

FORM 7

MONTHLY PROGRESS REPORT

December 2019

Name of CNSX Issuer: **Lotus Ventures Inc.** (the "Issuer").

Trading Symbol: **J**

Number of Outstanding Listed Securities: Issued & Outstanding: **85,049,799 common shares**

Date: **December 31, 2019**

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

In 2014 the company has applied to Health Canada for a license to produce medical marijuana under the Marijuana for Medical Purposes Regulations, now referred to as the ACMPR.

On March 8, 2019 Lotus Ventures Inc. obtained a "Standard Cultivation" licence and a "Sale for Medical Purposes" license pursuant to the Cannabis Act for its 22,500 square foot, indoor purpose-built facility in Armstrong, British Columbia. The Company will obtain a "Sale License" after the first two crops have been successfully grown and tested and we will then be in a position to sell the accumulated inventory.

In August: Favourable Initial Health Canada Facility Inspection: During the month of August, Health Canada made an initial inspection and has confirmed that our operation is compliant under the Cannabis Act and its Regulations.

First Crop Harvest Sept. 2019 & B2B Sales to Commence: As per the definitive agreement between Lotus and Auxly Cannabis Group Inc. ("Auxly") dated September 11, 2018, Auxly has committed to purchase 50% of the initial facility's production at a fixed cost, which is expected to be enough to cover the Company's production costs. The remaining 50% of production will be initially sold to either a Licence Holder with a Processing licence, or to Auxly based on wholesale prices sourced by Lotus.

In November Lotus finalized the details of its first shipment to Auxly Cannabis Group Inc. (TSXV: XLY). Pursuant to Lotus and Auxly's definitive agreement (the "Agreement") dated September 11, 2018, Auxly is entitled to purchase the first 50% of Lotus' cultivation at a fixed price, with a right of first offer to purchase the

remaining 50% at market prices. Auxly has agreed to purchase 100% of the initial crop and has an ongoing interest in our high-quality flower production.

Lab Testing: Lotus was pleased with its initial batch yielding more cannabis than originally expected, while passing all quality control measures. The Company grew multiple strains in its initial batch, optimizing the growing environment and learning what strains worked best for the current market demand. Out of the initial batch, one strain tested at 22.6% THC while the average amongst the group tested at approximately 19.1% THC. Subsequent batches (Crop 2 & 3) produced over 60,000 grams of product with an average THC level of 21.5% and the Kali strain at slightly above 24%. As per market demand, Lotus plans to grow higher THC products and anticipates higher THC results in future batches now that the growing environment has been standardized.

2. Provide a general overview and discussion of the activities of management.

Lotus Ventures (the “Company”) has completed its initial 22,500 square feet facility and is now cultivating its first crops. The design work and building permit drawings for the expansion of the facility by an additional 28,000 – 30,000 square feet is almost complete and Building permit submission will be in early June 2019. The company will provide an update on the expansion budget, estimated capacity and timeline shortly after permit drawings are complete.

3. Describe and provide details of any new products or services developed or offered.

In May, Lotus Ventures Inc. announced its initial product information, expected to be sold in the second half of 2019. The Company has imported 3,500 seeds, 229 strains and 75 live plants into the facility. These form the basis of the Lotus catalogue. We also anticipate growing proprietary strains which can be licensed to other licensed producers or used in various partnerships.

Even though legalization for recreational use took effect in October 2018, the sector remains constrained by the availability of high-quality cannabis. The Lotus product line is targeted to the higher end recreational segment of the market. Like the wine or spirits business, the high-end of the market commands much higher financial margins.

Market Trends: As per multiple industry reports, as well as internal data, Canadian cannabis consumers are currently demanding premium dried flower with a high THC% content. Our analysis finds that indoor produced craft products with a high THC% have been able to either maintain or increase selling prices in retail since legalization, while lower-to-mid grade products have seen selling price compression since legalization. Lotus continues to be focused on exceeding consumer expectations as a reliable low-cost producer of high-quality flower grown from exotic and premium strains.

4. Describe and provide details of any products or services that were discontinued.

None

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

None.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

None

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

None

8. Describe the acquisition of new customers or loss of customers.

None

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

Lotus Ventures Inc. launched its new consumer brand – Lotus Cannabis Co. (“Lotus Cannabis” or the “Brand”). Lotus Cannabis is the only cannabis brand owned and operated by Lotus Ventures Inc. and the Company intends to continue to be listed on the Canadian Securities Exchange under the ticker symbol “J”.

In addition to the Brand, Lotus’ new website is now up and running at (lotuscannabis.ca). The new branding, packaging and website reflect the team’s commitment to quality. The new Lotus website makes our focus apparent, and our packaging design represents the targeting of discerning cannabis connoisseurs. The Company anticipates growing a proprietary product, unique to the Canadian market, and will issue a separate press release for its official strain launch.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

Lotus is staffed up in accordance with the operating plans incorporated in the ACMPR application. Since December and January middle management level, operations staff, including Quality Assurance Director, Quality Assurance Staff,

First Grower, Production Manager and IT Manager were actively preparing for the submission of the Health Canada Evidence Package and for operations under the initial Cultivation License. We have contract labor and part-time contract workers doing trimming of product.

11. Report on any labour disputes and resolutions of those disputes if applicable.
None
12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.
None
13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.
None
14. Provide details of any securities issued and options or warrants granted.
None
15. Provide details of any loans to or by Related Persons.
None
16. Provide details of any changes in directors, officers or committee members.
None
17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.
None

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: **January 6, 2020**

Dale McClanaghan
Name of Director or Senior Officer

"Dale McClanaghan"

Signature
President and CEO

Issuer Details	For Month End	Date of Report
Name of Issuer Lotus Ventures Inc.	December 31, 2019	YYYY/MM/DD 2020/01/06
Issuer Address Suite 1848 Commercial Drive, Vancouver, British Columbia V5N 4A5		
City/Province/Postal Code Vancouver, BC V5N 4A5	Issuer Fax No. n/a	Issuer Telephone No. 604-644-9844
Contact Name Dale McClanaghan	Contact Position President and CEO	Contact Telephone No. 604-644-9844
Contact Email Address dalemcclanaghan@gmail.com	Web Site Address www.lotusventures.ca	