

MANAGEMENT DISCUSSION AND ANALYSIS
For the Nine Months Ended May 31, 2019

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, 2019. 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, 2018 and the Annual MD&A for the year ended August 31, 2018. 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.

In November 2014 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.

On March 8, 2019 Lotus Ventures obtained a “Standard Cultivation” licence and a “Sale for Medical Purposes” licence pursuant to the Cannabis Act and Cannabis Regulations. The licenses give Lotus the ability to begin cultivation at its fully constructed 22,500 square-foot, indoor, purpose-built facility in Armstrong, British Columbia.

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. 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.”

Legalization of adult recreational cannabis use came into effect October 17, 2018.

On February 11, 2019 Lotus Ventures Inc. submitting its Cannabis License Evidence Package to Health Canada.

On March 8, 2019 Lotus Ventures obtained a “Standard Cultivation” licence and a “Sale for Medical Purposes” licence pursuant to the Cannabis Act and Cannabis Regulations. The licences give Lotus the ability to begin cultivation at its fully constructed 22,500 square-foot, indoor, purpose-built facility in Armstrong, British Columbia. The company will soon apply for a processing license which will enable sales to the public in accordance with Provincial sale and distribution procedures. The Company reached this significant milestone with dedication from its management team, consultants, and strategic partner, Auxly Cannabis Group Inc. The Company is excited to commence cultivation of high-quality cannabis from the state-of-the-art facility and add value to shareholders.

The Health Canada MMPR licensing regime and the risks associated with the process remain the preeminent regulatory regime shaping the activities and prospects of the Company. Please review our prospectus dated and filed November 28, 2014 at www.sedar.com.

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. The company exercised the purchase option on the land June 8, 2018.

As noted above the Company received its cultivation and medical sales license for cannabis March 8, 2019 and initiating all systems and controls attendant with the first crops.

In May 2019 Lotus Ventures Inc. announced its initial product information, expected to be sold in the second half of 2019. The Company has imported 3,500 seeds, 229 strains and 75 live plants into the facility. These form the basis of the Lotus catalogue. We also anticipate growing proprietary strains which can be licensed to other licensed producers or used in various partnerships.

Even though legalization for recreational use took effect in October 2018, the sector remains constrained by the availability of high-quality cannabis. The Lotus product line is targeted to the higher end recreational segment of the market. Like the wine or spirits business, the high-end of the market commands much higher financial margins.

The following strains will become recognizable by the discerning cannabis consumer and are expected to be grown during the initial ramp-up stage: Goji OG, Kalifornia, Space Cake, MAC, Ancient's Breath, Soul Food, Purple Urkle, Northern Lights #5 and proprietary variations of Hashplant.

The Lotus team looks forward to completing its first commercial harvest in September 2019 and the Company expects to update shareholders with new photos of the facility and production over the coming weeks, once the plants are flowering.

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.

RESULTS OF OPERATIONS

Selected Quarterly Financial Data (unaudited)

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

Description	Three Months Ended May 31, 2019	Three months ended Feb 28, 2019	Three months ended Nov 30, 2018	Three months ended Aug 31, 2018	Three months ended May 31, 2018	Three months ended Feb 28, 2018	Three months ended Nov 30, 2017	Three months ended Aug 31, 2017
Revenues	-	-	-	-	-	-	-	-
Net Income (loss)	(\$489,592)	(\$611,431)	(\$839,264)	(\$281,440)	(\$1,053,885)	(\$481,957)	(\$683,618)	(\$200,466)
Net loss per share, basic and diluted	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.01	\$0.02	\$0.01
Total Assets	\$15,430,037	\$14,621,681	\$15,588,263	\$9,289,994	\$8,274,726	\$8,605,891	\$2,695,650	\$2,604,918
Total Long Term Liabilities	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Cash Dividends / Share	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil

During the three months ended May 31, 2019 the Company recognized a loss of \$489,592, compared to a loss of \$1,053,885 for the three months ended May 31, 2018.

Significant items making up the change for the three months ended May 31, 2019 as compared to the three months ended May 31, 2018 were as follows:

- Advertising and promotion increased by \$39,494 due to the Company increasing promotion and preparing to launch under the new brand name Lotus Cannabis Co.
- Consulting fees increased by \$77,640 as a result of the Company requiring more consultants during the current period to assist with completion and commission of the facility and staffing for start-up of operations.
- Share-based compensation expense in Q3 2018 totalled \$745,000 and was nil in Q3 2019. Adjusting the net income for this non-cash item in Q3 2018 and Q3 2019 would reflect a net loss of \$308,885 and \$489,592, respectively.
- Professional fees increased in Q3 2019 vs. Q3 2018 by \$34,270 due to increased monthly accounting requirements for the facility, and legal fees incurred relating to business development and the AGM.

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, 2019 and 2018 are as follows:

Operating Activities

During the nine months ended May 31, 2019, the Company spent \$3,169,973 on operating activities compared to \$1,187,839 during the comparative quarter. The increase is primarily due to ramping up operations with the commissioning of the facility, importation of plant material together with consulting and some legal fees for private placement and AGM.

Financing Activities

The Company received \$8,654,016 from financing during the nine months ended May 31, 2019, compared to \$6,440,122 during the nine months ended May 31, 2018.

Investing Activities

The Company used \$6,683,434 in investing activities for facility construction costs during the nine months ended May 31, 2019, compared to \$2,071,330 during the nine months ended May 31, 2018.

Cash Resources and Going Concern

The Company's cash was \$542,462 at May 31, 2019. The Company has no other liquid assets other than GST receivable of \$175,852.

As at May 31, 2019, the Company had net working capital deficiency of \$288,733 (August 31, 2018

– working capital of \$478,443). 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,	
	2019	2018
	\$	\$
Consulting fees	255,000	137,500
Share-based payments	252,070	141,470
	507,070	278,970

Refer to Note 7 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, 2019.

Proposed Transactions

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

Directors

Lotus Ventures Inc.'s AGM was held on June 14 2019 and management's recommendations as presented in the Information Circular were adopted. In total, 32,667,294 or 39.5% of shares were voted. The meeting set the number of directors at five, and appointed the following directors: Dale McClanaghan, Jeff Tung, Simon Davie, Carl Correia and Maurice Creagh.

OUTSTANDING SHARE CAPITAL

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

During the nine months ended May 31, 2019, the Company completed the following share issuances:

- On September 12, 2018, the Company issued 3,755,868 common shares at \$0.71 per share in connection with the XLY agreement.
- On September 13, 2018, 100,000 share purchase warrants exercisable at \$0.25 were exercised for proceeds of \$20,000.
- In October 2018, the Company completed a private placement of 11,260,000 units ("Units") at a price of \$0.25 per Unit for gross proceeds of \$2,815,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.30 per share for a period of five years from closing.

In relation to this private placement, the Company paid cash finders fees of \$210,250.

- In January 2019, 50,000 warrants exercisable at \$0.25 were exercised for total proceeds of \$12,500.
- On April 18, 2019, the Company completed a private placement of 9,485,000 units ("Units") at a price of \$0.20 per Unit for gross proceeds of \$1,897,000. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.26 per share for a period of five years from closing. The Company paid cash share issue costs of \$5,234 in connection with this issuance.

On October 4, 2018, the Company granted 1,100,000 share purchase options exercisable for ten years at a price of \$0.30 per share.

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

	<u>Number of Shares</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
Common shares	82,574,799	-	-
Stock Options	500,000	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
	1,100,000	0.30	October 4, 2028
Warrants	200,000	0.20	December 29, 2020
	1,608,750	0.25	May 31, 2021
	3,411,750	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
	7,680,000	0.30	October 1, 2023
	780,000	0.30	October 15, 2023
	2,800,000	0.30	October 26, 2023
	9,485,000	0.26	April 18, 2024
Fully diluted	129,816,063		

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, 2019.

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.

