relation to an Issuer, means: (a) a director or senior officer of Lotus; (b) a director or senior officer of the Company that is an Insider or subsidiary of Lotus; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of Lotus; or (d) Lotus itself if it holds any of its own securities.
“Lotus” or “Issuer”	Means Lotus Ventures Inc.
“Member”	Has the meaning set out in the policies of the Exchange.
“MMAR”	Means the Medical Marijuana Access Regulations.
“MMPR”	Means the Marijuana for Medical Purposes Regulations.
“Named Executive Officer” or “NEO”	Means: (a) the CEO; (b) the CFO; (c) each of Lotus’s three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers at the end of the most recently completed financial year and whose total salary and bonus, individually, exceeds \$150,000 per year; or (d) any additional individuals for whom disclosure would have been provided under (c) except that the individual was not serving as an officer of Lotus at the end of the most recently completed financial year.
“Options”	Means options granted under the Stock Option Plan to acquire common shares of Lotus.
“Option Exercise Agreement”	Means the agreement among 0998918 B.C. Ltd., Carl Correia and Private Lotus dated September 1, 2014.

“Person”	Means a Company or individual.
“Private Lotus”	Means the private company Lotus Ventures Inc. which amalgamated with Strachan to form Lotus.
“Listing Statement”	Means this Listing Statement, together with all Appendices hereto.
“Related Person”	Means an Insider, which has the meaning set forth in the <i>Securities Act</i> (British Columbia): <ul style="list-style-type: none"> (a) director or senior officer of Lotus; (b) a director or senior officer of the company that is an insider or subsidiary of Lotus; (c) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of Lotus; or (d) Lotus itself if it holds any of its own securities.
“Stock Option Plan”	Means the incentive stock option plan of Lotus.
“Strachan”	Means Strachan Resources Ltd.

CORPORATE STRUCTURE

Name, address and incorporation

Lotus was amalgamated under the BCBCA as Lotus Ventures Inc. on November 27, 2014.

Lotus principal office is at 1848 Commercial Drive, Vancouver, BC, V5N 4A5. The registered and records office of Lotus is located at Suite 1010 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3.

Intercorporate Relationships

Lotus does not have a subsidiary.

GENERAL DEVELOPMENT OF THE BUSINESS

History of Lotus since amalgamation on November 27, 2014

Lotus was formed by the amalgamation of Strachan Resources Ltd., a capital pool company, and Lotus Ventures Inc. (“Private Lotus”), a private BC company, on November 27, 2014.

Private Lotus’ MMPR application was submitted to Health Canada in October 2014.

Lotus obtained a receipt for its non-offering Prospectus from the British Columbia Securities Commission on December 1, 2014 and was listed on the Canadian Securities Exchange on December 8, 2014 under the symbol “J”. Lotus is a reporting issuer in British Columbia, Alberta and Ontario.

On November 27, 2014, Private Lotus and Strachan were amalgamated pursuant to an amalgamation agreement dated July 30, 2014 and as amended September 1, 2014. The shareholders of each of Private Lotus and Strachan exchanged their respective shareholdings on a one-for-one basis for the share capital of the Company. The effect of these exchanges and other issuances of Company shares is that the shareholders of Private Lotus obtained control of the Company immediately subsequent to completion of the amalgamation.

On November 7, 2015 the Company entered into a three-year lease agreement on the property near Armstrong, British Columbia. The Company acquired the right to purchase the 23-acre parcel of farmland at any time during the lease for \$1.1 million by payment of \$50,000. The Company also paid a further \$50,000 in March 2016 and subsequently exercised the purchase option on the land June 8, 2018.

On September 4, 2018, the Company completed a final agreement with Cannabis Wheaton Income Corp. now Auxly Cannabis Group Inc. (“XLY”), pursuant to which XLY agreed to subscribe for \$5 million in common shares of the Company (the “Initial Subscription”). The Initial Subscription is conditional upon, (i) completion of XLY’s satisfactory due diligence review of the Company; (ii) the parties mutually agreeing to the Company’s construction budget, design and timeline to build the facility; and (iii) the Company receiving confirmation from Health Canada requesting a pre-licensing inspection of the facility.

Upon completion of the Initial Subscription, XLY shall receive 50% of the actual cultivation yield generated, together with certain ancillary rights, for a period of 10 years. Following receipt of the Company’s cultivation license, XLY will be entitled to designate one nominee to the board of directors as long as XLY holds at least 25% of the common shares purchased in the Initial Subscription.

On February 9, 2018, XLY completed the first tranche of the Initial Subscription for gross proceeds of \$1,000,000. The first tranche consisted of 1,818,181 units in the Company at a price per unit of \$0.55.

On September 12, 2018, XLY completed the second tranche of the Initial Subscription for gross proceeds of \$4,000,000. The financing was comprised of an equity component of 3,755,868 common shares issued at \$0.71 per share, for proceeds of \$2,666,667. The remaining \$1,333,333 of proceeds was recorded as deferred revenue, the future recognition of which by the Company is subject to the exercise, by XLY, of certain call options in respect to the Company’s future cannabis production. The amount is expected to be recognized as income if and as XLY

exercises its call options to acquire up to 50% of the Company’s production yield at various prices, based on the discount, if any, of the call prices to current equivalent market values. The equity component of the proceeds received in excess of the fair value of the common shares issued was recorded as an equity reserve of \$1,727,699. This amount is representative of XLY’s intangible rights obtained pursuant to its agreement with the Company.

On March 8, 2019 Lotus received a Standard Cultivation and a Sale for Medical Purposes license pursuant to Health Canada’s Cannabis Act (the "Act"). Under the Act, a Standard Cultivation license permits the sale of bulk cannabis to federal license holders. Under the Act, a Sale for Medical Purposes license permits the sale of dried cannabis to medical patients who have registered directly with a federal license holder. Lotus currently utilizes its Standard Cultivation license to sell bulk wholesale to license holders in Canada.

The Option Exercise Agreement

Private Lotus has the rights under an agreement dated September 1, 2014 between Carl Correia and 0998918 B.C. Ltd. (the “Vendors”) and Private Lotus (the “Option Exercise Agreement”). Private Lotus agreed to issue 1,700,000 common shares to each of the Vendors for a total of 3,400,000 common shares at a deemed price of \$0.02 per share. Private Lotus acquired Correia’s agreement to (a) be the Chief Operating Officer of Private Lotus and the Person in Charge in the MMPR Application (b) to prepare the MMPR application on behalf of Private Lotus; (c) assist Private Lotus to obtain approval of the application from Health Canada (d) assist Private Lotus to obtain the MMPR License; and (e) assist Private Lotus to negotiate a lease on the property on which the facility is located. Private Lotus also acquired Correia’s know-how and experience regarding (a) the requirements with respect to the MMPR License process and requirements (b) facility design for application for the MMPR License (c) Quality control pursuant to the MMPR License (d) Security requirements pursuant to the MMPR License (e) Recruitment of appropriate Alternate Person in Charge and Person in Charge of Quality Control; (f) know-how re the growing of medical marijuana, (g) all information, documents and records prepared with respect to the MMPR License application and all lease rights to the facility. Upon amalgamation, Lotus now has these rights.

During the financial year completed August 31, 2020, there were no significant acquisition or disposition.

Trends

As reported by Health Canada, as of September 2020, dried cannabis sales represented 70% of total sales. Cannabis extracts represented 14% of total sales and edible cannabis sales represented 15%. Lotus continues to be confident in its long-term dried cannabis flower strategy and continues to see an opportunity in the marketplace for an increased supply of high-quality flower offerings. Through the first year of production, the Company found High THC cannabis flower, or cannabis testing greater than 20% THC to be in the highest demand for flower offerings. We believe this to be an incredible opportunity similar across Canada because of our capability to consistently produce a premium product that tests with robust results.

Management of Lotus does not know of any other trends, commitments, events or uncertainties that are expected to materially affect Lotus’s business other than as disclosed in this Listing Statement and in particular under “Risk Factors” and “Narrative Description of the Business”.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Objectives and Milestones

Lotus’ initial facility is in full operation. Over the next 12 months Lotus will concentrate its efforts on obtaining financing for the initial facility expansion and obtaining a sales license amendment.

Available Funds and Principal Purposes

As at August 31, 2020, Lotus had net working capital of approximately \$975,000. The principal purposes for which the available funds will be used are as follows:

Item	\$
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Funds Available	
Working capital as at August 31, 2020	\$975,000
Principal purposes for the use of available funds	
General and administrative costs for 12 months	\$689,000

The following are estimates of general and administrative expenses to be incurred over 12 months from the date of this Listing Statement.

General and Administrative Costs for 12 Months	Amount
Management and Consulting Fees	\$430,000
Rent	\$41,500
Accounting and Audit	\$21,500
Legal fees	\$15,000
Regulatory and Filing	\$40,000
Transfer Agent	\$5,000
Miscellaneous – office	\$46,500
Investor Relations	\$49,000
Travel	\$40,000
Total	\$689,000

Lotus intends to spend the funds available to it as stated in this Listing Statement. There may be circumstances, however, where for sound business reasons a reallocation of funds may be necessary. Use of net proceeds will be subject to the discretion of management.

SELECTED ANNUAL INFORMATION

The following selected financial information is derived from the Company's audited financial statements for the years ended August 31, 2020, 2019 and 2018.

Description	Year ended August 31, 2020	Year ended August 31, 2019	Year ended August 31, 2018
<i>Revenues</i>	\$4,629,743	\$Nil	\$Nil
<i>Net income (loss)</i>	\$1,494,002	(\$2,912,490)	(\$2,500,900)
<i>Income (loss) per share, basic and fully diluted</i>	\$0.02	(\$0.04)	(\$0.05)
<i>Total assets</i>	\$16,908,437	\$15,593,896	\$9,289,994
<i>Total long-term liabilities</i>	\$Nil	\$Nil	\$Nil
<i>Cash dividends declared</i>	\$Nil	\$Nil	\$Nil

SUMMARY OF QUARTERLY RESULTS

The financial results of the Company for the eight most recent quarters are summarized below:

Description	Three months ended Aug 31, 2020	Three months ended May 31, 2020	Three months ended Feb 28, 2020	Three months ended Nov 30, 2019	Three months ended Aug 31, 2019	Three months ended May 31, 2019	Three months ended Feb 28, 2019	Three months ended Nov 30, 2018
<i>Revenues</i>	\$1,782,613	\$1,775,878	\$1,071,252	-	-	-	-	-
<i>Net income (loss)</i>	(231,443)	\$1,231,779	(\$335,888)	\$839,554	(973,537)	(\$488,258)	(\$611,431)	(\$839,264)
<i>Income (loss) per share, basic and diluted</i>	\$0.00	\$0.01	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01	\$0.01
<i>Total assets</i>	\$16,908,437	\$17,245,515	\$16,541,664	\$16,853,975	\$15,593,896	\$15,430,037	\$14,621,681	\$15,588,263
<i>Total long-term liabilities</i>	\$Nil							
<i>Cash dividends / share</i>	\$Nil							

During the three months ended August 31, 2020 the Company recognized a loss of \$231,443, compared a loss of \$973,537 for the three months ended August 31, 2019. However, this was the second consecutive quarter of revenues exceeding \$1.75 million dollars with an average net income of approximately \$495,000 for the two most recently completed quarters.

Significant items making up the change for the three months ended August 31, 2020 as compared to the three months ended August 31, 2019 were as follows:

- Net loss for the three months ended August 31, 2020 decreased by \$732,094 as a result of the Company recognizing sales of cannabis flower during the period, whereas there were no sales in the comparative period.
- Revenues increased by \$1,782,613 as a result of the Company recognizing sales of cannabis flower during the period, whereas there were no sales in the comparative period.
- Share-based compensation expense decreased by \$415,296 as a result of fewer stock options issued during the period to officers, directors, and consultants of the Company.
- Consulting fees decreased by \$146,074 as a result of the Company as a result of certain management and other consultants fees being included in the costs of production.
- Professional fees increased by \$153,071 due to increased monthly accounting requirements for the facility, and legal fees incurred relating to regulatory filings.
- Property taxes increased by \$65,061 due to the increased taxes as a result of the change in use as a result of the facility being operational.
- Sales commissions increased by \$105,713 as a result of the Company paying commissions on sales made during the 3 months ended August 31, 2020.

FINANCIAL POSITION AND LIQUIDITY

Cash Flows

A summary and discussion of the Company's cash inflows and outflows for the year ended August 31, 2020 and 2019 are as follows:

Operating Activities

During the year ended August 31, 2020, the Company received \$205,040 from operating activities compared to \$3,305,801 spent during 2019. The increase is primarily due to the Company realizing sales during the year.

Financing Activities

The Company received \$620,651 from financing during the year ended August 31, 2020, compared to \$8,946,297 during the year ended August 31, 2019.

Investing Activities

The Company used \$653,731 in investing activities for facility construction costs during the year ended August 31, 2020, compared to \$7,271,601 during the year ended August 31, 2019.

Cash Resources and Going Concern

The Company's cash was \$282,708 on August 31, 2020. The Company has no other liquid assets other than accounts receivables of \$526,529.

As at August 31, 2020, the Company had net working capital of \$975,205. In order to maintain operations and cover administrative costs, the Company will need to raise additional financing. There can be no assurance that additional funding will be available in the future.

ADDITIONAL DISCLOSURE

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

	2020	2019
Compensation:		
Consulting fees	\$ 166,500	\$ 313,500
Production costs	67,500	
Rent	43,150	-
Share-based payments	81,120	466,984
	<u>\$ 358,270</u>	<u>\$ 780,484</u>

During the year ended August 31, 2020, the Company accrued management consulting fees of \$84,000 (2019 - \$84,000) to a private company controlled by the Company's President and CEO. As at August 31, 2020, \$35,000 (2019 - \$7,525) was payable to this private company for the unpaid portion of these amounts.

During the year ended August 31, 2020, the Company accrued management consulting fees of \$82,500 (2019 - \$133,500), production costs of \$67,500 (2019 - \$nil) and a bonus of \$nil (2019 - \$96,000) to the Company's COO. As at August 31, 2020, \$67,500 (2019 - \$nil) was payable for the unpaid portion of these amounts.

During the year ended August 31, 2020, the Company paid rent of \$43,150 (2019 - \$nil) to a company with a common director of the Company. As at August 31, 2020, \$8,172 (2019 - \$nil) was payable for the unpaid portion of this amount.

During the year ended August 31, 2020, the Company recorded share-based compensation expense of \$81,120 pursuant to 487,500 stock options issued to directors and officers of the Company.

During the year ended August 31, 2019, the Company recorded share-based compensation expense of \$466,984 pursuant to 2,170,000 stock options issued to directors and officers of the Company.

Proposed Transactions

Other than the private placements detailed in subsequent events below, the Company does not currently have any proposed transactions approved by the Board of Directors.

Changes in Accounting Policies Including Initial Adoption

Significant accounting policies can be found in Note 3 of the financial statements for the year ended August 31, 2020.

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management evaluates the estimates periodically. Actual results may differ from these estimates by material amounts.

SUBSEQUENT EVENTS

- On September 17, 2020, the Company completed a non-brokered private placement financing of 4,920,000 units (“Units”) at a price of \$0.09 per Unit for gross proceeds of \$442,800. Each Unit consists of one common share and one share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.13 per share for a period of five years from closing. Related parties of the Company subscribed to 2,400,000 Units for gross proceeds of \$216,000.
- On September 15, 2020, The Company granted 1,900,000 share purchase options exercisable for 10 years at a price of \$0.13 per share.

MARKET FOR SECURITIES

Lotus’s common shares are listed on the CSE under the symbol “J”.

CONSOLIDATED CAPITALIZATION

The following table sets out the share capitalization of Lotus at the date of this Listing Statement:

Designation of Security	Amount authorized or to be authorized	Number outstanding at the date of this Listing Statement
Common Shares	Unlimited	89,861,799

Fully Diluted Share Capital

The following table sets out the anticipated fully diluted share capital of Lotus as at the date of this Listing Statement:

	Number of Securities Issued or Reserved at the Date of this Listing Statement	% of total issued and outstanding as of the date of this Listing Statement (fully diluted)
Common shares issued at date of Listing Statement	89,861,799	63.8%
Shares to be issued on exercise of stock options	8,875,000	6.3%
Shares to be issued on exercise of warrants	42,072,348	29.9%
Total	140,809,147	100.0%

OPTIONS TO PURCHASE SECURITIES

The following table sets forth all options to purchase securities of Lotus as at the date of this Listing Statement.

Optionee	Number of Common Shares under	Purchase Price	Expiry Date	Market Value of Shares under Option on the	Market Value of Shares under Option on the date of this
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	Option			date of grant	Listing Statement
Executive Officers as a group (3)	430,000 500,000 400,000 1,130,000 475,000 700,000	\$0.35 \$0.50 \$0.30 \$0.20 \$0.20 \$0.13	Nov. 9, 2027 Mar 19, 2028 Oct 4, 2028 July 4, 2029 Oct. 31, 2029 Sept. 17, 2030	Nil	Nil
Directors who are not executive officers (1)	100,000 450,000 150,000	\$0.30 \$0.20 \$0.13	Oct 4, 2028 July 4, 2029 Sept. 17, 2030	Nil	Nil
Consultants	1,060,000 795,000 400,000 760,000 475,000 1,050,000	\$0.35 \$0.50 \$0.30 \$0.20 \$0.20 \$0.13	Nov 9, 2027 Mar 19, 2028 Oct 4, 2028 July 4, 2029 Oct. 31, 2029 Sept. 17, 2030	Nil	Nil
Total	8,875,000				

DESCRIPTION OF SECURITIES

The authorized share capital of Lotus consists of unlimited common shares without par value. As of the date of this Listing Statement, 89,861,799 common shares of Lotus are issued and outstanding with the following attributes. The holders of the common shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders and each common share confers the right to one vote in person or by proxy at all meetings of the shareholders. The holders of the common shares, subject to the prior rights, if any, of any other class of shares of Lotus, are entitled to receive such dividends in any financial year as the board of directors may by resolution determine. In the event of the liquidation, dissolution or winding-up, whether voluntary or involuntary, the holders of the common shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares, the remaining property and assets.

As of the date of this Listing Statement, there are 1,590,000 options exercisable to purchase 1,590,000 at \$0.35 per share until Nov. 9, 2027; 1,000,000 options exercisable to purchase 1,000,000 common shares at \$0.25 per share until December 8, 2019; 1,485,000 options exercisable to purchase 1,485,000 common shares at \$0.20 per share until November 3, 2020 and 300,000 options exercisable to purchase 300,000 common shares at \$0.25 per share until January 4, 2021 and 2,520,000 options exercisable to purchase 2,520,000 common shares at \$0.20 until July 4, 2029 and 975,000 options exercisable to purchase 975,000 common shares at \$0.20 until Oct. 31, 2029; 1,900,000 options exercisable to purchase 1,900,000 at \$0.13 per share until September 13, 2030.

Prior Issuance of Securities

The authorized share capital of the Company consists of unlimited common shares without par value. As of the date of this MD&A, 89,861,799 common shares are issued and outstanding.

Share Capital

a) Authorized

The authorized share capital of the Company consists of an unlimited number of common shares without any special rights or restrictions.

During the year ended December 30, 2020, the Company completed the following share issuances:

- On September 18, 2020 the Company completed a private placement of units consisting of 4,812,000 Common Shares with proceeds of \$442,000 and one share purchase warrant entitling the holder to purchase

one additional common share at a price of \$0.09 with an expiry date of Sept. 18, 2025. No finders' fees were paid.

During the year ended August 31, 2020, the Company completed the following share issuances:

- On October 4, 2019, 975,000 options expiring November 3, 2020 were exercised at \$0.20 per share for gross proceeds of \$195,000.

During the year ended August 31, 2019, the Company completed the following share issuances:

- On September 12, 2018, the Company issued 3,755,868 common shares at \$0.71 per share in connection with the XLY agreement. See Note 5.
- On September 13, 2018, 100,000 share purchase warrants exercisable at \$0.25 were exercised for proceeds of \$20,000.
- In October 2018, the Company completed a private placement of 11,260,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of \$2,815,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of five years from closing.

In relation to this private placement, the Company paid cash finder's fees of \$210,250.

- On January 3, 2019, 50,000 share purchase warrants exercisable at \$0.25 and 100,000 share purchase warrants exercisable at \$0.20 were exercised for proceeds of \$32,500.
- On January 31, 2019, 500,000 options exercisable at \$0.25 and 100,000 share purchase warrants exercisable at \$0.20 were exercised for proceeds of \$125,000 and \$20,000 respectively.
- On April 18, 2019, the Company completed a private placement of 9,485,000 units ("Units") at a price of \$0.20 per Unit for gross proceeds of \$1,897,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.26 per share for a period of five years from closing. The Company incurred cash share issue costs of \$5,234 in connection with this issuance.
- On July 11, 2019, the Company issued 1,300,000 common shares at \$0.13 per share to a consultant as a bonus.

During the year ended August 31, 2018, the Company completed the following share issuances:

- On September 14, 2017, the Company completed a non-brokered private placement of 880,991 units at \$0.30 per unit for gross proceeds of \$264,297. Each unit consists of one common share, and one-half of one transferable share purchase warrant. Each whole warrant is exercisable for one common share at \$0.35 per share, and expires three years from the closing date.
- In relation to this private placement, the Company paid cash finder's fees of \$16,415 and issued 3,325 finders units consisting of one common share, and one half share purchase warrant, exercisable at \$0.35 per share and expiring three years from the grant date.
- On January 10, 2018, 150,000 options expiring January 4, 2021 were exercised at \$0.25 per share for gross proceeds of \$37,500. See Note 4(b).
- On January 22, 2018, the Company completed a non-brokered private placement of 10,036,100 units at \$0.50 per unit for gross proceeds of \$5,018,050. Each unit consists of one common share, and one five-year share purchase warrant exercisable at \$0.70 per share. Finder's fees of \$115,750 were paid in relation to this financing.

- On February 9, 2018, the Company completed a private placement with Auxly Cannabis Group Inc. (“XLY”) who subscribed to 1,818,181 units in the Company at a price per unit of \$0.55. Each unit consists of one common share, and one half share purchase warrant exercisable at \$1.00 for a period of 36 months from the date of issue.
- During the year, 1,299,834 shares were issued pursuant to the exercise of the following warrants (see Note 7(c)):
 - 1,000,000 warrants granted December 16, 2015 and exercisable at \$0.20;
 - 100,000 warrants granted January 25, 2016 and exercisable at \$0.20;
 - 125,000 warrants granted December 6, 2016 and exercisable at \$0.25;
 - 24,834 warrants granted August 15, 2017 and exercisable at \$0.35; and
 - 50,000 warrants granted September 14, 2017 and exercisable at \$0.35.

Stock Exchange Price

The common shares were listed on the CSE on December 8, 2014. The following table shows the monthly high, low and closing prices and total trading volume of the common for the current and immediately preceding quarters and on a quarterly basis for the next preceding four quarters.

Period	High	Low	Close	Total Volume in Period
Month ended Dec 30 2020	0.175	0.12	0.175	5,460,630
Month ended Nov 30 2020	0.2	0.115	0.165	4,915,377
Month ended Oct 30 2020	0.14	0.115	0.12	794,850
Month ended Sept 2020	0.14	0.1	0.135	1,192,908
Month ended Aug 31 2020	0.135	0.1	0.1	836,911
Quarter ended May 31 2020	0.17	0.1	0.1	3,938,678
Quarter ended Feb 28 2020	0.16	0.09	0.125	7,392,022
Quarter ended Nov 30 2019	0.15	0.06	0.105	12,145,657
Quarter ended Aug 31 2019	0.2	0.1	0.15	4,848,433

ESCROWED SHARES

As at the date of this Listing Statement there are no outstanding Escrowed Shares of the company.

PRINCIPAL SHAREHOLDERS

To the knowledge of management of Lotus, as of the date of this Listing Statement, no person owns of record or beneficially, directly or indirectly, or exercises control or direction over, common shares carrying more than 10% of all voting rights attached to the outstanding common shares.

DIRECTORS AND OFFICERS

The following table sets out the name, municipality and province of residence, position held with Lotus, principal occupation within the preceding five years, and the number and percentage of common shares beneficially owned,

Name, Position with Company and Residence	Principal Occupation or Employment for Last Five Years	Date of Appointment as Director or Officer	Common Shares Beneficially Owned, controlled or directed, directly or indirectly	Percentage of class as at Dec 31 2019

Dale McClanaghan ⁽¹⁾ President, CEO and Director BC, Canada	President of McClanaghan and Associates Ltd., a private consulting company, since Jan 2002	Director since Jul 4, 2014; President and CEO since Nov 27, 2014	2,540,165	2.84%
Carl Correia COO and Director BC, Canada	Principal of Lightning Contracting, an electrical contracting company, since Oct 2005	COO since Nov 27, 2014; Director since Oct 29, 2015	757,000	0.84%
Simon Davie ⁽¹⁾ Director BC, Canada	Project management Professional; Managing Partner of Terra Housing Consultants Ltd. since 2003	March 20, 2019	182,000	0.2%
Jeff Tung Ontario, Canada	Chief Operating Officer, Auxly Cannabis Group Inc., Co., CFO 2017 to Jan. 2019, now COO.	June 14, 2019	nil	0.0%
Gavin Dew, Vancouver BC	BeHeard Research May 2019 to present; Great Canadian Gaming Corp. Oct. 2016 to 2019.	Oct. 31, 2019	53,500	0.06%
Maurice Creagh ⁽¹⁾ BC, Canada	Grenagh Management Ltd., President, construction services since 2013.	June 14, 2019	532, 003	0.62%

(1) Denotes a member of the audit committee of the Company. directly or indirectly, or over which control or direction is exercised, by each of Lotus's directors and officers.

The directors and officers of Lotus as a group beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 4,064,668 common shares, representing 4.5% of the issued and outstanding common shares (on an undiluted basis). Each director's term of office will expire at the next annual meeting of the shareholders unless re-elected at such meeting.

The members of Lotus's audit committee are Maurice Creagh, Simon Davie and Dale McClanaghan. Simon Davie and Maurice Creagh are both independent Directors. All members are considered financially literate. There are no other committees of the Board at this time. All compensation and corporate governance matters will be overseen by the board of directors of Lotus.

The term of office of the directors will expire annually at the time of Lotus's annual general meeting. The term of office of the officers will expire at the discretion of Lotus's directors.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed herein, to the best of Lotus's knowledge, no director or officer of Lotus, nor any shareholder holding sufficient securities of Lotus to affect materially the control of Lotus is, or within the ten years prior to the date hereof has been, a director or officer of any corporation (including Lotus) that, while that person was acting in that capacity, was the subject of a cease trade order or similar order or an order that denied the corporation access to any exemption under securities legislation for a period of more than 30 consecutive days.

Other than as disclosed herein, to the best of Lotus's knowledge, no director or officer of Lotus, nor any shareholder holding sufficient securities of Lotus to affect materially the control of Lotus is, or within the ten years prior to the date hereof has been, a director or executive officer of any corporation (including Lotus) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that other corporation.

Penalties or Sanctions

To the best of Lotus's knowledge, no director or officer of Lotus, nor any shareholder holding sufficient securities of

Lotus to materially affect control of Lotus has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

To the best of Lotus's knowledge, no director or officer of Lotus, nor any shareholder holding sufficient securities of Lotus to affect materially the control of Lotus, nor any personal holding company of any such person has, within the ten years before the date of this Listing Statement become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Conflicts of Interest

The directors of Lotus are required by law to act honestly and in good faith with a view to the best interests of Lotus and to disclose any interests, which they may have in any project or opportunity of Lotus. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of Lotus's knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between Lotus and its directors and officers as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to Lotus and their duties as a director or officer of such other companies.

Management

The directors and officers will devote their time and expertise as required by Lotus; however, it is not anticipated that any director or officer will devote 100% of their time to the activities of Lotus. None of the directors and officers will be employees of Lotus; all will serve as independent contractors. On December 15, 2014, Lotus entered into a management agreement with McClanaghan & Associates for the services of Dale McClanaghan, including those as CEO, at a rate of \$36,000 per annum amended in Oct 2018 to \$84,000 p.a. See "*Executive Compensation*". None of the directors or officers have entered into a non-competition or non-disclosure agreement with Lotus at this time.

Additional biographic information about the directors and officers of Lotus is provided below. See additional biographical material in Information Circular for AGM June 14, 2019 posted on SEDAR.

Dale McClanaghan, (Age: 64) President, CEO and Director

Mr. McClanaghan has had a diverse career in banking (Bank of Montreal trade finance), real estate development (privately and as CEO of VanCity Enterprises Ltd.) and leading companies in mineral exploration (Adrian Resources Ltd. later called Petaquilla Resources Ltd). As well he has had active social roles as director of non-profit (Treasurer of Vancouver Heritage Foundation, Sanford Housing), educational (Chair of Administration and Finance Committee of Langara College) and civic agencies (Chair of City of Vancouver Planning Commission).

Mr. McClanaghan will be responsible for management of Lotus.

Carl Correia, (Age 40) COO and Director

Mr. Correia is the principal of Lightning Contracting, an electrical contracting company. He began producing as a designated grower under the MMAR regulations in 2010 under four MMAR licenses.

Other Reporting Issuer Experience

The following table sets out the directors and officers of Lotus that are, or have been within the last five years,

directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Other Reporting Issuers	Name of Exchange or Market	Position	From	To
Dale McClanaghan	BCM Resources Corporation British Columbia	TSXV	Director, President & CEO	Jun 2005	Present

EXECUTIVE COMPENSATION

The following table sets out particulars of compensation paid to each director as well as the CEO and the CFO (the "Named Executive Officers") of the Company for the financial years ended August 31, 2015 and 2016. Lotus did not have any other executive officers whose total salary and other compensation during such period exceeded \$150,000.

Table of compensation excluding compensation securities							
Name and position	Year ended Aug 31 st ,	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation Note 8, Financials dated Aug. 31/20 (\$)	Total compensation (\$)
Dale McClanaghan President, CEO and Director	2017	43,250	Nil	Nil	Nil	Nil	\$43,250
	2018	94,500	Nil	Nil	Nil	\$168,235	\$262,735
	2019	84,000	Nil	Nil	Nil	\$229,756	\$313,756
	2020	84,000	Nil	Nil	Nil	\$135,000	\$219,000
Maurice Creagh, Director	2018	\$10,000	Nil	Nil	Nil	Nil	\$10,000
	2019	Nil	Nil	Nil	Nil	\$28,019	\$28,019
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Carl Correia COO and Director	2017	43,250	Nil	Nil	Nil	Nil	\$43,250
	2018	89,000	Nil	Nil	Nil	\$168,235	\$257,235
	2019	133,500	\$96,000	Nil	Nil	\$151,171	\$380,671
	2020	150,000				\$135,000	\$285,000
Gavin Dew, CFO	2019	Nil	Nil	Nil	Nil	\$28,019	\$28,019
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Simon Davie, Director	2019	Nil	Nil	Nil	Nil	\$28,019	\$28,019
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Jeff Tung, Director	2019	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil

Funds may be paid to directors and officers to offset normal expenses incurred in carrying out their duties.

Stock options and other compensation securities

Compensation securities granted or issued to directors and Named Executive Officer by Lotus in the financial year ended August 31, 2018 had a total valuation of \$466,984 (Note 8, Financial Statements dated Aug. 31, 2019). The number of options granted is determined by the board of directors in its discretion.

Outstanding Incentive Options as at the date of this Listing Statement, as follows:

- Dale McClanaghan held 1,248,750 stock options. 215,000 options are exercisable to purchase one common share of the Company at \$0.35 per share until Nov. 2027, and 190,000 options are exercisable to purchase one common share of the Company at \$0.50 per share until March 19 2028, and 250,000 options exercisable to purchase one common share of the Company at \$0.30 per share until October 4, 2028 and 243,750 options exercisable to purchase one common share of the Company at \$0.20 per share until October 31, 2029 and 350,000 per share until Sept. 17, 2030.

- (e) Simon Davie and Maurice Creagh, Directors, each held 200,000 stock options; 150,000 options exercisable to purchase one common share of the Company at \$0.20 per share until July 4 2029 and 50,000 stock options to purchase one common share at \$0.13 until Sept. 17, 2030.
- (f) Carl Correia held 1,258,750 stock options; 215,000 options are exercisable to purchase one common share of the Company at \$0.35 per share until Nov. 2027, and 200,000 options are exercisable to purchase one common share of the Company at \$0.50 per share until March 19 2028, and 250,000 options exercisable to purchase one common share of the Company at \$0.30 per share until October 4, 2028 and 243,750 options exercisable to purchase one common share of the Company at \$0.20 per share until October 31, 2029; and 350,000 options to purchase common shares at a price of \$0.13 until Set. 17, 2030.
- (g) Gavin Dew held 200,000 stock options; 150,000 options exercisable to purchase one common share of the Company at \$0.20 per share until July 4, 2029 and 50,000 options to purchase one common share at \$0.13 until Set. 17, 2030.

Stock option plans and other incentive plans

The only equity compensation plan which Lotus has in place is a “rolling” stock option plan (the “Plan”) whereby Lotus is authorized to grant stock options of up to 10% of its issued and outstanding shares, from time to time. The Plan was previously approved by the shareholders at Lotus’s annual general meeting on June 14, 2019. As at the date of this Listing Information Circular, there are 6,370,000 options outstanding under the Plan.

The Plan is administered by the board of directors of Lotus, which will have full and final authority with respect to the granting of all options thereunder. Lotus’s Plan provides that the board of directors may from time to time, in its discretion, subject to the requirements of the Canadian Securities Exchange, grant to eligible optionees non-transferable options to purchase shares for a period of up to 10 years from the date of the grant. All options shall vest as determined by the board of directors. The total number of options granted to optionees conducting investor relations activities may not exceed 5% of the issued and outstanding shares in any 12-month period.

Options granted to any optionee must expire not later than one year following the date the optionee ceases to be an employee (except for cause), a director, officer, consultant or management company employee, which shall be determined by the board of directors at the time of each grant. In the case of death of the optionee, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of the options, except that if the expiration date is earlier than one year after the date of death, the options may be exercisable for up to one year after the date of death, in the discretion of the board of directors. If the employment of an optionee shall terminate due to disability, the options may be exercised within one year after the date of termination, subject to the expiry date of the options. The board of directors, in its discretion, may resolve that options that have not yet vested in the above circumstances, shall vest immediately. If an option is cancelled prior to the expiration of the option period, the Company shall not grant new options to the same optionee until 30 days have elapsed from the date of cancellation.

The exercise price per share under any stock option granted by Lotus may not be less than the greater of the closing market price of the shares on (i) the trading day prior to the date of grant of the options, and (ii) the date of grant of the options.

Employment, consulting and management agreements

On December 15, 2014, Lotus entered into a management agreement with McClanaghan & Associates for the services of Dale McClanaghan, including those as CEO, at a rate of \$36,000 per annum, subsequently increased to \$84,000.

Lotus does not have any agreement or arrangement with any director or Named Executive Officer with respect to change of control, severance, termination or constructive dismissal or incremental payments that are triggered by, or result from, change of control, severance, termination or constructive dismissal.

Oversight and description of director and named executive officer compensation

Lotus does not have a compensation committee or a formal compensation policy. Lotus relies solely on the board of

directors to determine the compensation of the Named Executive Officers and directors. In determining compensation, the board of directors considers industry standards and Lotus's financial situation but does not currently have any formal objectives or criteria. The performance of each Named Executive Officer or director is informally monitored by the board of directors, having in mind the business strengths of the individual and the purpose of originally appointing the individual as an officer or nominating the individual as a director.

Pension disclosure

Lotus does not provide a pension to any director or Named Executive Officer.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Listing Statement none of the directors and executive officers of Lotus or associates of such persons is indebted to Lotus or another entity where the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Lotus.

RISK FACTORS

The following are certain factors relating to the business of Lotus which factors investors should carefully consider when making an investment decision concerning the shares of Lotus. These risks and uncertainties are not the only ones facing Lotus. Additional risks and uncertainties not presently known to Lotus, or that Lotus currently deems immaterial, may also impair the operations of Lotus. If any such risks actually occur, shareholders could lose all or part of their investment and the financial condition, liquidity and results of operations of Lotus could be materially adversely affected and the ability of Lotus to implement its growth plans could be adversely affected.

An investment in Lotus is speculative. An investment in Lotus will be subject to certain material risks and investors should not invest in securities of Lotus unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of Lotus.

General

A purchase of any of the securities of Lotus involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of Lotus should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Prospective purchasers should evaluate carefully the following risk factors associated with an investment in Lotus's securities prior to purchasing any of the securities.

Risks Associated with Obtaining a Cannabis Production and Sales License, formerly a CANNABIS PRODUCTION License

There are substantial risks concerning the time required for Lotus to complete the Cannabis Production license application process and whether Lotus can obtain a Cannabis Act license at all.

1. Risk as to whether Lotus's CANNABIS PRODUCTION will perform according to plan. Initial results after six months of full operation are at or better than design specifications, output and quality levels. Ongoing performance is dependent on normal operating parameters. Insurance is carried for foreseeable risks including fire, crop failure, power interruption etc.
2. ***Time required for Health Canada to accept Lotus's CANNABIS SALES application.*** Processing time and Health Canada provisions are variable. This risk is mitigated by Lotus having a Production and Medical sales license and increased staffing at health Canada and modification of the approvals process.

Regulatory Risks

Lotus's activities would be subject to regulation by governmental authorities, particularly Health Canada. Achievement of Lotus's business objectives are contingent, in part, upon compliance with regulatory requirements

enacted by these governmental authorities and obtaining all regulatory approvals necessary. Lotus cannot predict the time required to secure all appropriate regulatory approvals. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of Lotus's plans and could have a material adverse effect on the business, results of operations and financial condition of Lotus.

Change in Laws, Regulations and Guidelines

Lotus's improvement of the facility and Cannabis Act license are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of Lotus may cause adverse effects to Lotus. The Government of Canada has enacted the Cannabis Act in 2018. Many aspects of the regulatory environment, notably, sales, marketing and distribution remain uncertain. This could materially and adversely affect the business, financial condition and results of operations of Lotus.

Limited Operating History

Lotus commenced operations in April 2019 with the first harvest completed October 2019. Lotus has been generating revenue from the sale of cannabis products since November 2019 and is cash flow positive in the first year of operations. Lotus is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Lotus will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Reliance on a Single Facility

Lotus's presently has one facility located in Spallumcheen, British Columbia. Adverse changes or developments affecting this location could have a material and adverse effect on Lotus's business, financial condition and prospects.

Reliance on Management

The success of Lotus is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Lotus's business, operating results or financial condition.

Additional Financing

To expand the facility and equipment will be capital intensive. Lotus is cash flow positive from operations and can fund operations self-sufficiently. Lotus will require equity and/or debt financing to support expansion plans, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to Lotus when needed or on terms which are acceptable. Lotus's inability to raise financing, to fund capital expenditures or acquisitions could limit Lotus's growth and may have a material adverse effect upon future profitability. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for Lotus to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Competition

There is potential that Lotus will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than Lotus. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of Lotus. Because of the early stage of the industry in which Lotus will operate, Lotus expects to face additional competition from new entrants. If the number of users of cannabis in Canada increases, the demand for products will increase and Lotus expects that competition will become

more intense, as current and future competitors begin to offer an increasing number of diversified products. To become and remain competitive, Lotus will require research and development, marketing, sales and client support. Lotus may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Lotus.

Risks Inherent in an Agricultural Business

Cannabis is an agricultural product. There are risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the products are grown indoors under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Cannabis growing operations consume considerable energy, making Lotus potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Lotus and its ability to operate profitably.

Unfavourable Publicity or Consumer Perception

Lotus believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of 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 favorable to the 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of Lotus. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or associating the consumption of 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.

Product Liability

As a producer and distributor of products designed to be inhaled by humans, Lotus would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the production and sale of cannabis involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. Lotus, pursuant to the Cannabis Act can sell medical cannabis subject to various product liability claims, including, among others, that the cannabis product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Lotus could result in increased costs, could adversely affect Lotus's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Lotus. There can be no assurances that Lotus will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Lotus's potential products.

Product Recalls

Producers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant number of sales. In addition, a product recall may require significant management attention. Additionally, product recall can lead to increased scrutiny of operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Lotus operates under strict operating procedures and receives independent third-party laboratory testing for each harvest. Testing includes for moisture content, microbials, mycotoxins, heavy metals, residual solvents and pesticides. Lotus has had zero

product recalls and has passed all required lab tests to date.

Reliance on Key Inputs

The cannabis business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Lotus might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to Lotus in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results.

Dependence on Suppliers and Skilled Labour

The ability of Lotus to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that Lotus will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by Lotus's capital expenditure program may be significantly greater than anticipated by Lotus's management, and may be greater than funds available to Lotus, in which circumstance Lotus may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of Lotus.

Difficulty to Forecast Sales

Lotus has maintained a solid financial track record through the first year of production. Lotus can rely largely on its previous results as well as its own market research to forecast sales. Lotus is currently selling all of its production confirming the minimum demand needed to be supplied. A failure in the future demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of Lotus.

Conflicts of Interest

Certain of the directors and officers of Lotus are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of Lotus and as officers and directors of such other companies.

Litigation

Lotus may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Lotus becomes involved be determined against Lotus, such a decision could adversely affect Lotus's ability to continue operating, the market price for Lotus's common shares, and could use significant resources. Even if Lotus is involved in litigation and wins, litigation can redirect significant company resources.

Common Shares Market Price fluctuations

The market price of Lotus's common shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of Lotus and its subsidiaries, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for Lotus and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of Lotus's control. In addition, stock markets have from time-to-time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Lotus's common shares.

Earnings and Dividends

Lotus does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by Lotus would be subject to tax and, potentially, withholdings.

Limited Market for Securities

Lotus's common shares are listed on the CSE, however, there can be no assurance that an active and liquid market for the common shares will develop or be maintained and an investor may find it difficult to resell any securities of

Lotus. Lotus has raised approximately \$17M in the market through equity financings to date.

PROMOTERS

Carl Busby was a promoter of Lotus. Mr. Busby passed away in July 2015. It is unknown if Carl Busby's estate is a shareholder or is the controlling shareholder of Lotus.

Other than as disclosed in this section and under "Executive Compensation" or elsewhere in this Listing Statement, no person who was a promoter of Lotus within the last two years:

- (a) received anything of value directly or indirectly from Lotus;
- (b) sold or otherwise transferred any asset to Lotus within the last 2 years;
- (c) has been a director, officer or promoter of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;
- (d) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- (f) has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Lotus is not a party to any legal proceedings and is not aware of any such proceedings known to be contemplated. Management of Lotus is not aware that Lotus is a party to any legal proceedings or that any such proceedings are known to be contemplated.

No penalties or sanctions have been imposed against Lotus by a court relating to provincial and territorial securities legislation or by a securities regulatory body within the three years immediately preceding the date of this Listing Statement. Management of Lotus is not aware of any such penalties or sanctions imposed against Lotus.

Lotus has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this Listing Statement. Management of Lotus is not aware of any such settlement agreements entered into by Lotus.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth in this Listing Statement, the management of Lotus is not aware of any material interest, direct or indirect, of any director, executive officer, any Person or Company beneficially owning, controlling or directing, directly or indirectly, more than ten percent of the outstanding voting securities of Lotus, or any Associate or Affiliate of the foregoing Persons, in any transaction in which Lotus has participated within the three years before the date of this Listing Statement, that has materially affected or is reasonably expected to materially affect Lotus.

Lotus pays Mr. McClanaghan \$84,000 per annum for his services.
Carl Correia is a party to the Option Exercise Agreement and is COO and a director of Lotus.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditors

The auditors of Lotus are DeVisser Gray LLP, chartered accountants of 401 - 905 West Pender Street, Vancouver, British Columbia, V6C 1L6.

Registrar and Transfer Agent

The registrar and transfer agent of Lotus is Olympia Trust Company of Suite 1900, 925 West Georgia Street Vancouver, BC V6C 3L2.

MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by Lotus within two years prior to the date hereof which are currently in effect and considered to be currently material:

1. The Amalgamation Agreement dated July 30, 2014 between Strachan and Private Lotus as amended by agreement dated September 1, 2014.
2. The Option Exercise Agreement (See “*General Development of the Business – Significant acquisition or disposition - The Option Exercise Agreement*”).
3. The CSE Escrow Agreement; (See “*Escrowed Securities*”).
4. The Lease and Option Agreement for the property near Armstrong, BC (see “*General Development of the Business*”).
5. The long-term purchase and sale agreement between Lotus and Auxly Cannabis Group Inc. dated September 4, 2018.

The above contracts may be inspected without charge at the registered office of Lotus located at the offices of Stephen K. Winters Law Corporation at 1010 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3 during ordinary business hours for a period of 30 days from the date of this Listing Statement.

INTEREST OF EXPERTS

To the knowledge of management, as of the date hereof, no expert, nor any Associate or Affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of Lotus or of an Associate or Affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of Lotus or of an Associate or Affiliate thereof, except that Stephen K. Winters Law Corporation has filed the application to the CSE for the listing of the common shares. The principal of Stephen K. Winters Law Corporation has a beneficial interest in 3,243,750 shares of Lotus and has been granted 500,000 Lotus Options exercisable for five years at \$0.20 per share and 450,000 Lotus Options exercisable for five years at \$0.20 per share and 215,000 Lotus Options exercisable at \$0.35 per share for ten years and 190,000 options are exercisable to purchase one common share of the Company at \$0.50 per share until March 19 2028 and 243,750 options exercisable to purchase one common share at \$0.20 for a ten year period extending to Oct. 31, 2029.

OTHER MATERIAL FACTS

To management’s knowledge, there are no other material facts relating to Lotus that are not otherwise disclosed in this Listing Statement or are necessary for the Listing Statement to contain full, true and plain disclosure of all material facts relating to Lotus.

CERTIFICATE OF LOTUS VENTURES INC.

The foregoing contains full, true and plain disclosure of all material information relating to Lotus Ventures Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 31th day of December, 2020.

“Dale McClanaghan”
Dale McClanaghan, Chief Executive Officer

“Gavin Dew”
Gavin Dew, Chief Financial Officer

“Simon Davie”
Simon Davie, Director

“Carl Correia”
Carl Correia, Chief Operating Officer and Director

“Maurice Creagh”
Maurice Creagh, Director