

**Form 51-102F3**  
**MATERIAL CHANGE REPORT**

**Item 1 Name of the Company**

Lotus Ventures Inc.

**Item 2 Date of Material Change**

July 25, 2019

**Item 3 News Release**

Disseminated July 25, 2019 by CISION newswire service

**Item 4 Summary of Material Change**

See attached news release

**Item 5 Full Description of Material Change**

**5.1 Full Description of Material Change**

Same as news release

**5.2 Disclosure of Restructuring Transactions**

Not applicable

**Item 6 Reliance on subsection 7.1 (2) of National Instrument 51-102**

Not applicable

**Item 7 Omitted Information**

Not applicable

**Item 8 Executive Officer**

Dale McClanaghan, President and CEO, (604) 644-9844

**Item 9 Date of Report**

July 25, 2019



**Suite 1010 – 1030 West Georgia Street, Vancouver, British Columbia V6E 2Y3**

**Canadian Securities Exchange: Symbol J**

**Vancouver, British Columbia – July 25, 2019**

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## **Lotus Ventures Ramping up Production in B.C. Facility**

**Lotus Ventures Inc.** (CSE:J) (FRA:LV9) (the “Company” or “Lotus”) has completed the commissioning of its Armstrong facility and expects its initial harvest in September 2019. As the Company prepares for a busy fall season, we would like to provide our objectives for 2019, heading into 2020.

### **Initial Harvest:**

Lotus initially brought 75 live plants (the “Plants”) into the facility as per its press release dated May 21, 2019. At that time, the Plants were small size in the mother stage. Since then, the Company has grown out the mother plants and successfully taken over 3,000 clones which are now at various stages of development, and thousands of more cuttings are expected to be made over the next few weeks. The initial harvest is expected to be in September 2019, with sales commencing shortly thereafter. The Company’s perpetual production cycle has our team harvesting a new crop every two weeks, and will be at full production by year-end.

As established with our streaming partner, Auxly Cannabis Group Inc. (“Auxly”) will purchase 50% of the production. Lotus has a number of options on dealing with the other 50% of production, including but not limited to, Auxly buying the remaining 50% not allocated to them, at the higher/market price than the fixed price committed on the portion Lotus has pre-sold to Auxly.

### **Current Licences Held:**

On March 8, 2019 Lotus received its Standard Cultivation, Sale for Medical Purposes and Plant/Seeds sales licences pursuant to the Cannabis Act (the “Act”). Under the Act, a Standard Cultivation licence permits the sale of bulk cannabis to federal licence holders with a Processing licence. Under the Act, a Sale for Medical Purposes licence permits the sale of dried cannabis to medical patients who have registered directly with a federal licence holder.

The Plant/Seeds sales licence (the “Offerings”) permits the Company to sell both Offerings to provincially/territorially authorized distributors and/or retailers. The Company is currently in the process of obtaining its Processing licence (which permits the sale of cannabis to provincial distributors).

### **Facility Expansion:**

The Company’s expansion facility design was submitted for building permits at the Township. The building will have an expected production yield of more than double the initial facility. The expansion will use the same low-cost of production design, and will include a dedicated space for in-house extraction and genetic breeding.

### **Significant Milestones Achieved:**

- Raised over \$17MM through equity private placements. The Company has no current debt. Auxly Cannabis Group Inc. subscribed for \$5MM in equity common shares - Lotus was one of Auxly’s original streaming partners and signed a definitive offtake agreement, where Auxly has committed to purchase 50% of cultivation from the initial facility.
- Designed, constructed and commissioned a brand-new 22,500 square foot indoor production facility on its wholly-owned 23-acre property that was purchased for \$1.1MM. The Facility is expected to yield 2,000kg of premium cannabis per year.
- Received Cultivation, Medical and Plant/Seeds sales licences from Health Canada in under 30 days from submitting its Evidence Package – One of the fastest in the industry to do so. Lotus also brought in 3,500 seeds and 229 premium strains through the previous medical regime, which are expected to command higher-end margins.

### **Corporate Matters:**

Lotus welcomes the addition of Jeff Tung (Auxly) to the board and the board has approved a grant of options under the Company’s Incentive Plan to key members of the Lotus Team. The ten-year options at an exercise price of \$0.20 are in the amounts of 820,000 to the CEO, 320,000 to the COO, 150,000 to the remaining directors and CFO, and 100,000 to various operations staff.

### **ON BEHALF OF THE BOARD**

Lotus Ventures Inc.

*"Dale McClanaghan"*

Dale McClanaghan, President and CEO

### **About Lotus Ventures Inc.**

Lotus Ventures Inc. (CSE:J) is an Okanagan-based licensed producer focused on growing premium cannabis products for the medical and recreational connoisseur market. Lotus operates an innovative growing facility with access to unique proven strains, and an entirely handcrafted production process created by one of the regions most experienced growing teams.

**For Further Information:**

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