



LOTUS
VENTURES INC.

Investor Presentation 2018

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Our Vision

To be recognized as a Licensed Producer (LP) and a leader in the industry in terms of best quality, lowest production costs, higher margins, yields and the most valuable strains.

Our Mission

To own and operate standalone “state of the art” purpose-built indoor growing facilities in Armstrong, British Columbia and to license our Intellectual Property to other “Grower Partners”/ LP’s across the country.

Overview

- **Lotus Ventures Inc.** is listed on the Canadian Securities Exchange (CSE) under the ticker symbol 'J'.
- Lotus is currently finishing its initial 22,500 square foot facility in Armstrong, BC that is estimated to produce approximately 2MM grams per year.
- Business Model = Production facility in B.C. and grower partners across the country utilizing an upstream (royalty financing model) and downstream (licensing model) creating a low-capital high-scalable production business model.
- Auxly Group (XLY) has committed up to \$12MM of construction funding to Lotus. The initial investment of \$1MM was issued February 8th, 2018 under a private placement at \$0.55 per share with a half warrant at \$1.00. XLY completed the Initial Subscription for aggregate proceeds of \$4MM on September 11th, 2018.

Business Model

- The Lotus business model combines an “upstream” model with Auxly Group, and a “downstream/grower partner model” with our licensees across the country. This enables Lotus to achieve greater scalability, production and market power. We announced our first agreement with 4th Gen Duwyn Farms Inc. – see press release dated [December 14, 2017](#).
- This single deal doubled the sale throughput of Lotus production capacity at similar margins to the upstream royalty financing deal completed with Auxly Group. Lotus plans to continue adding grower partners throughout the next five years.
- Our approach to the natural barriers to scale production is to execute on a combined upstream and downstream production model. This strategy borrows elements from a franchising/licensing structure. This allows Lotus to leverage its intellectual property, and grow rapidly with limited share dilution.

Business Model

Continued

- This permits Lotus to train and develop master growers who know how to grow in a farm setting; permits Lotus to have access to real estate; access to trained employees; acquires 100% of the production from each “Lotus Licensed” facility, with or without ownership stakes in these farmer/partner owned facilities.
- DFI will be licensed to use Lotus IP including building design, standard operating procedures, training and license application support in return for DFI selling 100% of the production from the facility (1.8 million grams) to Lotus for a period of 15 years, at a discount to wholesale pricing. Lotus will own 50% of the equity in the DFI operation as well.

Purpose-Built Advantage

- Why purpose built indoor facility? The ultimate control over conditions lead to higher yields per sq.ft.; higher quality of output; reduced risk of product recalls; zero need to irradiate the product which has to be done for greenhouse production, under Health Canada regulations. Unfortunately for greenhouses, the mandatory irradiation process is the “only sterilization technique that has been shown to sterilize cannabis, while leaving the active components intact”.
- The facility has 6 separate grow rooms. The closed rooms reduce the risk of introduction of pathogens, and single grow room environmental air circulation prevents the spread of impurities that may arise. All production rooms are properly sized and segregated using RFID to audit organic claims and regulate temperature/humidity alarms. This creates a fast reconciliation of records during inspections.

Purpose-Built Advantage

Continued

- Both greenhouse and retrofit facilities impose a greater risk of potential contaminants entering the facility. Compared to the 6 separate grow rooms inside Lotus' indoor facility, a greenhouses' production room is much larger making it difficult (impossible) to contain any problems that may arise regarding crops. Glass panels with crevices and silicone make it easier for moisture to collect and contaminants to grow. This can permit outside air with contaminants to enter each greenhouse/retrofit facility, which can lead to the introduction of pests and pathogens.
- A Lotus purpose built facility is an integral component of our vision and mission to be the highest quality scalable producer with licensed production facilities in each province at the lowest cost in the industry. Our growing partners will be entirely Lotus purpose built facilities.

Flagship Facility (Armstrong, BC)

- **Lotus'** facility is being constructed on its 23-acre parcel of farmland in the agricultural community of Armstrong, BC. The property holds capacity for over 500,000 sq. ft. of production, and is to be built in phases once active review status is achieved for that particular expansion.
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- **The facility** is substantially complete. Lotus has filmed the remaining security portion of its Evidence Package with security expert David Hyde & Associates. The package will be submitted to Health Canada following final edits and review.



Why Lotus.

- Scalable indoor purpose-built facilities deliver the best quality product at the lowest cost per gram out of the Canadian production market landscape today.
- Lotus has designed and built the facility to international laboratory standards and will seek certification once operational. This creates a global collaboration opportunity.
- Upstreaming royalty partner, Auxly Group has issued Lotus a total of \$5MM with a commitment up to an additional \$7MM to assist with the Armstrong buildout.
- DFI represents the first of many Lotus growing partners which will cover provinces nationwide for local based production and is the downstream model we twin with the upstream Auxly Group model.
- Lotus reached a major milestone of obtaining its Standard Cultivation license and Sale for Medical Purposes license pursuant to the *Cannabis Act* on March 8th 2019.



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