LOTUS VENTURES INC.

July 30, 2018

MANAGEMENT DISCUSSION AND ANALYSIS
For the Nine Months Ended May 31, 2018

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, 2018. The discussion should be read in conjunction with the Interim Financial Statements (unaudited) for the nine months ended May 31, 2018; together with the audited financial statements of the Company and the notes thereto for the year ended August 31, 2017 and the Annual MD&A for the year ended August 31, 2017. 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.

Caution on Forward-Looking Information

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.

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 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 in November 2014. The current applicable legislation is the Cannabis Act ("CA").

As detailed below in Discussion of Operations the company is currently in the Confirmation of Readiness phase of the application process.

MARKET 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. On July 11, 2018 the Cannabis Act that legalizes adult recreational use of cannabis was gazetted. The CA regulates virtually all aspects of Lotus’ activities and we

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

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.

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.

On November 7, 2015 the Company entered into a three-year lease agreement on the property near Armstrong, British Columbia on which it intends to build the facility which is planned and contained in its MMPR application to Health Canada. The property is approximately 23 acres. The Company will pay $4,000 per month rent beginning December 1, 2015. The Company also acquired the right to purchase the property at any time during the lease for $1.1 million by payment of $50,000. The

Company also paid a further $50,000 in March 2016. The Company has the right to extend the lease and option to purchase for one additional year under certain conditions.

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

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

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

Lotus (or "the team" or "the company") is finalizing the terms to its deal with Auxly Cannabis Group Inc. (or "Auxly" or "XLY"). As previously disclosed in the Company's press release of January 30 2017, pursuant to the terms of the interim agreement with Auxly, Lotus will receive a capital investment for the proposes of building out Lotus' facility and as consideration for the capital investment, Lotus will supply Auxly with 50% of its cannabis production from its flagship facility located in Armstrong, BC. The agreement with Auxly contemplates additional capital investment for the expansion of Lotus' facility, subject to Auxly's due diligence. Auxly will purchase the cannabis product on a cost plus basis for a period of 10 years. We look forward to continuing this partnership post legalization as Auxly has been a strategic partner for Lotus.

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 coursecommunications, as many applicants have, from Health Canada and responded to those communications.

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.

As at July 29, 2018, construction of Lotus' initial production facility, at our recently purchased 23-acre location in Armstrong, BC is scheduled to complete in early September 2018. The building is 22,500 square feet with an annual production capacity 2,000KG per year of top-shelf cannabis. In September, the Lotus team will prepare its "evidence package" for Health Canada that will enable issuance of a cultivation license. After successfully testing two crop cycles, Lotus will be granted its "Sales License".

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

RESULTS OF OPERATIONS

Selected Quarterly Financial Data (unaudited)

The financial results of the Company for the eight most recent quarters are summarized below:

	5/31/18	**2/28/18**	**11/30/17**	**8/31/17**
Net loss for the quarter	($1,053,885)	($481,957)	($683,618)	($200,466)
Loss per share, basic and diluted	(0.02)	(0.01)	(0.02)	(0.01)
Cash and cash equivalents	$5,330,278	$6,488,012	$2,695,650	$2,604,918

	5/31/17	**2/28/17**	**11/30/16**	**8/31/16**
Net income (loss) for the quarter	($225,161)	($154,749)	($143,827)	($151,345)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.01)
Total Assets	$556,584	$772,511	$845,204	$455,051

During the three months ended May 31, 2018 the Company recognized a loss of $1,053,885, compared a loss of $225,161 for the three months ended May 31, 2017.

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

- Advertising and promotion increased by $17,708 due to the Company increasing promotional activities and employing new marketing avenues to increase investor awareness.

- Consulting fees increased by $122,061 as a result of the Company requiring more consultants during the current period to assist with financing and corporate development as the Company continues construction of the facility.

- Share-based compensation expense of $745,000 was incurred due to the issuance of stock options to officers, directors, and consultants of the Company.

- Professional fees increased by $9,065 due to increased monthly accounting requirements for the facility, and legal fees incurred relating to regulatory filings.

FINANCIAL POSITION AND LIQUIDITY

Cash Flows

A summary and discussion of the Company's cash inflows and outflows for the nine months ended May 31, 2017 and 2018 are as follows:

Operating Activities

During the nine months ended May 31, 2018, the Company spent $1,187,839 on operating activities compared to $592,214 during the comparative quarter. The increase is primarily due to consulting and legal fees associated with the Company's recent agreements with Duwyn Farms Inc. and Cannabis Wheaton, as well as increasing promotional activities.

Financing Activities

The Company received $6,440,122 from financing during the nine months ended May 31, 2018, compared to $681,210 during the nine months ended May 31, 2017.

Investing Activities

The Company used $2,071,330 in investing activities for facility construction costs during the nine months ended May 31, 2018. Construction on the Company's facility did not commence until the end of the comparative period.

Cash Resources and Going Concern

The Company's cash was $5,330,278 at May 31, 2018. The Company has no other liquid assets other than GST receivable of $114,906.

As at May 31, 2018, the Company had net working capital of $5,162,105 (August 31, 2017 - $2,067,720). In order to maintain operations and cover administrative costs, the Company may need to raise additional financing. There can be no assurance that additional funding will be available in the future.

ADDITIONAL DISCLOSURE

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Compensation	Nine months ended May 31, 2018	2017
	$	$
Consulting fees	137,500	65,500
Share-based payments	141,470	-
	278,970	65,500

Refer to Note 8 of the accompanying Interim Financial Statements for further details on the Company's related party transactions and amounts owing to related parties as at and for the nine months ended May 31, 2018

Proposed Transactions

The Company does not currently have any proposed transactions approved by the Board of Directors.

SUBSEQUENT EVENTS

On June 8, 2018 the Company exercised its option purchase the 23-acre property located in Armstrong, BC for $1.1 million pursuant to the Purchase Option Agreement.

OUTSTANDING SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares without par value.

As at the date of this MD&A, the following common shares and stock options were issued and outstanding:

	Number of Shares	Exercise Price $	Expiry Date
Common shares	57,423,931	-	-
Stock Options	1,000,000	0.25	December 14, 2019
	1,485,000	0.20	November 3, 2020
	150,000	0.25	January 4, 2021
	1,465,000	0.35	November 9, 2027
	1,490,000	0.50	March 20, 2028
Warrants	300,000	0.20	December 29, 2020
	1,658,750	0.25	May 31, 2021
	3,461,250	0.25	October 14, 2021
	3,748,416	0.35	August 14, 2020
	392,158	0.35	September 14, 2020
	10,036,100	0.70	January 22, 2023
	909,090	1.00	February 8, 2021
Fully diluted	83,519,695		

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 period ended May 31, 2018.

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.

ADDITIONAL INFORMATION

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