

LOTUS VENTURES INC.

**LISTING STATEMENT
FORM 2A**

DECEMBER 30, 2018

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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;
-
- 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 MMPR 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.

In December 2014 Health Canada requested additional information about security clearance forms for the principals of Lotus which were provided. As part of an initial screening, on February 4, 2015 Health Canada requested additional information about the major sections of the application, being the proposed site and physical security, the quality assurance pre-licensing report and record keeping plans. Lotus provided a response on February 24, 2015. On March 11, 2015 Health Canada requested additional information about Lotus’s quality assurance person and record keeping. Lotus provided a response on March 31, 2015. On August 13, 2015 Health Canada requested additional information on the proposed site and physical security. Lotus provided a response on September 2, 2015 and September 9, 2015. In December 2016 Lotus received information that it is #38 on Health Canada’s list of applicants awaiting “active review”. In Q1 2017 we received information that we are number 28 in the queue.

In July 2015, Carl Busby, a director of Lotus, passed away and Mr. Busby’s estate is the controlling shareholder of Lotus.

On October 27, 2014 Private Lotus completed a non-brokered private placement of 1,374,000 Private Lotus shares at \$0.25 per share for gross proceeds of \$343,500. Private Lotus paid \$10,000 in finder’s fees.

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.

The company has applied to Health Canada for a license to produce medical marijuana under the Marijuana for Medical Purposes Regulations. Health Canada is reviewing the application and we have been in correspondence with the Licenses and Permit Division to provide additional information for our application.

On November 7, 2015 the Company entered into a three-year lease agreement on the property near Armstrong, British Columbia on which it intends to build the facility which is planned and contained in its MMPR application to Health Canada. The property is approximately 23 acres. The Company will pay \$4,000 per month rent beginning December 1, 2015. The Company also acquired the right to purchase the property 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. The Company has the right to extend the lease and option to purchase for one additional year under certain conditions.

On January 19, 2017 Lotus Ventures Inc. announced that it has entered into a binding agreement to access up to \$12 million of financing. Under the arrangement, subsequently assigned to Cannabis Wheaton Income Corporation (“CBW”), subsequently renamed Auxly Cannabis Group (“XLY), monies will be advanced in two stages, as required to build out its first production facility, in Armstrong BC, and its planned initial expansion. About Cannabis Wheaton: backed by a team of industry experts, Cannabis Wheaton is the first cannabis streaming company in the world. Its streams will include production from across Canada coming from its partners composed of licensed producers of cannabis (LP) and LP applicants. Cannabis Wheaton's mandate is to facilitate real growth for the company's streaming partners by providing them with financial support and sharing the company's collective industry experience.

Under the terms of Lotus' binding interim agreement with XLY, has agreed to funding the initial facility, whereby XLY has agreed to subscribe for \$5 million worth of Common Shares in the capital of Lotus (the "Initial Subscription") at price per Common Share equal to three times (3x) the closing price of Lotus stock at the date immediately prior to the Initial Subscription. The Initial Subscription is conditional upon, among other things, (i) completion of XLY's satisfactory due diligence review of Lotus; (ii) the parties mutually agreeing to Lotus' construction budget, design and timeline to build the facility; and (iii) Lotus receiving an “Affirmation E-mail” from Health Canada. Upon completion of the Initial Subscription, XLY shall receive 50% of the proceeds (net of certain costs) of future wholesale or retail sales completed by Lotus with respect to cannabis produced in Lotus' facility (the “Facility”) for a period of 10 years.

Additionally, XLY has a right of first refusal to finance any proposed expansion of the Facility, within certain pre-determined parameters, in an amount up to \$7 million by way of a subscription for additional Common Shares in the capital of Lotus (the "Expansion Subscription"). Such Expansion Subscription to be completed at a price per Common Share equal to three times (3x) the closing price of Lotus stock at the date immediately prior to the Second Subscription. Should XLY exercise its right of first refusal and complete the Expansion Subscription, XLY shall receive 50% of the proceeds (net of certain costs) of future wholesale or retail sales completed by Lotus with respect to cannabis produced in the expansion area of the Facility for a period of 10 years.

In September 2018, subsequent to year end, XLY completed the Initial Subscription for aggregate 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 is expected to initially be recorded by the Company 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.

- On September 13, 2018, 100,000 share purchase warrants exercisable at \$0.25 were exercised for gross proceeds of \$25,000.
- 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.

As of May 2017, Health Canada has introduced several improvements that aim to streamline the licensing of medical cannabis producers. These measures include increasing the department's capacity to review and process applications, undertaking certain stages of the application review concurrently, permitting licensed producers to manage production on the basis of their vault capacity and issuance of “cultivation licenses” upon completion of the “Detailed Review and Security Clearance” stage. These announcements are significant milestones on the Company's path to becoming an important participant in the rapidly developing Canadian regulated cannabis market. Lotus has received normal course communications, as many applicants have, from Health Canada and responded to those communications.

Legalization of adult recreational cannabis use came into effect October 17, 2018. The capital markets have strongly

supported the emerging sector. Media reports are now giving the sector extensive coverage and the scale of market is coming into focus. Statistics Canada reported on January 24, 2018 that cannabis consumption by 5 million Canadian consumers in 2017 totaled \$5.7 billion. Provinces and territories are now rolling out various distribution and sales regimes and opportunities around marketing, enterprise software, education and branding are starting to emerge. Lotus has been focused on becoming the low cost, high quality producer with a scalable production model suitable for licensing, joint venture and internal expansion. Our financing partnership with Cannabis Wheaton affords the company with access to capital for our second planned facility, as well as, the advantages of non-dilutive financing, solid marketing and industry expertise.

On November 7, 2015 the Company entered into a three-year lease agreement on the property near Armstrong, British Columbia on which it intends to build the facility which is planned and contained in its MMPR application to Health Canada. The property is approximately 23 acres. The Company will pay \$4,000 per month rent beginning December 1, 2015. The Company also acquired the right to purchase the property 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. The Company has the right to extend the lease and option to purchase for one additional year under certain conditions. The company exercised the purchase option on the land June 8, 2018.

Construction of Lotus' initial production facility, at our recently purchased 23-acre location in Armstrong, BC is scheduled for commissioning December 2018. The building is 22,500 square feet with an annual production capacity 2,000KG per year of top-shelf cannabis. The Lotus team will prepare its "evidence package" for Health Canada that will enable issuance of a cultivation license. After successfully testing two crop cycles, Lotus will be granted its "Sales License".

Preparations for the commissioning of the building and the commencement for operations is almost complete. Senior staff has been recruited and initiated work on translating our standard operating procedures into operating reality. The positions of quality assurance manager, master grower, first grower, production manager, quality assurance assistant have been filled and will begin training in August. During September staff began installing and initiating the IT systems including product tracking, record keeping and building control systems. Preparation will also begin for cultivation with plant material acquisition scheduled for early 2019.

The Company is confident in the quality of its application. However to review the Health Canada MMPR licensing regime and the risks associated with the process please review our prospectus dated and filed November 28, 2014 at www.sedar.com.

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, 2016, there were no significant acquisition or disposition.

Trends

On October 19, 2015, the Liberal Party of Canada was elected as a majority government of Canada. It included in its

election platform a commitment to legalize marijuana production and sale including for recreational purposes. This commitment stated as “legalize, regulate and restrict” access to marijuana was repeated in the throne speech and in interviews by Prime Minister Trudeau and the Health Minister. The system of licensing producers is likely to remain essentially as it is under the MMPR. The distribution system to be adopted is completely undetermined at this time.

On February 24, 2016, the Federal Court of Canada made a decision about marijuana in Canada in the Allard case. Allard and others had licenses to grow for personal use under the old Medical Marijuana Access Regulations (MMAR). The decision confirmed the constitutional right of Canadians to use marijuana for medical purposes, and to reasonable access, first granted by the Supreme Court of Canada in 2001 in the Parker case. The Court declined to order that the MMAR continue and found that the MMPR system is not producing and selling in a manner which satisfies the Parker decision and therefore is unconstitutional. MMPR has not provided sufficiently convenient access. The court however suspended the operation of its decision that the MMPR is unconstitutional for six months to give the Federal Government time to change the regulations so that there is reasonably convenient access to meet the requirements of the Parker decision.

On August 24, 2016, the new Access to Cannabis for Medical Purposes Regulations (“ACMPR”) came into force. The ACMPR replaced the MMPR stemming from a decision by the Supreme Court of Canada. According to the Health Canada website, “Under the ACMPR, Canadians who have been authorized by their health care practitioner to access cannabis for medical purposes will continue to have the option of purchasing safe, quality-controlled cannabis from one of the producers licensed by Health Canada. Canadians will also be able to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them.”

On October 17, 2018 the cannabis Act came into effect. Initial trends include a shortage of product from licensed producers, a shortage of retail outlets as most provinces have been slow to finalize distribution, sales and marketing regulations and have lagged in license approvals. Many local governments have in not completed land use and zoning policies regarding retail outlets. Initial public reception has ranged from curious to supportive and few if any issues of concern have been reported in the press.

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

Over the next 12 months Lotus will concentrate its efforts on obtaining Health Canada’s acceptance of its application for a CANNABIS PRODUCTION license. This process is time consuming and at present unpredictable. According to the Health Canada website, the stages to the application process for becoming a licensed producer:

1. Applications received
2. Preliminary screening
3. Enhanced screening
4. Initiation of security clearance process
5. Review
6. Certificate of readiness and Evidence Package submission
7. Cultivation License
8. Full Production and Sales License (granted after two successful crops and a physical inspection).

Lotus is currently preparing the evidence package. The facility is essentially complete and in the commissioning stage.

The milestones that must occur for Lotus to meet its objective are as follows:

	Matter to be accomplished	Estimated Time Frame
	Facility commissioning & Evidence Package Submission	January 2019

Receive Cultivation License	Two months from Submission
Inspection and full license issue	Five to seven months from Submission

Available Funds and Principal Purposes

As at August 31, 2018, Lotus has working capital of approximately \$478,443. The principal purposes for which the available funds will be used are as follows:

Item	\$
Funds Available	
Working capital as at August 31, 2017	\$478,443
Principal purposes for the use of available funds	
General and administrative costs for 12 months	\$647,000

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	\$410,000
Rent	\$21,500
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	\$647,000

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 CONSOLIDATED FINANCIAL INFORMATION

Annual Information

Lotus was formed by amalgamation on November 27, 2014. The following selected financial information is derived from Private Lotus' audited financial statements for the year ended August 31, 2014, and the Company's audited financial statements for the years ended August 31, 2016 and 2015. Private Lotus had no operations of any kind during the two years ended August 31, 2014.

Description	Year ended August 31, 2018	Year ended August 31, 2017	Year ended August 31, 2016
Revenues	\$Nil	\$Nil	\$Nil
Net loss	(\$2,500,900)	(\$724,203)	(\$809,243)
Net loss per share, basic and fully diluted	\$0.05	\$0.02	\$0.03
Total Assets	\$9,289,994	\$2,604,918	\$455,051
Total Long Term Financial Liabilities	\$Nil	\$Nil	\$Nil
Cash dividends declared	\$Nil	\$Nil	\$Nil

Quarterly Information

The following provides quarterly financial information for Lotus for each of the eight most recently completed quarters ending at the end of the financial year ended August 31, 2018.

Description	Three months ended Aug 31, 2018	Three months ended May 31, 2018	Three months ended Feb 28, 2018	Three months ended Nov 30, 2017	Three months ended Aug 31, 2016	Three months ended May 31, 2017	Three months ended Feb 28, 2017	Three months ended Nov 30, 2016
<i>Revenues</i>	-	-	-	-	-	-	-	-
<i>Net Income (loss)</i>	(\$281,440)	(\$1,053,885)	(\$481,957)	(\$683,618)	(\$200,466)	(\$225,161)	(\$154,749)	(\$143,827)
<i>Net loss per share, basic and diluted</i>	\$0.01	\$0.02	\$0.01	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01
<i>Total Assets</i>	\$9,289,994	\$8,274,726	\$8,605,891	\$2,695,650	\$2,604,918	\$556,584	\$772,511	\$845,204
<i>Total Long Term Liabilities</i>	\$Nil							
<i>Cash Dividends / Share</i>	\$Nil							

Dividends

Lotus has not declared or paid any dividends on its common shares for each of its two most recently completed financial years and its current financial year. Lotus intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the year ended August 31, 2018, the Company had a net loss of \$2,500,900 (2017 - \$724,203). The financial results of the Company for the eight most recent quarters are summarized below:

During the three months ended August 31, 2018 the Company recognized a loss of \$281,440, compared a loss of \$200,466 for the three months ended August 31, 2017.

Significant items making up the change for the three months ended August 31, 2018 as compared to the three months ended August 31, 2017 were as follows:

- Advertising and promotion increased by \$11,116 due to the Company increasing promotional activities and employing new marketing avenues to increase investor awareness.
- Consulting fees increased by \$11,938 as a result of the Company requiring more consultants during the current period to assist with financing and corporate development as the Company continues construction of the facility.
- Professional fees increased by \$130,227 due to increased monthly accounting requirements for the facility, and legal fees incurred relating to regulatory filings.

Liquidity and Capital Resources

Lotus's cash was \$2,145,290 on August 31, 2018. Lotus has no other liquid assets other than GST receivable of \$279,272. Lotus does not have any operating activities.

As at August 31, 2017, Lotus had net working capital of \$478,443. In order to maintain operations and cover administrative costs, Lotus will need to raise additional financing. There can be no assurance that additional funding will be available in the future.

Off-Balance Sheet Arrangements

Lotus has not entered into any off-balance sheet arrangements.

Transactions with Related Parties

	2018	2017
Compensation:		
Consulting fees	\$ 183,500	\$ 86,500
Share-based payments	336,470	-
	\$ 519,970	\$ 86,500

During the year ended August 31, 2018, the Company accrued management consulting fees of \$94,500 (2017 - \$43,250) to a private company controlled by the Company's President and CEO. As at August 31, 2018, \$nil (2017 - \$14,713) was payable to this private company for the unpaid portion of these fees.

During the year ended August 31, 2018, the Company accrued management consulting fees of \$89,000 (2017 - \$43,250) to the Company's COO.

Changes in Accounting Policies Including Initial Adoption

The preparation of financial statements in accordance with International Financial Standards (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.

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	71,389,799

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	71,389,799	66.7
Shares to be issued on exercise of stock options	6,370,000	6.0
Shares to be issued on exercise of warrants	<u>29,229,926</u>	27.3
Total	106,989,725	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 Option	Purchase Price	Expiry Date	Market Value of Shares under Option on the date of grant	Market Value of Shares under Option on the date of this Listing Statement
Executive Officers as a group (3)	430,000	\$0.35	Nov. 9, 2027	Nil	Nil
	500,000	\$0.25	Dec 8, 2019		
	900,000	\$0.20	Nov 3, 2020		
	500,000	\$0.50	Mar 19 2028		
	600,000	\$0.30	Oct 4, 2028		
Directors who are not executive officers (1)	100,000	\$0.30	Oct 4, 2028	Nil	Nil
Consultants	1,060,000	\$0.35	Nov.9 2027	Nil	Nil
	500,000	\$0.25	Dec 8, 2019		
	585,000	\$0.20	Nov 3, 2020		
	790,000	\$0.50	Mar 19 2028		
	400,000	\$0.30	Oct 4 2028		
Total	6,370,000				

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, 35,689,000 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.

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, 44,119,816 common shares are issued and outstanding.

During the year ended August 31, 2017, the Company completed the following share issuances:

- On October 14, 2016, the Company completed a non-brokered private placement of 2,023,750 units at \$0.20 per unit for gross proceeds of \$404,750. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.25 per share, and expiring five years from the grant date.
- On November 17, 2016, the Company completed a non-brokered private placement of 962,500 units at \$0.20 per unit for gross proceeds of \$192,500. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.25 per share, and expiring five years from the grant date.

- On December 2, 2016, the Company completed a non-brokered private placement of 600,000 units at \$0.20 per unit for gross proceeds of \$120,000. Each unit consists of one common share and one share purchase warrant, exercisable at \$0.25 per share, and expiring five years from the grant date.
- On August 15, 2017, the Company completed a non-brokered private placement of 7,546,500 units at \$0.30 per unit for gross proceeds of \$2,263,950. Each unit consists of one common share and one-half of one share purchase warrant, exercisable at \$0.35 per share, and expiring three years from the grant date.

Subsequent to yearend the following share transaction were completed:

- In September 2018, subsequent to year end, XLY completed the Initial Subscription for aggregate 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 is expected to initially be recorded by the Company 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.
- On September 13, 2018, 100,000 share purchase warrants exercisable at \$0.25 were exercised for gross proceeds of \$25,000.
- 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.

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 2018	0.21	0.16	0.18	2,447,784
Month ended Nov 30 2018	0.25	0.165	0.195	2,342,660
Month ended Oct 31 2018	0.4	0.2	0.2	10,923,617
Month ended Sept 30 2018	0.4	0.245	0.285	15,800,311
Month ended Aug 31 2018	0.325	0.22	0.28	1,257,263
Month ended July 31 2018	0.35	0.25	0.275	1,116,649
Quarter ended May 31 2018	0.35	0.29	0.375	3,571,777
Quarter ended Feb 28 2018	0.35	0.29	0.68	21,415,503
Quarter ended Nov 30 2017	0.37	0.21	0.25	4,104,410
Quarter ended Aug 31 2017	0.39	0.3	0.32	946,404

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, directly or indirectly, or over which control or direction is exercised, by each of Lotus's directors and officers.

Name and Municipality of Residence	Position held with Lotus	Principal Occupation for the Past Five Years	Number of Common Shares at the Date of this Listing Statement	Percentage of class at the Date of this Listing Statement ⁽¹⁾
Dale McClanaghan Vancouver, BC, Canada	President, CEO and Director Since Nov 27, 2014	President of McClanaghan & Associates Consulting Ltd. (Jan 2002 to present)	2,803,000	3.9%
Carl Correia Vernon, BC, Canada	COO since Nov 27, 2014; Director since Oct 29, 2015	Lightning Contracting (self-employed) (Oct 2005 to present)	200,000	0.3%
Steve Mathiesen West Vancouver, BC, Canada	Director since Nov 27, 2014	Lawyer with McMillan LLP, (2000 to Jun 2012), Corporate Director and Business consultant (Jan 2012 to present), President of Sash Management Ltd., a private company.	101,000	0.1%
Gary Mathiesen Vancouver, BC, Canada	CFO since Nov 27, 2014	President of Quay Property Management Corp. (2000 to present)	608,500	5.2%
		TOTAL	3,712,500	5.2%

(1) Based on a total of 71,389,799 issued and outstanding shares.

The directors and officers of Lotus as a group beneficially own, directly or indirectly, or exercise control or direction over an aggregate of 3,712,500 common shares, representing 16.8% 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 Steve Mathiesen, Carl Correia and Dale McClanaghan. Steve Mathiesen is presently the only independent member. 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.

CMC Metals Ltd., at the time that Steve Mathiesen was a director, was the subject of a cease trade order dated September 3, 2009 pending filing of a technical report and clarifying disclosure. The cease trade order was rescinded on January 15, 2010.

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.

Dale McClanaghan, (Age: 62) President, CEO and Director

Mr. McClanaghan has had a varied 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, Katherine Sanford Housing, VanCity Place for Youth), educational (Chair of Administration and Finance Committee of Langara College) and civic agencies (President of the NPA Association, Chair of City of Vancouver Planning Commission).

Mr. McClanaghan will be responsible for management of Lotus.

Carl Correia, (Age 38) 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. He produces under four MMAR licenses.

Steve Mathiesen, (Age: 69) Director

Mr. Mathiesen has been a corporate director and business consultant since January 2012, providing services to several companies. Prior to that, he was a lawyer and partner with McMillan LLP (formerly Lang Michener LLP) of Vancouver from 2000 to June 2012. His practice included mergers and acquisitions and financings for public and private companies and ventures involved in the technology, real estate, resource and other sectors. He has been a director and officer of several TSX Venture Exchange listed companies.

Mr. Mathiesen will be an independent director of Lotus.

Gary Mathiesen, (Age: 63) CFO

Mr. Mathiesen is a chartered accountant. He has been the President and principal of Quay Property Management Corp., and related companies since October 2000. Quay Property Management Corp. is a real estate management company which currently manages and owns Lonsdale Quay Market and Tsawwassen Quay Market, and previously a number of other real estate projects and businesses in Canada, the US and other countries. Mr. Mathiesen has served as an officer and director of several TSX Venture Exchange listed companies.

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
Steve Mathiesen	RockBridge Resources Inc. British Columbia	TSXV	Director & Secretary President & CEO	Nov 2007 May 2013	Present Present
Gary Mathiesen	RockBridge Resources Inc. British Columbia	TSXV	CFO	Oct 2010	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,	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Dale McClanaghan President, CEO and Director	2016	50,000	Nil	Nil	Nil	\$74,250	124,250
	2017	43,250	Nil	Nil	Nil	Nil	43,250
	2018	94,500	Nil	Nil	Nil	\$168,235	262,735
Gary Mathiesen CFO	2016	15,000	Nil	Nil	Nil	\$35,880	\$50,880
	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	Nil	Nil	Nil	Nil	Nil	Nil
Carl Correia COO and Director	2016	50,000	Nil	Nil	Nil	\$74,500	\$124,250
	2017	43,250	Nil	Nil	Nil	Nil	43,250
	2018	89,000	Nil	Nil	Nil	\$168,235	\$257,235
Steve Mathiesen Director	2016	15,000	Nil	Nil	Nil	\$35,880	\$50,880
	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	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 \$336,470. 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:

- (a) Dale McClanaghan held 1,605,000 stock options. 500,000 options are exercisable to purchase one common share of the Company at \$0.25 per share until December 8, 2019 and 450,000 options are exercisable to purchase one common share of the Company at \$0.20 per share until November 3, 2020, 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.
- (e) Gary Mathiesen held 100,000 stock options. Each option is exercisable to purchase one common share of the Company at \$0.30 per share until Oct 4 2028.
- (f) Carl Correia held 1,115,000 stock options. 450,000 options are exercisable to purchase one common share of the Company at \$0.20 per share until November 3, 2020, 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.
- (g) Steve Mathiesen held 100,000 stock options. Each option is exercisable to purchase one common share of the Company at \$0.30 per share until October 4, 2028.

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 May 26, 2017. As at the date of this Listing SInformation 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 an MMPR license at all.

1. ***Risk as to whether Lotus's CANNABIS PRODUCTION license application will be of sufficient quality.*** There is extensive knowledge required to complete the various elements of the CANNABIS PRODUCTION license application. These are the security plans for the facility, the quality control plans and the record keeping plans. In addition, the facility design and floor plan must adequately incorporate the security and quality control plans. This requires a high degree of skill and experience. There is no assurance that Lotus has sufficient skill and experience or whether it can retain professional input needed for Health Canada to conclude that the plans in Lotus's CANNABIS PRODUCTION license application are acceptable.
2. ***Time required for Health Canada to accept Lotus's CANNABIS PRODUCTION application.*** The MMPR application is a complex undertaking and the review process is extensive. It is uncertain as to how many applications Health Canada will receive and be reviewing, and therefore Lotus's estimates of the time required for review of its application may not be correct. To date, Health Canada has received more than 1,000 applications. This risk is mitigated by increased staffing at health Canada and modification of the approvals process.
3. ***Risk relating to building the facility.*** Building the facility according to the plans in Lotus's CANNABIS PRODUCTION application requires specialized skills. While Lotus expects to engage competent professionals to undertake this, there is no assurance that it can be done, or whether Lotus's estimate of the time required to do this is accurate. It is not certain that it will be accomplished in a manner satisfactory to Health Canada in order for Health Canada to issue MMPR license. There is a risk that the build-out of the facility may be subject to local government building permit delays, construction cost overruns, or construction delays.
4. ***Risk relating to the time required for Lotus to obtain an CANNABIS PRODUCTION license*** Given the complexity of the MMPR application process, the financing risk and the risks associated with the construction of the facility, and the time required for these, there is a risk that Health Canada may change the CANNABIS PRODUCTION regime in ways that Lotus does not foresee. For example, Health Canada could decide only to permit a certain number of applications, in which Lotus's might not be included, or increase or change the requirements to complete the application process or to obtain an MMPR license.

Lotus has negative operating cash flow

Lotus has generated no revenues and has negative cash flow from operating activities.

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 application for an MMPR license are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana 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 ACMPR in 2016 and has released the Task Force Report November 30, 2016 on "The Final Report of The Task Force on Cannabis Legalization and Regulation". The Government has stated that it intends to introduce legislation in 2017. Management views the recommendations of the Report largely favourable to the company and to potential licensed producers of cannabis. The risks to the business of Lotus remain relative to how the implementation of these recommendations proceed and the pace of the implementation of these reforms. 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 has no history of earnings. Lotus has no present prospect of generating revenue from the sale of products. Lotus is therefore 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 present plans are to have 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 complete the CANNABIS PRODUCTION application and to upgrade the facility and equipment will be capital intensive. Lotus will require equity and/or debt financing to support on-going operations, 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 medical marijuana 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

Medical marijuana 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

Medical marijuana 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 medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana 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 medical marijuana 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 medical marijuana 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 medical marijuana 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

In the event that Lotus is able to obtain the CANNABIS PRODUCTION License, as a manufacturer and distributor of products designed to be ingested 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 manufacture and sale of marijuana involve 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 marijuana alone or in combination with other medications or substances could occur. Lotus could in the event it becomes a licensee under the MMPR and can sell medical marijuana be subject to various product liability claims, including, among others, that the marijuana 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

Manufacturers 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 amount 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.

Reliance on Key Inputs

The marijuana 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

Lotus must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the 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 and 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.

The market price of Lotus's Common Shares may be subject to wide 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.

Dividends

Lotus has no earnings or dividend record, and 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.

PROMOTERS

Carl Busby was a promoter of Lotus. Mr. Busby passed away in July 2015. It is unknown if Carl Busby's estate 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 \$36,000 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 Computershare Trust Company of 510 Burrard Street, 2nd Floor, Vancouver, British Columbia, Canada V6C 3B9.

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. XLY Agreement. On July 20, 2017, the Company entered into a binding interim agreement with Cannabis Wheaton Income Corp. (“CBW”), subsequent renamed 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 the greater of (i) access to and control of 10,000 square feet of the initial production area, or (ii) 50% of the actual cultivation yield generated, together with certain ancillary rights, including access to and use of the Company’s related infrastructure at the facility, for a period of 10 years. Additionally, XLY has a right of first refusal to finance any proposed expansion of the facility, subject to certain pre-determined parameters, in the amount up to \$7 million by way of a subscription for additional common shares of the Company (the “Expansion Subscription”). Should XLY exercise its right of first refusal and complete the Expansion Subscription, XLY shall receive 50% of the actual cultivation yield produced in the expansion area of the facility for a period of 10 years.
6. On December 14, 2017 Lotus Ventures Inc. (“Lotus” or the “Company”) is pleased to announce that it has entered into an Agreement to license its intellectual property including its proprietary facility design, the first of a planned national expansion. The licensee will be a newly formed company owned by Lotus and 4th Gen Duwyn Farms Inc. (“DFI”) in Southwestern Ontario, headed by Shawn Duwyn, its President. The Duwyn family has been in the business of growing tobacco for four generations since the mid 1920’s. Lotus has developed this unique business model to leverage the Company’s assets, increase cash flow and minimize capital investment. This Agreement is the first of planned expansion nationally which will see Lotus partnering with farmer growers who recognize the value of the Lotus IP and who have the financial, intellectual and managerial resources to capitalize on this market opportunity. The partnership with DFI will allow Lotus to double its production volume with minimal capital investment and to build scale in its business in anticipation of full legalization in 2018. Under the Agreement, Lotus will provide DFI access to its IP including building design, standard operating procedures, training and license application support in return for DFI selling 100% of the production from the facility (1.8 million grams) to Lotus for a period of 15 years at a discount to wholesale pricing. DFI has been studying opportunities to enter into the cannabis production market and has been looking for the appropriate strategic partner. The Duwyn family has generations of quality production and operational experience in tobacco farming which can be applied to the cannabis market. Shawn Duwyn has a diploma in mechanical engineering and an appreciation of the technical advantages of the Lotus designs and operating knowledge.

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 3,000,000 shares of Lotus and has been granted 500,000 Lotus Options exercisable for five years at \$0.25 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.

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 30th day of December, 2018.

“Dale McClanaghan”
Dale McClanaghan, Chief Executive Officer

“Gary Mathiesen”
Gary Mathiesen, Chief Financial Officer

“Steve Mathiesen”
Steve Mathiesen, Director

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