MANAGEMENT DISCUSSION AND ANALYSIS
For the Twelve Months Ended August 31, 2019

The following is a discussion and analysis of the financial condition and operating results of Lotus Ventures Inc. (the "Company") for the twelve months ended August 31, 2019. The discussion should be read in conjunction with the audited financial statements of the Company and the notes thereto for the twelve months ended August 31, 2019. 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.

DATE
December 30, 2019

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.

On March 8, 2019 Lotus Ventures obtained a "Standard Cultivation" license and a "Sale for Medical Purposes" license 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. In April, the company imported mother plants and seeds into the facility and on June 24th the first clones were taken. The first harvest of cannabis at the Armstrong facility was October 1, 2019 and the production cycle has since continued uninterrupted with a harvest approximately every 12 days.

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 Marijuana for Medical Purposes Regulations (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. submitted its Cannabis License Evidence Package to Health Canada.

On March 8, 2019 Lotus Ventures obtained a “Standard Cultivation” license and a “Sale for Medical Purposes” license 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. 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 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 it cultivation and medical sales license for cannabis March 8, 2019 and initiating all systems and controls attendant with the first crops.

OVERALL PERFORMANCE

The Company is at an early stage in its development and has limited financial resources and commenced operating cash flow in Q1 2020. The Company will also 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.

SELECTED ANNUAL INFORMATION

The Company was formed by amalgamation on November 27, 2014. The following selected financial information is derived from the Company's audited financial statements for the years ended August 31, 2019, 2018 and 2017.

Description	**Year ended August 31, 2019**	**Year ended August 31, 2018**	**Year ended August 31, 2017**
Revenues	$Nil	$Nil	$Nil
Net loss	($2,912,490)	($2,500,900)	($724,203)
Net loss per share, basic and fully diluted	$0.04	$0.05	$0.02
Total Assets	$15,593,896	$9,289,994	$2,604,918
Total Long Term Financial Liabilities	$Nil	$Nil	$Nil
Cash dividends declared	$Nil	$Nil	$Nil

SUMMARY OF QUARTERLY RESULTS

During the year ended August 31, 2019, the Company had a net loss of $2,912,490 (2018 - $2,500,900). The financial results of the Company for the eight most recent quarters are summarized below:

Description	Three months ended Aug 31, 2019	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
Revenues	-	-	-	-	-	-	-	-
Net Income (loss)	(973,537)	($488,258)	($611,431)	($839,264)	($281,440)	($1,053,885)	($481,957)	($683,618)
Net loss per share, basic and diluted	$0.01	$0.01	$0.01	$0.01	$0.01	$0.02	$0.01	$0.02
Total Assets	$15,593,896	$15,430,037	$14,621,681	$15,588,263	$9,289,994	$8,274,726	$8,605,891	$2,695,650
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 August 31, 2019 the Company recognized a loss of $973,537, compared a loss of $281,440 for the three months ended August 31, 2018.

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

- Advertising and promotion increased by $67,786 due to the Company increasing promotional activities and employing new marketing avenues to increase investor awareness.
- Consulting fees increased by $261,353 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 $415,296 was incurred due to the issuance of stock options to officers, directors, and consultants of the Company.
- Professional fees increased by $12,670 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 year ended August 31, 2019 and 2018 are as follows:

Operating Activities

During the year ended August 31, 2019, the Company spent $3,305,801 on operating activities compared to $1,667,773 during 2018. The increase is primarily due to consulting and legal costs associated with the Company’s construction of its production facility in Armstrong, BC, as well as an increase in promotional activities.

Financing Activities

The Company received $8,946,297 from financing during the year ended August 31, 2019, compared to $6,450,122 during the year ended August 31, 2018.

Investing Activities

The Company used $7,271,601 in investing activities for facility construction costs during the year ended August 31, 2019, compared to $5,189,815 during the year ended August 31, 2018.

Cash Resources and Going Concern

The Company's cash was $110,748 on August 31, 2019. The Company has no other liquid assets other than GST receivable of $87,472 and other receivables of $22,032. The Company does not have any operating activities.

As at August 31, 2019, the Company had net working capital deficit of $1,573,164. In order to maintain operations and cover administrative costs, the Company will 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

		2019		2018
Compensation:				
Consulting fees	$	313,500	$	183,500
Share-based payments		466,984		336,470
	$	780,484	$	519,970

During the year ended August 31, 2019, the Company accrued management consulting fees of $84,000 (2018 - $94,500) to a private company controlled by the Company's President and CEO. As at August 31, 2019, $7,525 (2018 - $nil) was payable to this private company.

During the year ended August 31, 2019, the Company accrued management consulting fees of $133,500 (2018 - $89,000) and paid a bonus of $96,000 (2018 - $nil) to the Company's COO.

Proposed Transactions

Other than the private placements detailed in subsequent events below, the Company does not currently have any proposed transactions approved by the Board of Directors.

Changes in Accounting Policies including Initial Adoption

Significant accounting policies can be found in Note 3 of the financial statements for the year ended August 31, 2019.

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management evaluates the estimates periodically. Actual results may differ from these estimates by material amounts.

SUBSEQUENT EVENTS

- On October 4,2019, 975,000 options expiring November 3, 2020 were exercised at $0.20 per share for gross proceeds of $195,000.
- On October 31, 2019, the Company granted 975,000 share purchase options exercisable for ten years at a price of $0.30 per share.

OUTSTANDING SHARE CAPITAL

The authorized share capital of the Company consists of unlimited common shares without par value. As of the date of this MD&A, 85,049,799 common shares are issued and outstanding.

During the year ended August 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 and 100,000 share purchase warrants exercisable at $0.20 were exercised for total proceeds of $32,500.
- On January 31, 2019, 500,000 options exercisable at $0.25 and 100,000 share purchase warrants exercisable at $0.20 were exercised for proceeds of $125,000 and $20,000 respectively.

- 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 July 11, 2019, the Company issued 1,300,000 common shares at $0.13 per share to a consultant as a bonus.

Share purchase options:

The Company operates an employee stock option plan. Share-based payments to directors, officers, employees and consultants are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

During the year ended August 31, 2019, the Company granted the following options:

- 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.
- On July 4, 2019, the Company granted 2,520,000 share purchase options exercisable for ten years at a price of $0.20 per share.

The fair value of these share purchase options was estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

Risk-free interest rate (%)	1.58 - 2.55
Expected life (years)	10
Expected volatility (%)	134.17 – 136.68
Expected dividend yield (%)	-

On February 26, 2019, 500,000 options expiring December 14, 2019 were exercised at $0.25 per share. The fair value of the options was $93,250 and was reallocated from reserves to share capital.

During the year ended August 31, 2018, the Company granted the following options:

- On November 9, 2017, the Company granted 1,465,000 share purchase options exercisable for ten years at a price of $0.35 per share.
- On March 20, 2018, the Company granted 1,490,000 share purchase options exercisable for ten years at a price of $0.50 per share.

The fair value of these share purchase options was estimated using the Black-Scholes Option Pricing Model based on the following weighted average assumptions:

Risk-free interest rate (%)	1.91 - 2.26
Expected life (years)	10
Expected volatility (%)	133.1761 - 144.68
Expected dividend yield (%)	-

On January 10, 2018, 150,000 options expiring January 4, 2021 were exercised at $0.25 per share. The fair value of the options was $35,880 and was reallocated from reserves to share capital.

During the year ended August 31, 2019, share-based compensation expense was $811,406 (2018 - $1,226,985).

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 year ended August 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.