

LOTUS VENTURES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nine Months Ended May 31, 2017

The following is a discussion and analysis of the financial condition and operating results of Lotus Ventures Inc. (the “Company”) for the nine months ended May 31, 2017. The discussion should be read in conjunction with the Interim Financial Statements (unaudited) for the nine months ended May 31, 2017; together with the audited financial statements of the Company and the notes thereto for the twelve months ended August 31, 2016. The audited financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless expressly stated otherwise, all financial information is presented in Canadian dollars.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements with respect to the Company. These forward-looking statements by their nature involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but caution the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect.

DATE

July 31, 2017

HISTORY

On November 27, 2014 the Company was formed by the amalgamation of Strachan, a capital pool company and Private Lotus, a private company, under the provisions of the Business Corporations Act (British Columbia).

The Company 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”. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

The Company has filed its application with Health Canada to obtain a licence pursuant to the requirements of the Marijuana for Medical Purposes Regulations (the “MMPR Application”) for its planned facility located in Spallumcheen Township, British Columbia. The Company has received its number from Health Canada which signifies its filing and that the review by Health Canada has begun.

In December 2014 Health Canada requested additional information about security clearance forms for the principals of the Company 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. The company provided a response on February 24, 2015. On March 11, 2015 Health Canada requested additional information about the Company’s quality assurance person and record keeping. The Company provided a response on March 31, 2015. On August 13, 2015 Health Canada requested additional information on the proposed site and physical security. The Company provided a response on September 2, 2015 and September 9, 2015. As detailed below in Discussion of Operations the company is currently in the Security Clearance phase of the application process.

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 April 13, 2017 the Federal Government tabled legislation in favor of LP’s being the permitted producers in the adult recreation legal market to commence July 1, 2018. At the same time the government announced Health Canada has increased its budget and staffing, which will increase the speed at which it issues affirmation confirmations and processes LP applications.

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”.

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.

OVERALL PERFORMANCE

The Company is at an early stage in its development and has limited financial resources and no source of operating cash flow. The Company 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 the Company when needed or on terms which are acceptable.

SELECTED ANNUAL INFORMATION

The Company 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, 2016	Year ended August 31, 2015	Year ended August 31, 2014 (Private Lotus)
<i>Revenues</i>	Nil	Nil	Nil
<i>Net loss</i>	(\$809,243)	(\$496,527)	\$(187,728)
<i>Net loss per share, basic and fully diluted</i>	\$0.03	\$0.02	\$0.05
<i>Total Assets</i>	\$458,477	\$391,087	\$202,313
<i>Total Long Term Financial Liabilities</i>	Nil	Nil	Nil
<i>Cash dividends declared</i>	Nil	Nil	Nil

DISCUSSION OF OPERATIONS

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.

Health Canada notified the Company in early December 2015 that it is in the personnel Security Clearance phase of the MMPR application process. This is an important step in the licensing process and permits the Company to make concrete plans for the construction of the planned facility, providing it passes the final Review stage and receives a Confirmation of Readiness for Pre License Inspection from Health Canada. The policy of the new federal government to legalize marijuana will require extensive expansion of properly licensed production capacity to replace illicit market production. On March 16 2016, Health Canada advises Lotus' MMPR application completed the Security Clearance portion of the process had entered the final review stage. During this stage the application is thoroughly reviewed to validate the information provided. Physical security plans are also reviewed and assessed in detail.

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. Based on the status of the application Lotus is preparing to commence construction of the facility in the month of July.

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”), 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 CBW, has agreed to funding the initial facility, whereby CBW 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 CBW'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, CBW 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, CBW 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 CBW exercise its right of first refusal and complete the Expansion Subscription, CBW 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.

Lotus announced on April 19, 2017 that it has received approval for the necessary building permit for its proto-type facility from Spallumcheen Township near Armstrong BC. We have received further information that Lotus Ventures Inc. has well advanced along in the approval process and expects to receive an affirmation confirmation from Health Canada to commence building this year. We have also created a community contribution profile which highlights our creation of 60 – 70 permanent jobs from the initial \$18 million investment plan in the North Okanagan region.

With regard to timing of Lotus’ licensing status, Health Canada has increased its budget and staffing, which will increase the speed at which it issues affirmation confirmations and processes LP applications. The Federal Government has issued legislation in favor of LP’s being the permitted producers in the adult recreation legal market to commence July 1, 2018.

The Company’s cash was \$174,494 on May 31, 2017. The Company has no other liquid assets other than GST receivable of \$11,051. The Company does not have any operating activities. General and administrative expenses for the nine month period totalled \$225,161. The comparable cash items recorded as general and administrative expenses in the nine months ended May 31, 2016 was

\$151,993.

As at May 31, 2017, the Company had net working capital of \$195,750. In order to maintain operations and cover administrative costs, the Company will need to raise additional financing. There can be no assurance that additional funding will be available in the future.

See below for material events subsequent to May 31, 2017 under PROPOSED TRANSACTIONS and SUBSEQUENT EVENTS.

SUMMARY OF QUARTERLY RESULTS

The Company was formed on November 27, 2014 and does not have comparative quarterly results for the first, second and third quarters of 2014-15. The financial results for Lotus Ventures Inc. for the quarters ended November 30, 2014, May 31, 2015, May 31, 2015 and August 31, 2015 are summarized below. For continuity we also provide financial information for Strachan and Lotus predating the amalgamation.

The following provides quarterly financial information for Strachan and Private Lotus for each nine month period since Nov 30, 2012.

For Strachan:

Description	Three months ended Aug 31, 2014	Three months ended May 31, 2014	Three months ended Feb 28, 2014	Three months ended Nov 30, 2013	Three months ended Aug 31, 2013	Three months ended May 31, 2013	Three months ended Feb 28, 2013	Three months ended Nov 30, 2012
Revenues	0	0	0	0	0	0	0	0
Net Income (loss)	(11,813)	(6,185)	(7,001)	103	(84,556)	(36,425)	(19,577)	(15,380)
Net loss per share, basic and diluted	(0.00)	(0.00)	(0.00)	0.00	(0.02)	(0.01)	(0.00)	(0.00)
Total Assets	1,946	5,006	8,385	21,472	17,740	21,715	101,597	144,949
Total Long Term Liabilities	29,917	26,445	Nil	Nil	Nil	Nil	Nil	Nil
Cash Div./ Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

For Private Lotus:

Description	Three months ended Nov 31, 2014	Three months ended Aug 31, 2014	Three months ended May 31, 2014	Three months ended Feb 28, 2014	Three months ended Nov 30, 2013	Three months ended Aug 31, 2013	Three months ended May 31, 2013	Three months ended Feb 28, 2013	Three months ended Nov 30, 2012
Revenues	0	0	0	0	0	0	0	0	0
Net Income (loss)	(\$95,846)	(\$60,996)	(\$67,526)	Nil	Nil	Nil	Nil	Nil	Nil
Net loss per share, basic and diluted	0.004	0.004	0.004	Nil	Nil	Nil	Nil	Nil	Nil
Total Assets	\$470,477	\$202,313	\$62,239	Nil	Nil	Nil	Nil	Nil	Nil
Total Long Term Liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash Div. / Share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

For Lotus Ventures Inc.

Description	Three months ended May 31, 2017	Three months ended Nov. 30, 2016	Three months ended Nov. 30, 2016	Three months ended Aug. 31, 2016	Three months ended May 31, 2016	Three months ended Feb. 29, 2016	Three months ended Nov 30, 2015	Three months ended Aug 31, 2015	Three months ended May 31, 2015	Three months ended Feb 28, 2015
<i>Revenues</i>	0	0	0	0	0	0	0	0	0	0
<i>Net Income (loss)</i>	(225,161)	(154,749)	(143,827)	(151,345)	(151,993)	(192,410)	(\$313,495)	(\$152,362)	(\$36,612)	(\$257,324)
<i>Net loss per share, basic and diluted</i>	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.01
<i>Total Assets</i>	\$556,584	\$772,511	\$845,204	\$458,477	\$559,987	\$425,623	\$299,355	\$391,087	\$325,898	\$402,805
<i>Total Long Term Liabilities</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<i>Cash Dividends / Share</i>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash was \$195,750 on May 31, 2017. The Company's other liquid assets are a GST receivable of \$11,051. The Company does not have any operating activities. In order to maintain operations and cover administrative costs, the Company will need to raise additional financing. There can be no assurance that additional funding will be available in the future.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS BETWEEN RELATED PARTIES

Related Party Transactions

During the three months ended May 31, 2017, the Company incurred management consulting fees of \$10,500 (2015 - \$10,500) to a company controlled by the Company's President and CEO.

During the three months ended May 31, 2017, the Company incurred consulting fees of \$10,500 (2016 - \$nil) to the Company's Chief Operating Officer.

PROPOSED TRANSACTIONS

On July 20, 2017, the company announced a Private Placement Offering which consists of up to 6,666,666 units ("Units") at a purchase price of \$0.30 per Unit, for aggregate gross proceeds of up to \$2,000,000. Each Unit will consist of one common share in the capital of the Company ("Common Share") and one half of one common share purchase warrant ("Warrant"). Each full Warrant will entitle the holder to purchase one Common Share for a period of three years from the date of issuance, at a purchase price of \$0.35. The company may pay a 5% cash finders fee. The Offering is expected to close on or before September 1, 2017. Lotus has received a lead order of \$1,000,000 from the principal of a strategic partner of the Company. The proceeds from the Offering will be used for working capital and fund the construction of the first production facility.

Changes in Accounting Policies including Initial Adoption

Significant accounting policies can be found in Note 3 of the financial statements for the period ended August 31, 2016.

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

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

The preparation of financial statements in accordance with 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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company has no financial or other instruments.

ADDITIONAL DISCLOSURE FOR ISSUERS WITHOUT SIGNIFICANT REVENUES

A breakdown of the material components of the Company’s general and administrative expenses is disclosed in the Company’s audited financial statements for the year ended August 31, 2016.

OUTSTANDING SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares without par value. As of the date of this MD&A, 35,689,000 common shares are issued and outstanding.

During the year 2016 calendar year, the Company completed the following share issuances:

- On December 21, 2015, 300,000 common shares were issued pursuant to the exercise of share purchase options at \$0.10 per option for gross proceeds of \$30,000.
- On January 27, 2016, the Company completed a non-brokered private placement of 1,400,000 units at \$0.15 per unit for gross proceeds of \$210,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.20 per share until December 29, 2017.
- On May 27, 2016, the Company completed a non-brokered private placement of 1,658,750 units at \$0.20 per unit for gross proceeds of \$331,750. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 until May 31, 2021.

As at the date of this MD&A, there are 2,785,000 options outstanding of which:

- On December 8, 2014, pursuant to the Company’s listing on the CSE, the Company granted 1,000,000 share purchase options exercisable for five years at a price of \$0.25 per share, including 500,000 options to the Company’s President and CEO; and
- On November 3, 2015, the Company granted 1,485,000 share purchase options exercisable for a five year period at a price of \$0.20 per share, including 450,000 options to the Company’s President and CEO and 450,000 options to a Director of the Company.
- On January 4, 2016, the Company granted 300,000 share purchase options exercisable for a five year period at a price of \$0.25, including 150,000 to a Director and 150,000 to a member of the Executive.

RISKS AND UNCERTAINTIES

An investment in the Company involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the business of the Company. The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results

include, but are not limited to: regulatory risk relating to the Company; 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 the Company's shares; no earnings or dividend record; limited market for Lotus's securities; and other factors beyond the control of the Company. Additional risks that the Company currently believes are immaterial may indeed become important factors that affect the Company's business.

SUBSEQUENT EVENTS

See PROPOSED TRANSACTIONS above.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the SEDAR website at www.sedar.com.

