



AUXLY AND LOTUS VENTURES ANNOUNCE INVESTMENT AND SIGNING OF DEFINITIVE LONG TERM PURCHASE AND SALE AGREEMENT

News Release

Vancouver, British Columbia, September 11, 2018 – Auxly Cannabis Group Inc. (TSX.V - XLY) (OTCQX: CBWTF) ("Auxly" or the "Company") and Lotus Ventures Inc. (CSE – J) ("Lotus") are pleased to announce the closing of an additional investment by Auxly to partially fund the completion of Lotus' 22,500 square foot Facility (the "**Facility**") in Armstrong, British Columbia (the "**Transaction**"). Lotus is a late stage applicant pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and anticipates completing the construction of the Facility by the end of September 2018.

Pursuant to the Transaction, which is in addition to Auxly's \$1,000,000 subscription of common shares of Lotus completed in January 2018, Auxly advanced an additional \$4,000,000 to Lotus to partially fund the completion of the Facility. In connection with the Transaction, Auxly was issued an additional 3,755,868 common shares of Lotus (the "**Purchased Lotus Shares**") and will be entitled to purchase or otherwise direct the sale of 50% of the Facility's total production which is expected to be 2,000kg of cannabis per annum. Auxly also retains a right of first offer to purchase the remaining 50% of cultivation output from the Facility as well as a right of first refusal to finance a prescribed portion of the first expansion to the Facility and all or a portion of any further expansions of the Facility. Following the receipt of Lotus' cultivation license at the Facility, Auxly will be entitled to designate one nominee to the board of directors of Lotus for as long as Auxly holds at least 25% of the Purchased Lotus Shares. The Purchased Lotus shares are subject to a statutory hold period expiring four months and one day from the date of issuance.

Hugo Alves, President of Auxly commented: "Lotus is a partner that we value deeply, having been part of the original cohort of streaming partners at the inception of Auxly. We are incredibly pleased to be making this subsequent investment into Lotus to complete the buildout of the first phase of their current facility in Armstrong, British Columbia. We continue to look forward to working closely with Lotus' team to design and build out additional phases of this asset."

Dale McClanaghan, President and Chief Executive Officer of Lotus commented: "Auxly is emerging as a large player in the distribution and marketing of cannabis in Canada. Lotus Ventures benefits in several ways from the Auxly streaming relationship, in addition to access to equity, the relationship provides us with assured offtake of at least half of our production as well as access to their market and industry expertise. This will enable Lotus to grow more rapidly than it otherwise would while working towards establishing a reputation as a top-tier Licensed Producer."

Corporate Presentation

Auxly's corporate presentation and related investor materials are available on our Investor Relations website: <https://auxly.com/investors/>, which includes a capitalization table of the Company as of August 29, 2018. The Company notes that the number of outstanding share purchase warrants of the

Company disclosed in the Company's MD&A for the interim period ended June 30, 2018 was incorrectly stated to be 67,723,835 when it should have been 108,536,926. This discrepancy has been corrected in the capitalization table contained on the Company's investor relations website.

ON BEHALF OF THE BOARD

"Chuck Rifici" Chairman & CEO

About Auxly Cannabis Group Inc. (TSX.V: XLY)

Auxly Cannabis Group is a collective of entrepreneurs with a passion for the cannabis industry past, present and future. Our mandate is to facilitate growth for our partners by providing them with financial support and sharing our collective industry experience. Our partners all have different visions, voices and brand values, and all share a common goal—to build a world-class industry based on ethics, diversity, quality and innovation.

About Lotus Ventures, Inc. (CSE: J)

Lotus is a late stage licensed producer applicant under the ACMPR, in active review with Health Canada. The unique business model combines an upstream royalty financing model with Auxly and a downstream licensing model with farmer/grower partners using Lotus technology and intellectual property. The first facility in Armstrong, B.C. is a purpose built, "state of the art" indoor facility with proprietary processes. The company has previously announced its first farmer/grower partner with its second facility slated in Ontario. See our December 14, 2017 press release for more details. The Lotus approach enables a scalable and reliable low-cost, high quality production at our BC facilities and our national partners.

Investor Relations:

For more information about investing in Auxly Cannabis Group, please visit: <http://www.auxly.com> or contact our Investor Relations Team:

Email: IR@auxly.com

Phone: 1-833-695-2414

Stay Connected:

Follow up on Twitter @Auxlygroup

Media Enquiries (only):

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Notice Regarding Forward Looking Information:

This news release contains certain "forward-looking information" within the meaning of applicable Canadian securities law. Forward-looking information is frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or information that certain events or conditions "may" or "will" occur. This information is only a prediction. Various assumptions were used in drawing

the conclusions or making the projections contained in the forward-looking information throughout this news release. Forward-looking information includes but is not limited to: expectations of future growing capacity at the Facility and the related costs, the completion of the planned build-out and expansions, including the timing thereof, requirements to obtain additional financing for such build-out and expansions, the ability to satisfy the conditions associated with the Facility's sales license, timeliness of government approvals for granting of permits and licenses, actual operating performance of the Facility, the growth of Lotus and timing thereof, regulatory or political change, competition and other risks affecting Auxly and Lotus in particular and the cannabis industry generally.

A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information in this release including, but not limited to, whether: either Lotus or Auxly being unable comply with its respective obligations under the agreements governing the Transaction, failure of Lotus to complete construction of Facility on the timeline indicated or at all, failure of Lotus to obtain the required licenses to cultivate and sell cannabis products, and general economic, financial market, regulatory and political conditions in which Auxly and Lotus operate will remain the same. Additional risk factors are disclosed in the revised annual information form of Auxly for the financial year ended December 31, 2017 dated May 24, 2018, and in the Lotus Ventures MD&A and financial statements dated August 31, 2017 and May 31, 2018.

New factors emerge from time to time, and it is not possible for management of each of Auxly and Lotus to predict all of those factors or to assess in advance the impact of each such factor on Auxly or Lotus' business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information. The forward-looking information in this release is based on information currently available and what management of each of Auxly and Lotus believes are reasonable assumptions. Forward-looking information speaks only to such assumptions as of the date of this release. In addition, this release may contain forward-looking information attributed to third party industry sources, the accuracy of which has not been verified by each of Auxly and Lotus. The purpose of forward-looking information is to provide the reader with a description of each of Auxly and Lotus' management's expectations, and such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this release.

The forward-looking information contained in this release is expressly qualified by the foregoing cautionary statements and is made as of the date of this release. Except as may be required by applicable securities laws, each of Auxly and Lotus does not undertake any obligation to publicly update or revise any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.