



LOTUS
VENTURES INC.

Corporate 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 CSE:J - Initial financing was provided by an equity private placement.
- Business Model = Production facility in B.C. and grower partners across the country utilizing an upstream (royalty financing model) and downstream (licensing model) create a low capital high scalable production business model.
- Auxly Group (XLY) has committed \$12 million of construction funding to Lotus. The initial investment of \$1MM was advanced February 8th, 2018 under a private placement at \$0.55 per share with a half warrant at \$1.00. Auxly's most recent investment of a further \$4MM was advanced Sept 11th, 2018 at a price equal to approx. \$1.07.
- Lotus plans to achieve its production target of 65,000 KG per annum by year 10.

Business Model

- The Lotus business model combines an “upstream” model with Auxly, 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 deal with DFI – see press release dated [December 14, 2017](#).
- This single deal doubled the sale throughput of Lotus production capacity at superior margins to the upstream royalty financing deal completed with Auxly. Lotus has plans to have a minimum of one partner per province in the next 12-24 months.
- 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 Ventures 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 of each “Lotus Licensed” facility at margins similar to Auxly margins, 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

Main Facility Advantages

- 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 that produce 5 harvests per year compared to a greenhouse getting 2 to 3 harvests per year due to external factors such as minimal sunlight. 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 greenhouse's 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.

Armstrong Facility Construction

Lotus' facility is being constructed on a 23-acre parcel of farmland in the agricultural community of Armstrong, BC. The facility 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.



The facility is substantially complete. Lotus will film the remaining portion of its evidence package with security expert David Hyde & Associates. Subsequently the package will be submitted to Health Canada following final edits and review.

Why Lotus.

- One of the best positioned producers to reach production outputs of 65,000 Kilograms per annum in the next 10 years.
- Scalable and modular indoor purpose-built facilities deliver the best quality product at the lowest cost per gram out of the Canadian production market landscape today.
- Upstreaming royalty partner, Auxly, has a market value of \$500,000,000 and is a key market partner for the company.
- DFI represents the first of many Lotus growing partners which will cover all provinces for local based production and is the downstream model we twin with the upstream Auxly model.
- Lotus has been notified by the Office of Medical Cannabis, Health Canada, that it is now under active review for ACMPR status - one of the final stages of commercialization.



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