LOTUS VENTURES INC.
(formerly Jupiter Resources Corporation)

FINANCIAL STATEMENTS

For the years ended August 31, 2014 and August 31, 2013

(Expressed in Canadian Dollars)

DeVISSER GRAY LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Directors of Lotus Ventures Inc.,

We have audited the accompanying financial statements of Lotus Ventures Inc. (formerly Jupiter Resources Corporation), which comprise the statements of financial position as at August 31, 2014 and August 31, 2013, and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lotus Ventures Inc. as at August 31, 2014 and August 31, 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Lotus Ventures Inc.'s ability to continue as a going concern.

De Visser Gray LLP

CHARTERED ACCOUNTANTS
Vancouver, British Columbia
December 17, 2014

LOTUS VENTURES INC. (formerly Jupiter Resources Corporation)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
As at

	August 31, 2014	August 31, 2013
ASSETS		
Current		
Cash	$ 132,476	$ -
GST receivable	7,337	-
	139,813	-
Non-current		
Option agreement (Note 4)	62,500	-
Total assets	$ 202,313	$ -
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 25,041	$ -
Total liabilities	25,041	-
SHAREHOLDERS' EQUITY		
Share capital	$ 287,500	$ -
Shares subscribed	77,500	-
Deficit	(187,728)	-
	177,272	-
	$ 202,313	$ -

Note 9 Subsequent Events

The accompanying notes form an integral part of these financial statements.

Approved and authorized by the Board on December 17, 2014.

"Dale McClanaghan" Director *"Carl Busby"* Director
Dale McClanaghan Carl Busby

LOTUS VENTURES INC. (formerly Jupiter Resources Corporation)
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
General and administrative expenses		
Bank fees	$ 454	$ -
Consulting	56,160	-
Professional fees	110,024	-
Listing, filing and transfer fees	5,961	-
Office and miscellaneous	1,805	-
Research and development	10,170	-
Travel	3,154	-
	$ (187,728)	$ -
Basic and diluted loss per share	$ (0.05)	$ -
Weighted average number of shares outstanding	4,104,795	1

The accompanying notes form an integral part of these financial statements.

LOTUS VENTURES INC. (formerly Jupiter Resources Corporation)
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Common shares				
	Number of Shares	Amount	Shares Subscribed	Deficit	Total
Balance, August 31, 2012 and August 31, 2013	**1**	$ -	$ -	$ -	$ -
Balance, August 31, 2013	**1**	**$ -**	**$ -**	**$ -**	**$ -**
Shares issued for assignment of option	5,750,000	62,500	-	-	62,500
Shares issued for cash	11,249,999	225,000	-	-	225,000
Shares subscribed	-	-	77,500	-	77,500
Net loss	-	-	-	(187,728)	(187,728)
Balance, August 31, 2014	**17,000,000**	**$ 287,500**	**$ 77,500**	**$ (187,728)**	**$ 177,272**

The accompanying notes form an integral part of these financial statements.

LOTUS VENTURES INC. (formerly Jupiter Resources Corporation)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year ended August 31, 2014	Year ended August 31, 2013
Operating activities		
Net loss for the year	$ (187,728)	$ -
Changes in non-cash working capital items:		
GST receivable	(7,337)	-
Accounts payable	25,041	-
	(170,024)	-
Financing activities		
Shares issued for cash	225,000	-
Shares subscribed	77,500	-
	302,500	-
Increase in cash	132,476	-
Cash, beginning of the year	-	-
Cash, end of the year	**$ 132,476**	**$ -**

The accompanying notes form an integral part of these financial statements.

Note 1 **Nature and Continuance of Operations**

Lotus Ventures Inc. (the "Company") was incorporated on January 29, 2007 under the Business Corporations Act (B.C.) as Jupiter Resources Corporation. The Company was inactive until April 2014, when it obtained an option to acquire certain assets used in the production of medical marijuana, as more fully described in Note 4.

The Company intends to obtain a listing on the Canadian Securities Exchange ('CSE') by way of, amongst other requirements, the completion of a statutory amalgamation with Strachan Resources Ltd. ('Strachan'), a public company where the common shares have been listed for trading on the TSX Venture Exchange ('the Exchange') since December 2010.

Under the terms of the amalgamation agreement (the 'Transaction') with Strachan dated July 30, 2014 as amended September 1, 2014, the shareholders of each of the Company and Strachan are to exchange their respective shareholdings on a one-for-one basis for the share capital of a new corporation ('Amalco'). The effect of these exchanges and other issuances of Amalco shares is that the shareholders of the Company will obtain control of Amalco immediately subsequent to completion of the Transaction. Accordingly, for accounting purposes, the Transaction will constitute an acquisition of Strachan by the Company.

The Company's Option Exercise Agreement, described in Note 4, formed the basis for the Transaction with Strachan, as its terms contemplated and required the completion of a transaction whereby the shareholders of the Company are to effectively obtain the right to trade their equity publically, or to otherwise obtain publically-traded securities by an exchange of equity interests.

In connection with the Transaction and to obtain regulatory consent to the delisting of its securities from trading on the Exchange, subsequent to August 31, 2014 Amalco filed a non-offering prospectus in British Columbia.

These financial statements have been prepared on the going concern basis, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further development of its projects.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These financial statements do not give effect to any adjustments that might be required should the Company be unable to continue as a going concern and therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts differing from those reflected in the financial statements.

Management plans to continue to pursue equity or debt financing to support operations. Management believes this plan will be sufficient to meet the Company's liabilities and commitments as they become payable over the next twelve months. There can be no assurance that management's plan will be successful. Failure to maintain the support of creditors and obtain additional external equity financing will cause the Company to curtail operations and the Company's ability to continue as a going concern will be impaired. The outcome of these matters

Note 1 Nature and Continuance of Operations – (cont'd)

cannot be predicted at this time. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Refer to Note 9 – Subsequent Events.

Note 2 Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Note 3 Significant Accounting Policies

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income. The Company has classified its cash as fair value through profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company has classified its subscriptions receivable as loans and receivables.

Note 3 <u>Significant Accounting Policies</u> – (cont'd)

Held-to-maturity investments **-** These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of comprehensive loss or income. The Company has no held-to-maturity investments.

Available-for-sale **-** Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of comprehensive loss or income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired, as follows:

Fair value through profit or loss **-** This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income.

Other financial liabilities: This category includes accounts payable and accrued liabilities, all of which are recognized at amortized cost.

Intangible assets

Intangible assets are recognized when they become identifiable, which is to say when they arise from contractual or other rights, or when they are separable, or capable of being sold, transferred, licensed, rented or exchanged. They are initially recorded at cost, subject to the reliability of measurement, and are carried as assets to the extent that it is probable that the future economic benefits applicable to such costs will flow to the Company.

The Company's interest in the option agreement disclosed in Note 4 currently meets the definition of an intangible asset with an indefinite useful life. The Company assesses the carrying amount at year period end to determine whether events and circumstances require the impairment or reclassification of these costs.

Note 3 Significant Accounting Policies – (cont'd)

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it is probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Income (loss) per share

The Company presents basic and diluted income (loss) per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share does not adjust the income (loss) attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Note 3 Significant Accounting Policies – (cont'd)

Adoption of new and revised accounting standards and interpretations

The following revised standards are effective for annual periods beginning on or after January 1, 2014 with earlier application permitted. The Company has assessed the impact of these standards and has determined that they would not have a material impact on the Company.

- IAS 32, Financial Instruments: Presentation (January 1, 2014)
- IFRS 9, Financial Instruments (January 1, 2015)

There are no other IFRS's or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Company.

Note 4 Option Agreement and Option Exercise Agreement

On April 30, 2014, the Company entered into an Assignment Agreement with Carl Busby. In consideration of the assignment of an underlying option agreement (the "Option Agreement") described below, the Company paid to Carl Busby $62,500 by the issuance of 3,500,000 common shares at a price of $0.005 per share and 2,250,000 common shares at a price of $0.02 per share. Mr. Busby became a director and President of the Company on May 6, 2014. Upon completion of the Transaction described in Note 1, Carl Busby obtained 6,000,000 common shares of Amalco, or 22.4% of the issued and outstanding common shares of Amalco at the completion of the Transaction.

Upon completion of the Transaction, Amalco will obtain the right under an underlying Option Exercise Agreement to acquire a production facility and operating assets, to be operated under the Marijuana for Medical Purposes Regulation ('MMPR') upon obtaining a new production license. These assets currently produce medical marijuana pursuant to four licenses issued under the Medical Marijuana Access Regulations ('MMAR').

Under the terms of the original Option Agreement, to complete its terms Amalco was to (a) invest $250,000 in the production facility and the process of applying for a license under the MMPR to produce and sell medical marijuana, in stages as follows: (i) $110,000 to be provided for this purpose within 6 months of the transfer of the Option to Amalco; (ii) a further $45,000 in 3 months thereafter; (iii) a further $75,000 in 3 months thereafter; and (iv) a further $20,000 in 3 months thereafter; (b) issue to the Optionor 2,000,000 common shares of Amalco as follows: (i) forthwith after the Option was transferred to Amalco, 1,000,000 shares subject to a four month hold period. 100,000 shares were to be delivered to the Optionor and 900,000 held by Amalco until it obtained a new license or the legal and regulatory regime changed so that it would be legally able to produce and sell marijuana; and (ii) at such time as either Amalco obtained a new license or the legal and regulatory regime changed so that it would legally be able to produce and sell marijuana, a further 1,000,000 shares would be held by Amalco subject to a share restriction agreement by which one share would be released to the Optionor for every $1 of net cash flow from operations as calculated by Amalco's accountant annually and (c) beginning on the 9th month from closing of the Transaction, Amalco would pay $5,000 per month for the rent of the facility.

The Company entered into an Option Exercise Agreement dated September 1, 2014 with Carl Correia ("Correia") and 0998918 B.C. Ltd. of Vernon, British Columbia which replaced in its

Note 4 **Option Agreement and Option Exercise Agreement – (cont'd)**

entirety the Option Agreement. Under this agreement, the Company agreed to issue 1,700,000 common shares to each of Correia and 0998918 B.C. Ltd. for a total of 3,400,000 common shares at a deemed price of $0.02 per share and Correia agreed to (a) be the Chief Operating Officer of the Company and the Person in Charge in the MMPR Application (b) prepare the MMPR application on behalf of the Company; (c) assist the Company to obtain approval of the application from Health Canada (d) assist the Company to obtain the MMPR License; and (e) assist the Company to negotiate a lease on the property on which the facility is located. The Company will also acquire Correia's know-how and experience regarding (a) the requirements with respect to the MMPE 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) knowledge regarding the growing of medical marijuana; and (g) all information, documents and records prepared with respect to the MMPR License application and all lease rights to the facility.

Refer to Note 9 – Subsequent Events.

Note 5 **Share Capital**

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

During the year ended August 31, 2014, the Company issued 11,249,999 common shares valued at $0.02 per share for $120,000. The Company also issued 3,500,000 common shares at a price of $0.005 per share and 2,250,000 common shares at a price of $0.02 per share pursuant to its Option Agreement with Carl Busby (see Note 4).

Note 6 **Related Party Transactions**

During the year ended August 31, 2014, the Company incurred $106,249 (August 31, 2013 - $nil) in legal fees and reimbursable expenses paid or accrued to a company controlled by a Company director. The Company owed or had accrued as payable to this related party company $13,667 at August 31, 2014 (August 31, 2013 - $nil).

During the year ended August 31, 2014, the Company incurred $50,000 (August 31, 2013 - $nil) in consulting fees paid to a company controlled by the Company's President and CEO.

Note 7 **Capital Management**

The Company's financial instruments are exposed to the following risks:

Credit Risk

The Company's primary exposure to credit risk is the risk of illiquidity of cash amounting to $132,476 at August 31, 2014. As the Company's policy is to limit cash holdings to instruments issued by major Canadian banks, or investments of equivalent or better quality, the credit risk is considered by management to be negligible.

(Expressed in Canadian Dollars)

Note 7 Capital Management – (cont'd)

Fair Value of Financial Instruments

The fair value of the Company's financial assets approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value classification of the Company's financial instruments as at August 31, 2014 is as follows:

		2014	
	Fair value level	Fair value through profit or loss	Loans and receivables at amortized cost
Financial assets			
Cash	1	$ 132,476	$ -
		$ 132,476	$ -

During the year ended August 31, 2014 there were no transfers between level 1, level 2 and level 3 classified assets.

Note 8 Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2014	2013
	$	$
Net loss for the year before tax	(187,728)	-
Expected income tax recovery	(48,809)	-
Net adjustment for deductible and non-deductible amounts	77	-
Unrecognized benefit of tax pool assets	48,732	-
	-	-

(Expressed in Canadian Dollars)

Note 8 Income Taxes – (cont'd)

The significant components of the Company's deferred income tax assets (liabilities) are as follows:

	2014	2013
	$	$
Deferred income tax assets (liabilities):		
Non-capital loss carry-forwards	48,732	-
	48,732	-
Valuation allowance	(48,732)	-
Net deferred income tax assets	-	-

Subject to certain restrictions, the Company has non-capital losses available for possible deduction against future years' taxable income of approximately $187,000 (2013 - $nil). The Company has not recognized any future benefit for these tax losses, as the likelihood of their utilization is unknown. If unused, these non-capital losses will expire as follows:

	$
2034	187,000
	187,000

Note 9 Subsequent Events

- The Company entered into an Option Exercise Agreement dated September 1, 2014 with Carl Correia ("Correia") and 0998918 B.C. Ltd. of Vernon British Columbia which replaced in its entirety the Option Agreement. Pursuant to this agreement, the Company issued 1,700,000 shares each to Correia and 0998918 B.C. Ltd. Each agreement is described in Note 4.

- On October 8, 2014, the CSE gave conditional approval to the listing of Amalco on the CSE subject to the following conditions (a) shareholder approval of the amalgamation as described in the Information Circular dated September 19, 2014; (b) obtaining a receipt for this Prospectus from the British Columbia Securities Commission; (c) completion of the Financing, and (d) confirmation of sufficient shareholder distribution.

- On October 20, 2014, a general meeting of Strachan shareholders approved the amalgamation of Strachan and the Company. The text of this resolution is as disclosed in the Information Circular for the Meeting filed on www.SEDAR.com.

- On October 27, 2014, the Company completed a non-brokered private placement of 1,374,000 common shares at $0.25 per share for gross proceeds of $343,500, also paying $10,000 in finder's fees to complete the private placement.

- On November 27, 2014, Strachan Resources Ltd. and the Company were amalgamated, resulting in the formation of Amalco, a public company. Amalco was named Lotus Ventures Inc.

Note 9 Subsequent Events – (cont'd)

- On November 28, 2014, Amalco filed a non-offering prospectus in British Columbia.
- On December 8, 2014, common shares of Amalco commenced trading on the CSE.