

# LOTUS VENTURES INC.

## Notice of Annual General Meeting

**September 14, 2017**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting”) of the shareholders of Lotus Ventures Inc. (the “Company”), will be held at Suite 1010 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3 on September 14, 2017, at 10:00 AM Vancouver time, for the following purposes:

1. to receive the directors’ Annual Report and the financial statements of the Company as at August 31, 2016, and the auditor’s report thereon;
2. to set the number of directors at three;
3. to elect directors for the ensuing year. **ANY CHANGES TO THE MEMBERS OF THE BOARD OF DIRECTORS AT THIS TIME WILL CAUSE A DELAY OF SEVERAL MONTHS TO THE FINAL REVIEW OF THE COMPANY’S APPLICATION FOR A LICENSE TO PRODUCE MEDICAL MARIJUANA UNDER THE MARIJUANA FOR MEDICAL PURPOSES REGULATIONS. Please see page 3 of the Information Circular;**
4. to appoint DeVisser Gray LLP, Chartered Professional Accountants, as auditors for the Company and to authorize the Directors to fix their remuneration;
5. to consider and, if thought fit, to approve by ordinary resolution, the Company’s Stock Option Plan pursuant to which up to 10% of the issued and outstanding share capital of the Company at any given time may be reserved for issuance under the plan as described in the Information Circular;
6. to transact such other business as may properly be brought before the Meeting and any and all adjournments thereof.

The accompanying Information Circular provides additional information relating to the matters to be dealt with at the Meeting and is deemed to form part of the notice. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his or her stead. If you are unable to attend the meeting in person, please complete, sign and date the enclosed form of Proxy accompanying this Notice.

DATED at Vancouver, British Columbia, this 10th day of August 2017.

By Order of the Board of Directors of  
LOTUS VENTURES INC.

*“Dale Mcclanaghan”*

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Dale Mcclanaghan  
President and CEO

**LOTUS VENTURES INC.**  
**Suite 1010 – 1030 West Georgia Street**  
**Vancouver, British Columbia V6E 2Y3**

**INFORMATION CIRCULAR AND PROXY STATEMENT**

**MANAGEMENT SOLICITATION**

This information circular is furnished in connection with the solicitation by the management of LOTUS VENTURES INC. (the “Company”) in connection with an Annual General Meeting (the “Meeting”) of the shareholders to be held on September 14, 2017 at 10:00 a.m. (Vancouver time) at Suite 1010 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3. The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers or employees of the Company. The Company does not reimburse shareholders, nominees or agents for the cost incurred in obtaining from their principal authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents.

**VOTING OF PROXIES**

**A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY. TO EXERCISE THIS RIGHT, THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE PROXY AND STRIKE OUT THE OTHER NAMES, OR MAY SUBMIT ANOTHER PROXY.**

**THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED ON ANY POLL (SUBJECT TO ANY RESTRICTIONS THEY MAY CONTAIN) IN FAVOUR OF THE MATTERS DESCRIBED IN THIS PROXY.**

In order to be voted, the completed form of proxy must be received by the Company at its registered office at Suite 910 – 1125 Howe Street, Vancouver, BC V6Z 2K8 (Fax number: 604-688-5590), by mail or fax, at least 48 hours (excluding Saturdays, Sundays and holidays recognized in the Province of British Columbia) before the scheduled time of the Meeting, or any adjournment thereof.

**REVOCABILITY OF PROXIES**

The persons named in the enclosed form of proxy are a director and lawyer of the Company. Any shareholder returning the enclosed form of proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney authorized in writing, or where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation and delivered either to the registered office of the Company at any time up to and including 4:00 p.m. Vancouver time on the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or to the chairman of the Meeting on the day of the Meeting, or any adjournment thereof, and upon any such deposits the proxy is revoked.

**NON-REGISTERED HOLDERS**

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, shares beneficially owned by a holder who is not a registered shareholder (a “Non-Registered Holder”) are registered either: (i) in the name of an intermediary with whom the Non-Registered Holder deals in respect of the common shares such as, among others, banks, trust companies, securities dealers or brokers (an “Intermediary”); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited of which the Intermediary is a participant). In accordance with the requirements of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Company will distribute copies of the

Notice of Meeting, form of proxy and this Information Circular to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are then required to forward the materials to the appropriate Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in proxy-related materials, a request for voting instructions (the “Voting Instructions Form”) which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the common shares they beneficially own. Should a Non-Registered Holder who receives the Voting Instructions Form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the Voting Instructions Form. In any event, Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the Voting Instructions Form.

Management of the Company does not intend to pay for intermediaries to forward to objecting beneficial owners under NI 54-101 the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary*, and in the case of an objecting beneficial owner, the objecting beneficial owner will not receive the materials unless the objecting beneficial owner’s intermediary assumes the cost of delivery.

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as disclosed here and elsewhere in this Information Circular, to the knowledge of management of the Company, none of the directors or executive officers, proposed nominees for election as a director, persons who have been directors or executive officers since the beginning of the Company’s last completed financial year or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon other than the election of directors or the appointment of auditors.

#### **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The Company is authorized to issue an unlimited number of common shares without par value of which 35,689,000 common shares are issued and outstanding as of the date of this Information Circular. Only holders of common shares are entitled to vote at the Meeting and holders of common shares are entitled to one vote for each common share held. Holders of common shares of record on August 10, 2017 will be entitled to vote at the Meeting. To the knowledge of the directors and executive officers of the Company, no person or company beneficially owns, or controls or directs, directly or indirectly, common shares carrying 10% or more of the voting rights attached to common shares of the Company except the following:

Name	Number of common shares beneficially owned, or controlled or directed, directly or indirectly	Percentage of common shares issued and outstanding
Dale McClanaghan	3,085,000 <sup>(1)</sup>	8.6%
Carl Correia	3,267,500 <sup>(2)</sup>	9.1%
Carl Busby (Estate)	5,500,000	15.4%

Notes:

1. Includes 2,500,000 common shares held by a private company controlled by Mr. McClanaghan.
2. Includes 1,700,000 common shares held by a private company controlled by Mr. Correia.

#### **FIX THE NUMBER OF DIRECTORS AT THREE**

Shareholders will be asked to consider, and if thought fit, to pass an ordinary resolution setting the number of directors of the Company at three.

#### **ELECTION OF DIRECTORS**

The directors of the Company are elected at each Annual General Meeting and hold offices until the next Annual General Meeting or until their successors are appointed. In the absence of instructions to the contrary, the proxies pursuant to this solicitation will be voted for the election of the nominees herein listed, all of whom are presently members of the Board of Directors.

**THE COMPANY FILED ITS APPLICATION TO HEALTH CANADA FOR A LICENSE TO PRODUCE MEDICAL MARIJUANA UNDER THE ACCESS TO CANNABIS FOR MEDICAL PURPOSES REGULATIONS IN OCTOBER 2014 (THE “ACMPR APPLICATION”). THE COMPANY’S ACMPR APPLICATION IS NOW IN THE FINAL REVIEW STAGE. ANY CHANGES TO THE MEMBERS OF THE BOARD OF DIRECTORS AT THIS TIME WILL CAUSE A DELAY OF SEVERAL MONTHS TO THE FINAL REVIEW OF THE COMPANY’S ACMPR APPLICATION. MANAGEMENT UNANIMOUSLY RECOMMENDS THE APPROVAL OF EACH OF THE NOMINEES LISTED BELOW FOR ELECTION AS DIRECTORS.**

Management of the Company proposes to nominate each of the following persons for election as a director. Information concerning such persons, as furnished by the individual nominees, is as follows.

<b>Name, province and country of residence and position with the Company</b>	<b>Director/Officer since</b>	<b>Principal occupation for the past five years</b>	<b>Common shares beneficially owned, or controlled or directed, directly or indirectly</b>
<b>Dale McClanaghan<sup>(1)</sup></b> BC, Canada President, CEO and Director	Nov 27, 2014	President of McClanaghan & Associates Consulting Ltd., a private consulting company, since Jan 2002	3,085,000 <sup>(2)</sup>
<b>Carl Correia</b> BC, Canada Chief Operating Officer and Director	COO since Nov 27, 2014; Director since Oct 29, 2015	Principal of Lightning Contracting, an electrical contracting company, since Oct 2005	3,267,500 <sup>(3)</sup>
<b>Steve Mathiesen<sup>(1)</sup></b> BC, Canada Director	Nov 27, 2014	Corporate director and consultant since Jan 2012; President of Sash Management Ltd, a private consulting company, since Jan 2012; Lawyer at McMillan LLP from 2000 to Jun 2012	789,500

Notes:

- (1) Denotes a member of the audit committee of the Company.
- (2) Includes 2,500,000 common shares held by a private company controlled by Mr. McClanaghan.
- (3) Includes 1,700,000 common shares held by a private company controlled by Mr. Correia.

Other than as disclosed herein, to the best of management’s knowledge, no director or proposed director of the Company is, or within the ten years before the date of this Information Circular, has been, a director, chief executive officer or chief financial officer of any company, including the Company, that:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for more than 30 consecutive days, that was issued while that person was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company; or
- (b) was the subject of a cease trade or similar order or an order that denied the relevant company

access to any exemption under securities legislation, that was in effect for more than 30 consecutive days, that was issued after that person ceased to be a director, chief executive officer or chief financial officer of the relevant company and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of the relevant company.

Uniserve Communications Corporation, at the time that Steve Mathiesen was Corporate Secretary, was the subject of an Ontario cease trade order dated October 8, 2008 for a failure to file financial statements. This cease trade order was rescinded on November 19, 2008. CMC Metals Ltd. at the time that Steve Mathiesen was a director was the subject of a cease trade order dated September 3, 2009 for failure to file an updated technical report. This cease trade order was rescinded on January 15, 2010.

No director or proposed director of the Company is, or within the ten years before the date of this Information Circular, has been a director or executive officer of any company, including the Company, 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 its assets.

No director or proposed director of the Company is, or within the ten years before the date of this Information Circular, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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 person.

No director or proposed director of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a 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 securityholder in deciding whether to vote for a proposed director.

#### **STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS**

For the financial year completed August 31, 2016, the Company's Chief Executive Officer was Dale McClanaghan the Company's Chief Financial Officer was Gary Mathiesen (the "Named Executive Officers"). The Company does not have any other executive officers whose total salary and other compensation, individually, during such period exceeded \$150,000.

#### **Director and Named Executive Officer compensation, excluding compensation securities**

The following table sets out particulars of compensation paid to the directors and Named Executive Officers of the Company for the financial year ended August 31, 2015 and 2016.

<b>Table of compensation excluding compensation securities</b>							
<b>Name and position</b>	<b>Year ended Aug 31,</b>	<b>Salary, consulting fee, retainer or commission (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or meeting fees (\$)</b>	<b>Value of perquisites (\$)</b>	<b>Value of all other compensation (\$)</b>	<b>Total compensation (\$)</b>
<b>Dale McClanaghan</b> President, CEO and Director	2015	35,000	Nil	Nil	Nil	Nil	35,000
	2016	50,000	Nil	Nil	Nil	Nil	50,000
<b>Carl Correia</b>	2016	50,000	Nil	Nil	Nil	Nil	50,000
<b>Gary Mathiesen</b> CFO	2015	15,000	Nil	Nil	Nil	Nil	15,000
	2016	Nil	Nil	Nil	Nil	Nil	Nil
<b>Steve Mathiesen</b> Director	2015	15,000	Nil	Nil	Nil	Nil	15,000
	2016	Nil	Nil	Nil	Nil	Nil	Nil

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

### Stock options and other compensation securities

The following table sets out particulars of all compensation securities granted or issued to each director and Named Executive Officer by the Company in the financial year ended August 31, 2016. The number of options granted is determined by the board of directors in its discretion.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date
<b>Dale McClanaghan</b> President, CEO and Director	stock options	500,000 1.5% <sup>(1) (2)</sup>	Dec 8/14	\$0.25	0.25	\$0.18	Dec 8/19
		450,000 1.5%	Oct 29/15	\$0.185	\$0.185	\$0.18	Oct 29/20
<b>Carl Correia</b> COO, Director	Stock options	450,000 1.5%	Oct 29/15	\$0.185	\$0.185	\$0.18	Oct 29/20
<b>Gary Mathiesen</b> CFO	stock option	150,000 - 0.5% <sup>(1) (2)</sup>	Jan 4 2016	N/A	0.26	\$0.18	Jan 4 2021
<b>Steve Mathiesen</b> Director	stock option	150,000 - 0.5% <sup>(1) (2)</sup>	Jan 4 2016	N/A	0.26	\$0.18	Jan 4 2021

Notes:

- (1) Based on a total of 32,102,750 issued and outstanding common shares as at August 31, 2016, not including shares to be issued on the exercise of outstanding stock options or warrants.
- (2) Each stock option is exercisable to purchase one common share.

During the financial year ended August 31, 2016, each of Gary Mathiesen and Steve Mathiesen exercised stock option to purchase 150,000 shares at \$0.10 per share.

### Stock option plans and other incentive plans

The only equity compensation plan which the Company has in place is a “rolling” stock option plan (the “Plan”) whereby the Company 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 of each amalgamating company. As at the date of this Information Circular, there are 2,650,000 options outstanding under the Plan.

The Plan is administered by the board of directors of the Company, which will have full and final authority with respect to the granting of all options thereunder. The Company’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 the Company 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, the Company 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.

The Company 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**

The Company does not have a compensation committee or a formal compensation policy. The Company 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 the Company'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**

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

#### **SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

Please see "*Stock option plans and other incentive plans*".

#### ***Equity Compensation Plan Information***

The following table sets out information as at August 31, 2016.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
<b>Equity compensation plans approved by securityholders</b>	2,650,000	\$0.22 per share	560,275 <sup>(1)</sup>
<b>Equity compensation plans not approved by securityholders</b>	N/A	N/A	N/A
<b>Total</b>	2,650,000	\$0.22 per share	560,275

(1) Based on 32,102,750 common shares outstanding as at August 31, 2016.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors and executive officers of the Company, proposed nominees for election as a director, or associates of such persons is, or since the beginning of the financial year completed August 31, 2015 has been, indebted to the Company or any of its subsidiaries.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as disclosed in this Information Circular, since the beginning of the financial year completed August 31, 2016, none of the following persons has any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or which would materially affect the Company or any of its subsidiaries:

- (a) any director or executive officer of the Company;
- (b) any proposed nominee for election as a director of the Company;
- (c) any person holding, directly or indirectly, more than 10% of the voting rights attached to all shares of the Company; and
- (d) any associate or affiliate of the foregoing persons.

### **APPOINTMENT OF AUDITOR**

Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the appointment of DeVisser Gray LLP, Chartered Professional Accountants, of 401 – 905 West Pender Street, Vancouver, BC, V6C 1L6 as auditors of the Company to hold office until the close of the next Annual General Meeting of the Company and for the authorization of the Directors to fix the remuneration of the auditors. DeVisser Gray LLP was previously the auditors of both Strachan and Private Lotus and continued as auditors of the Company after the amalgamation on November 27, 2014.

### **MANAGEMENT CONTRACTS**

There are no management functions of the Company or any of its subsidiaries which are to any substantial degree performed by a person other than the directors or executive officers of the Company or its subsidiaries.

### **PARTICULARS OF MATTERS TO BE ACTED UPON**

#### **Approval of Stock Option Plan**

The Company presently has in place a “rolling” stock option plan whereby the Company is authorized to grant stock options of up to 10% of its issued and outstanding shares, from time to time. Please see “*Stock option plans and other incentive plans*”. Pursuant to the provisions of the Plan, the Plan needs to be approved by shareholders. Shareholders will be asked to consider, and if thought fit, to approve an ordinary resolution ratifying and approving the Company’s existing Plan.

Unless otherwise instructed, the proxies pursuant to this solicitation will be voted in favour of this resolution.

### **AUDIT COMMITTEE DISCLOSURE**

#### **The Audit Committee’s Charter**

The text of the audit committee’s charter is attached hereto as Schedule “A”.

#### **Composition of the Audit Committee**

The members of the audit committee of the Company are Dale McClanaghan and Steve Mathiesen. Both members are financially literate. Steve Mathiesen is an independent member. Dale McClanaghan is the President and CEO of the Company and therefore non-independent.

#### **Relevant Education and Experience**

Mr. McClanaghan and Mr. Mathiesen have been involved with public companies and each has many



years of experience as directors or officers of reporting issuers.

Each audit committee member has had extensive experience reviewing financial statements. Each member has an understanding of the Company's business and has an appreciation for the relevant accounting principles for that business.

#### **Audit Committee Oversight**

At no time since the beginning of the financial year completed August 31, 2015 was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the board of directors.

#### **Reliance on Certain Exemptions**

At no time since the beginning of the financial year ended August 31, 2015 has the Company relied on the exemption provided in section 2.4 (*De minimis Non-audit Services*) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*).

#### **Pre-Approval Policies and Procedures**

The audit committee of the Company has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the audit committee.

#### **External Auditor Service Fees**

The aggregate fees billed by the Company's external auditors for the financial year completed August 31, 2016 for the following fees are:

<b>Financial Year Ending</b>	<b>Audit Fees</b>	<b>Audit-Related Fees</b>	<b>Tax Fees</b>	<b>All Other Fees</b>
Aug 31, 2016	\$13,150.00	Nil	\$750.00	Nil

#### **Exemption**

The Company is a "venture issuer" as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of the Audit Committee*) and 5 (*Reporting Obligations*).

### **CORPORATE GOVERNANCE DISCLOSURE**

Corporate governance relates to the activities of the board of directors (the "Board"), the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company.

#### **Board of Directors**

The Board is currently composed of three directors.

The corporate governance guidelines provided by the Canadian Securities Administrators (the "Guidelines") suggest that the board of directors of a reporting issuer should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests and relationships arising from shareholding.

In addition, where a company has a significant shareholder, the Guidelines suggest that the board of directors should include a number of directors who do not have interests in either the Company or the significant shareholder. Of the proposed nominees, Steve Mathiesen is considered by the Board to be

“independent” within the meaning of the Guidelines. Dale McClanaghan and Carl Correia are “insider” or management directors and accordingly considered to be not independent. In assessing the Guidelines and making the foregoing determinations, the circumstances of each director have been examined in relation to a number of factors.

#### **Other Directorships**

The following table sets out the directors of the Company who are presently directors of other issuers that are reporting issuers in any Canadian jurisdiction.

<b>Name of Director</b>	<b>Names of Other Reporting Issuers</b>
Dale McClanaghan	BCM Resources Corporation
Steve Mathiesen	RockBridge Resources Inc.

#### **Orientation and Continuing Education**

The Board has not adopted formal steps to orient new board members. The Board will brief all new directors on relevant corporate and business information. The Board does not provide any formal continuing education.

#### **Ethical Business Conduct**

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical and by avoiding or minimizing conflicts of interest.

#### **Nomination of Directors**

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the Board members, including both formal and informal discussions among Board members.

#### **Compensation**

The directors decide as a Board the compensation for the Company’s officers and directors, based on industry standards and the Company’s financial situation.

#### **Other Board Committees**

The Board has not established any committees other than its audit committee. All decisions are made by full board of director meetings or consent resolutions.

#### **Assessments**

The Board monitors but does not formally assess the performance of individual Board members or committee members or their contributions. Effectiveness is subjectively measured by comparing actual corporate results with stated objectives. The contributions of an individual director are informally monitored by the other Board members, having in mind the business strengths of the individual and the purpose of originally nominating the individual to the Board.

The Company feels its corporate governance practices are appropriate and effective for the Company, given its relatively small size and limited operations. The Company’s method of corporate governance allows for the Company to operate efficiently, with simple checks and balances that control and monitor management and corporate functions without excessive administrative burden.

#### **OTHER MATTERS**

Management is not, at this time, aware of any matter to be presented at the meeting other than the items set forth in the Notice. If other matters are properly brought before the Meeting, it is the intention of the persons named in the proxy to vote the proxy on such matters in accordance with their judgment unless their authority is withheld.

#### **VOTING**

Under the provisions of the British Columbia *Business Corporations Act*, a simple majority of the voting shareholders present at the Meeting, in person or by proxy, provided a quorum is present, is required to pass an ordinary resolution. Under the articles of the Company, a two-thirds majority of the voting shareholders present at the Meeting, in person or by proxy, is required to pass a special resolution. The persons named in the accompanying proxy form will be voting in favor of all of the resolutions presented at the Meeting, ordinary and special, unless otherwise directed.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's annual financial statements and management discussion and analysis for the year ended August 31, 2016. Securityholders may request copies of the Company's financial statements and management discussion and analysis at Suite 1010 – 1030 West Georgia Street, Vancouver, BC V6E 2Y3.

DATED the 10<sup>th</sup> day of August, 2017 at Vancouver, British Columbia.

**On behalf of the Board of Directors of  
LOTUS VENTURES INC.**

*“Dale McClanaghan”*

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Dale McClanaghan  
President and CEO

## **SCHEDULE “A”**

### **LOTUS VENTURES INC. (the “Company”)**

#### **AUDIT COMMITTEE CHARTER**

##### **1. Mandate**

The audit committee will assist the board of directors (the "Board") in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well and the Company's business, operations and risks.

##### **2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

###### *2.1 Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

###### *2.2 Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

##### **3. Meetings**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company's Chief Financial Officer and external auditors in separate executive sessions.

##### **4. Roles and Responsibilities**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

#### *4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors' proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### *4.2 Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Company; and
- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### *4.3 Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and

- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

#### *Annual Financial Statements*

- (c) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

#### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

#### *Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

### **4.4            *Non-Audit Services***

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

#### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

#### *De-Minimis Non-Audit Services*

- (b) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount

of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or

(ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

#### *Pre-Approval Policies and Procedures*

(c) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:

- (i) the pre-approval policies and procedures are detailed as to the particular service;
- (ii) the audit committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### *4.5 Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### *4.6 Reporting Responsibilities*

The audit committee shall regularly update the Board about committee activities and make appropriate recommendations.

## **5. Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

## **6. Guidance - Roles & Responsibilities**

The following guidance is intended to provide the Audit Committee members with additional guidance on fulfilment of their roles and responsibilities on the committee:

### **6.1 Internal Control**

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

### **6.2 Financial Reporting**

#### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.

#### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether



the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;

- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

#### *Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financials statements are consistent with changes in the Company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Company's financial and operating controls are functioning effectively;
  - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and

(viii) the interim financial statements contain adequate and appropriate disclosures.

6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

6.4 *Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.