



This is the 1st affidavit of Dale McClanaghan
in this case and was made on February 13, 2024

District of British Columbia
Division No. 3 - Vancouver
Court No. B240063
Estate No. 11-3031837
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
LOTUS VENTURES INC.

AFFIDAVIT

I, **DALE MCCLANAGHAN**, Chief Executive Officer, of 708 – 1445 Marpole Avenue,
Vancouver British Columbia, **SWEAR THAT:**

1. I am the Chief Executive Officer of Lotus Ventures Inc. (“**Lotus**”), and as such I have personal knowledge of the facts and matters hereinafter deposed to, save and except where stated to be made on information and belief, and where so stated I verily believe the same to be true.
2. I am authorized to make this affidavit on behalf of Lotus in support of its application for an extension of time to file a proposal to its creditors in these proceedings to April 1, 2024.
3. Lotus filed a Notice of Intention to Make a Proposal (the “**NOI**”) on January 17, 2024 pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3. MNP Ltd. (the “**Proposal Trustee**”) was appointed as trustee under the NOI process.

Background to the NOI

4. Lotus is a public company registered in British Columbia. Attached as exhibit “**A**” to this affidavit is a copy of a Company Summary for Lotus, dated February 12, 2024.
5. Lotus is a licensed cannabis producer with a production facility located in Spallumcheen, British Columbia.
6. I assumed the position of Chief Executive Officer at Lotus on July 4, 2014.
7. Lotus reported net losses for the years ended August 31, 2022, and 2023. The cash flow constraints continued through the end of 2023 which resulted in the Company’s Management

deciding to file the NOI.

8. Lotus was also unable to collect receivables from some clients that faced their own challenges in this period.

9. Moreover, recent inflationary pressures have further reduced Lotus' profitability. Unforeseen increases in overhead, wages, and material costs have increased production costs.

10. The oversaturation of the cannabis market within all cannabis flower categories has reduced prices substantially, particularly within the wholesale bulk market which was Lotus' initial marketing channel.

11. These issues have caused a significant cash strain in recent months. Lotus has been unable to make required payments to Canada Revenue Agency ("CRA") in the ordinary course.

Assets and liabilities of Lotus

12. Attached as exhibit "B" to this affidavit is a copy of the Creditors' Package dated January 22, 2024 (the "Creditors' Package").

13. I have reviewed the List of Creditors in the Creditors' Package and confirm it contains an accurate summary of Lotus' liabilities with the exception of two entities, Marsh Canada and Stephen Philips, which are not presently creditors of Lotus.

14. Attached as exhibit "C" to this affidavit is a copy of the results of a search of the Personal Property Security Registry for Lotus, dated February 9, 2024.

15. Lotus is the owner of certain lands on which it engages in the above-noted businesses in Spallumcheem, British Columbia (the "Lands"). Attached to this affidavit as exhibit "D" is a true copy of the Title Search Print for the Lands.

16. Lotus is currently in the process of undertaking an up-to-date appraisal of the value of the Lands.

17. Lotus currently has approximately 350 kilograms of product valued at \$450,000 to \$625,000 (the "Product").

18. Lotus currently owns production equipment with a cost base of approximately \$2,000,000 and presently valued at approximately \$225,000 (the "Equipment").

19. Attached as exhibit "E" is a true copy of the cash flow statement of Lotus.

Actions following the NOI

20. Before and after the filing of the NOI, Lotus has reorganized its affairs and investigated

various options with a view to formulating and presenting a proposal to creditors.

21. Lotus has reduced operating costs as a means of continuing to operate as a going concern.
22. Lotus has continued its efforts to increase sales, particularly in respect of exporting cannabis products through bulk sales to international customers.
23. Lotus has transitioned from a sole wholesale business to a domestic retail business with listing in the British Columbia Liquor and Cannabis Stores and Ontario Cannabis Stores.
24. Lotus has obtained export accreditation and has commenced international sales to Australia, the United Kingdom, and certain countries in Eastern Europe for its dried flower product.
25. Lotus has assessed options for a sale of the business as a going concern.
26. Lotus has assessed the forced liquidation value of its property as it relates to putting forth a proposal that would provide a greater return to its creditors than would be received under a bankruptcy scenario.

Disadvantages of forced liquidation

27. The cannabis industry is a new, unique, and highly regulated industry. The industry provides challenges to liquidation not present in other commercial scenarios.
28. The Product, for example, cannot be sold by an insolvency trustee due to Health Canada restrictions. Rather, all inventory and genetics must be destroyed at a cost of approximately \$25,000 to \$32,000, resulting in a net loss to creditors of at least \$750,000.
29. There is currently a glut of cannabis production equipment in the market as numerous companies in the industry have been forced into liquidation and bankruptcy. As a result, the value of the Equipment is drastically reduced if it is not sold as part of a going concern.
30. If Lotus is forced into immediate liquidation, all operations will cease. Because cannabis facilities are required to maintain an extraordinarily high level of sanitation and hygiene, this forced-stoppage will lead to huge start-up costs to return the facility to an appropriate state.
31. Forced liquidation will also result in the destruction of the strains and seeds bought and developed by Lotus over the course of its operation, with an estimated lost value of \$250,000 as compared to allowing purchase of the business by way of Plan of Arrangement.
32. If Lotus were shuttered, in addition to a purchase price for land and facilities, a cannabis purchaser would require \$1,500,000 to \$1,700,000 of working capital to restart production. That sum would be discounted from potential returns to the estate.

Extension

33. Lotus requires more time to continue to restructure its business and to continue working towards a viable proposal. As described above, Lotus has taken steps to reduce expenses and refocus its business, and preliminary discussions have already been held with contractors. I believe that with more time Lotus will be able to make a viable proposal to its creditors.

34. An accurate appraisal of the value of the Lands, Product and Equipment requires a knowledgeable appraiser with experience in the cannabis industry. This necessity makes it more difficult to obtain an accurate appraisal in a timely manner.

35. Lotus has acted in good faith and with due diligence in these proceedings.


36. If there is a liquidation of Lotus' assets in a bankruptcy, it is likely that the majority of Lotus' creditors will receive little return, particularly given Lotus' CRA debt, and all 34 of Lotus' permanent employees will lose their employment.

37. Lotus has greater potential value as a going concern and intends to file a proposal that will provide a greater return to its creditors.


38. I know of no creditor that would be materially prejudiced by an extension of the time to file a proposal to April 1, 2024.

39. Attached as exhibit "F" to this affidavit is a true copy of a letter dated February 12, 2024 from the Proposal Trustee in support of a 45-day extension.

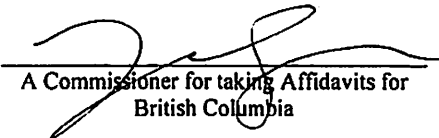
SWORN BEFORE ME at Vancouver,
British Columbia on February 13, 2024.


A Commissioner for taking affidavits
within British Columbia

JACOB J. GEHLEN
Barrister & Solicitor
1201 - 1030 West Georgia Street
Vancouver, BC, V6E 2Y3
604.642.6422


DALE MCCLANAGHAN

This is Exhibit "A" referred to in the
affidavit of Dale McClanaghan sworn before
me at Vancouver, British Columbia,
this 13th day of February, 2024



A Commissioner for taking Affidavits for
British Columbia



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BC Company Summary
For
LOTUS VENTURES INC.

Date and Time of Search: February 12, 2024 01:59 PM Pacific Time
Currency Date: December 07, 2023

ACTIVE

Incorporation Number: BC1020339
Name of Company: LOTUS VENTURES INC.
Business Number: 826025124 BC0002
Recognition Date and Time: November 27, 2014 04:12 PM Pacific Time as a result of an Amalgamation **In Liquidation:** No
Last Annual Report Filed: November 27, 2023 **Receiver:** No

AMALGAMATING CORPORATION(S) INFORMATION

Name of Amalgamating Corporation	Incorporation Number in BC
LOTUS VENTURES INC.	BC0781118
STRACHAN RESOURCES LTD.	BC0880846

REGISTERED OFFICE INFORMATION

Mailing Address:	Delivery Address:
1010 - 1030 WEST GEORGIA STREET VANCOUVER BC V6E 2Y3 CANADA	1010 - 1030 WEST GEORGIA STREET VANCOUVER BC V6E 2Y3 CANADA

RECORDS OFFICE INFORMATION

Mailing Address:	Delivery Address:
1010 - 1030 WEST GEORGIA STREET VANCOUVER BC V6E 2Y3 CANADA	1010 - 1030 WEST GEORGIA STREET VANCOUVER BC V6E 2Y3 CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
CORREIA, CARL

Mailing Address:
6880 BRYDEN ROAD
VERNON BC V1B 3T3
CANADA

Delivery Address:
6880 BRYDEN ROAD
VERNON BC V1B 3T3
CANADA

Last Name, First Name, Middle Name:
CREAGH, MAURICE

Mailing Address:
1371 MARINA WAY
NANOOSE BAY BC V9P 9P8
CANADA

Delivery Address:
1371 MARINA WAY
NANOOSE BAY BC V9P 9P8
CANADA

Last Name, First Name, Middle Name:
Davie, Simon

Mailing Address:
1811 EAST 14TH AVENUE
VANCOUVER BC V5N 2E3
CANADA

Delivery Address:
1811 EAST 14TH AVENUE
VANCOUVER BC V5N 2E3
CANADA

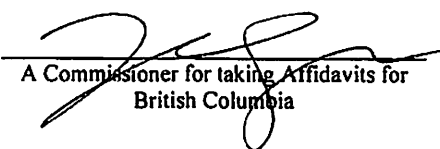
Last Name, First Name, Middle Name:
MCCLANAGHAN, DALE

Mailing Address:
708 - 1445 MARPOLE AVENUE
VANCOUVER BC V6H 1S5
CANADA

Delivery Address:
708 - 1445 MARPOLE AVENUE
VANCOUVER BC V6H 1S5
CANADA

NO OFFICER INFORMATION FILED AS AT November 27, 2023.

This is Exhibit "B" referred to in the affidavit of Dale McClanaghan sworn before me at Vancouver, British Columbia, this 13th day of February, 2024


A Commissioner for taking Affidavits for
British Columbia

January 22, 2024

TO CREDITORS OF LOTUS VENTURES INC.

Re: LOTUS VENTURES INC.

Please be advised that on January 17, 2024, Lotus Ventures Inc. (the "Company") filed a Notice of Intention to Make a Proposal pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "Act") and that MNP Ltd. consented to act as Licensed Insolvency Trustee (the "Trustee") in the Proposal proceedings.

You are receiving these documents as the Company has identified you as a creditor. Enclosed please find the following documents:

- Certificate of Filing of a Notice of Intention to Make a Proposal;
- Trustee's Consent to Act;
- Form 33 - Notice of Intention to Make a Proposal; and,
- List of Creditors with claims of \$250 or more.

These documents have been sent to you in accordance with the requirements under the Act.
You are not required to file documents with the Trustee at this time.

Please note that in accordance with Section 69(1) of the Act, all proceedings against the Company are stayed. No creditor has any remedy against the Company or its assets, nor are creditors entitled to commence or continue any action against the Company relating to the collection of debts arising prior to January 17, 2024 (the "Filing Date").


Pursuant to the Act, the stay of proceedings is in place for 30 days from the Filing Date and may be extended by the Company by application to Court. During the stay period, the Company is given the opportunity to formulate a Proposal to creditors.

If the Company makes a Proposal to creditors, further documentation will be distributed to the creditors, including a Proof of Claim form, wherein each creditor will be given the opportunity to confirm the amount outstanding and owed to it.

As such, if your records indicate a balance owing that is different than that which is listed on the List of Creditors attached hereto, there is no requirement to contact the Trustee at this time.

Should you require any further information, please contact Michael Tian at 778-374-3892 or michael.tian@mnp.ca

Yours truly,


MNP Ltd.
In its capacity as Trustee
under the Notice of Intention to make a Proposal of
Lotus Ventures Inc.



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of British Columbia
Division No. 04 - Vernon
Court No. 11-3031837
Estate No. 11-3031837

In the Matter of the Notice of Intention to make a proposal of:

Lotus Ventures Inc.

Insolvent Person

MNP LTD / MNP LTÉE

Licensed Insolvency Trustee

Date of the Notice of Intention:

January 17, 2024

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: January 17, 2024, 17:39

E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

Canada

- Proposal Consent -
In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia

To whom it may concern,

This is to advise that we hereby consent to act as trustee under the Bankruptcy and Insolvency Act for the proposal of Lotus Ventures Inc..

Dated at the City of Vancouver in the Province of British Columbia, this 16th day of January 2024.

MNP Ltd. - Licensed Insolvency Trustee

PO Box 10203 LCD Pacific Centre
Suite 1630 - 609 Granville Street
Vancouver BC V7Y 1E7
Phone: (604) 639-0001 Fax: (604) 904-8628

District of: British Columbia
Division No. 04 - Vernon
Court No.
Estate No.

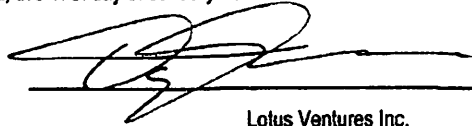
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia

Take notice that:

1. I, Lotus Ventures Inc., an insolvent person, state, pursuant to subsection 50.4(1) of the Act, that I intend to make a proposal to my creditors.
2. MNP Ltd. of PO Box 10203 LCD Pacific Centre, Suite 1630 - 609 Granville Street, Vancouver, BC, V7Y 1E7, a licensed trustee, has consented to act as trustee under the proposal. A copy of the consent is attached.
3. A list of the names of the known creditors with claims of \$250 or more and the amounts of their claims is also attached.
4. Pursuant to section 69 of the Act, all proceedings against me are stayed as of the date of filing of this notice with the official receiver in my locality.

Dated at the Municipality of Spallumcheen in the Province of British Columbia, this 17th day of January 2024.



Lotus Ventures Inc.
Insolvent Person

To be completed by Official Receiver:

Filing Date

Official Receiver

District of: British Columbia
 Division No. 04 - Vernon
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
5008679 Ontario Ltd. (Albert Dwyann)	c/o Suite 2900 50 Burrard Street Vancouver BC V6C 0A3		1,150,867.00
Addo Consulting Ltd.	415 Oakview Road Kelowna BC V1W 4K2		27,500.00
Air Liquide	6354 Roper Rd. Edmonton AB T6B 3P9		11,509.20
BC Hydro	333 Dunsmuir St, Vancouver BC V6B 5R3		121,250.20
Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3		89,688.00
Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3		28,869.42
Chapman Mechanical Ltd.	901 Waddington Dr., Vernon BC V1T 9E2		29,842.94
Chrimson Opportunities Inc.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9		18,342.00
Chroma Global Technologies Ltd.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G8 Vancouver BC V6K 2G9		27,900.00
Courtfield Group Holdings Limited	2111 Blenheim Street Vancouver BC V6K 0G5		52,500.00
CRA - Tax - Pacific	Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1	GST	667,329.00
Crezo Construction Inc.	P.O. Box 531 Armstrong BC V0E 1B0		184,631.64
Dale McClanaghan	708 - 1445 Marpole Ave. Vancouver BC V6H 1S5		180,106.48
Doneville Holding Inc.	1371 Marina Way Nanoose Bay BC V9P 9B8		79,926.53

District of: British Columbia
 Division No. 04 - Vernon
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia

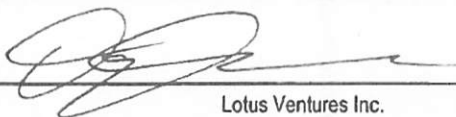
List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Fortis BC Energy	16705 Fraser Highway Surrey BC V4N 0E8		262.75
Health Canada	P/L 1918B - 161 RM 1804B - GOLDENROD DRWY OTTAWA ON K1A 0K9		27,998.71
High North laboratories	241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7		9,876.00
Jason Brown	1527 40th St. Vernon BC V1T 8J6		141,400.00
Katie Correia	6880 Bryden Rd Vernon BC V1B 3T3		31,495.68
Kris Walton (Spectrum)	1480 Springhill Rd Parksville BC V9P 2T2		47,478.91
Legacy Holdings Ltd.	2750 Rupert Street Vancouver BC V5M 3T7		35,604.51
Lillian McClanaghan	2750 Rupert Street Armstrong BC V0E 1B0		473,518.15
Marsh Canada	550 Burrard St Suite 800, Vancouver BC V6C2K1		83,041.28
McClanaghan & Associates	2750 Rupert Street Vancouver BC V5M 3T7		257,301.00
Miller Thomson Lawyers	700 West Georgia Street Suite 2200 PO Box 10325 Vancouver BC V5N 1K8		10,548.91
Norton Rose Fulbright	1800-510 West Georgia Street Vancouver BC V6B 0M3		3,670.00
Orbis Express	Suite 200 6791 Elmbridge Way Richmond BC V7C 4N1		11,206.12
Pathogenia Laboratories	5055 Rue Fisher Saint Laurent QC H4T 1J8		1,238.00
SBD Management Ltd.	402 - 905 Pender Street Vancouver BC V5N 4A5		90,865.17

District of: British Columbia
 Division No. 04 - Vernon
 Court No.
 Estate No.

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

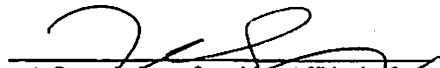
In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
SDI Holdings Ltd.	2750 Rupert Street, Vancouver BC V5M 3T7		223,538.58
Sidel Transport Ltd.	2101 43rd St. Vernon BC V1T 6K7		14,567.00
Stellar Wholesale Inc.	19055 Airport Way Pitt Meadows BC V3Y 0G4		3,042.14
Stephen K Winters Law Corp.	2750 Rupert Street Vancouver BC V5M 3T7		341,637.00
Sterigenics Radiation Technologies Canada	1425 Kebet Way Port Coquillam BC V3C 6L3		19,543.04
Steve Phillips	Suite 1010, 1030 West Georgia Street Vancouver BC V6E 2Y3		30,280.29
Terra Housing Consultants	2750 Rupert Street Vancouver BC V5M 3T7		56,556.61
Township of Spallumcheen	4144 Spallumcheen Way Spallumcheen BC V0E 1B6		169,422.76
Troy Fire and Safety	2250 Leckie Rd. Unit 3 Kelowna BC V1X 7K1		3,556.00
Valo Mechanical			4,500.00
Wade Simpson	1400 - 1125 Howe Street vancouver BC V6Z 2K8		28,000.00
William Spratt	3203 East 6th Ave. vancouver BC V5M 1S6		35,533.90
Worksafe BC	PO Box 5350 Stn Terminal Vancouver BC V6B 5L5		21,000.00
Total			4,846,944.92



 Lotus Ventures Inc.
 Insolvent Person

This is Exhibit "C" referred to in the
affidavit of Dale McClanaghan sworn before
me at Vancouver, British Columbia,
this 13th day of February, 2024


A Commissioner for taking Affidavits for
British Columbia



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

13

Business Debtor - "LOTUS VENTURES INC."

Search Date and Time: February 9, 2024 at 1:36:21 pm Pacific time
Account Name: GEHLEN DABBS CASH LLP

TABLE OF CONTENTS

5 Matches in 5 Registrations in Report

Exact Matches: 5 (*)

Total Search Report Pages: 12

	Base Registration	Base Registration Date	Debtor Name	Page
1	982184K	August 24, 2018	* LOTUS VENTURES INC.	2
2	008502L	September 6, 2018	* LOTUS VENTURES INC	5
3	487229N	January 19, 2022	* LOTUS VENTURES INC	7
4	487233N	January 19, 2022	* LOTUS VENTURES INC	9
5	788742P	September 14, 2023	* LOTUS VENTURES INC.	11



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

14

Base Registration Number: 982184K

Registration Description: PPSA SECURITY AGREEMENT
Act: PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time: August 24, 2018 at 9:41:34 am Pacific time
Current Expiry Date and Time: August 24, 2028 at 11:59:59 pm Pacific time
 Expiry date includes subsequent registered renewal(s)
Trust Indenture: No

CURRENT REGISTRATION INFORMATION

(as of February 9, 2024 at 1:36:21 pm Pacific time)

Secured Party Information

BANK OF MONTREAL/BANQUE DE MONTREAL **Address**
 250 YONGE STREET
 TORONTO ON
 M5B 2L7 Canada

Debtor Information

LOTUS VENTURES INC. **Address**
 1030-SUITE 1010 WEST GEORGIA S
 VANCOUVER BC
 V6E 2Y3 Canada

Vehicle Collateral

None



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

General Collateral

Base Registration General Collateral:

LF269 PLEDGE OF INSTRUMENT, ASSIGNMENT OF PROCEEDS INSTRUMENT DESCRIBED AS VARIABLE RATE GUARANTEED INVESTMENT CERTIFICATE, ACCOUNT NO. 0004 9683703, 46,000.00 INCLUDING ALL RENEWALS AND REPLACEMENTS THEREOF, SUBSTITUTIONS THEREFOR ACCRETIONS THERETO AND INTEREST, INCOME AND MONEY THEREFROM, AND ALL PROCEEDS THEREOF AND THEREFROM INCLUDING ACCOUNTS.

Original Registering Party

BANK OF MONTREAL/BANQUE DE MONTREAL

Address

250 YONGE STREET
TORONTO ON
M5B 2L7 Canada



16

PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

HISTORY

(Showing most recent first)

RENEWAL

Registration Date and Time: August 23, 2023 at 2:58:25 pm Pacific time
Registration Number: 745232P
Registration Life: 5 Years
New Expiration Date and Time: August 24, 2028 at 11:59:59 pm Pacific time

Registering Party Information

D + H LIMITED PARTNERSHIP

Address

2 ROBERT SPECK PARKWAY, 15TH FLOOR
MISSISSAUGA ON
L4Z 1H8 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

17

Base Registration Number: 008502L

Registration Description: PPSA SECURITY AGREEMENT
Act: PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time: September 6, 2018 at 3:30:27 pm Pacific time
Current Expiry Date and Time: Never
Trust Indenture: No

CURRENT REGISTRATION INFORMATION

(as of February 9, 2024 at 1:36:21 pm Pacific time)

Secured Party Information

KOLAB PROJECT INC.

Address

777 RICHMOND ST. W, STE 002
TORONTO ON
M6J 3N5 Canada

Debtor Information

LOTUS VENTURES INC

Address

STE 1010-1030 WEST GEORGIA ST
VANCOUVER BC
V6E 2Y3 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

ALL PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY. . THE COMPLETE NAME AND ADDRESS OF SECURED PARTY S0001 IS: KOLAB PROJECT INC. C/O AUXLY CANNABIS GROUP INC. ,777 RICHMOND ST. W, SUITE 002, TORONTO ON M6J 3N5



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PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

Original Registering Party

**BLAKE CASSELS & GRAYDON LLP
ATTN: PPSA CLERK**

Address

PO BOX 49314 2600 595 BARRARD
VANCOUVER BC
V7X 1L3 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

19

Base Registration Number: 487229N

Registration Description: PPSA SECURITY AGREEMENT
Act: PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time: January 19, 2022 at 1:59:24 pm Pacific time
Current Expiry Date and Time: January 19, 2035 at 11:59:59 pm Pacific time
 Expiry date includes subsequent registered renewal(s)
Trust Indenture: No

CURRENT REGISTRATION INFORMATION

(as of February 9, 2024 at 1:36:21 pm Pacific time)

Secured Party Information

CONNECT FIRST CREDIT UNION LTD. **Address**
 P.O. BOX 908
 CALGARY AB
 T2P 2J6 Canada

Debtor Information

LOTUS VENTURES INC **Address**
 1010, 1030 WEST GEORGIA STREET
 VANCOUVER BC
 V6E 2Y3 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR AND AN UNCRYSTALLIZED FLOATING CHARGE ON LAND.



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PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

Original Registering Party

DENTONS CANADA LLP

Address

20TH FLOOR, 250 HOWE STREET
VANCOUVER BC
V6C 3R8 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

21

Base Registration Number: 487233N

Registration Description: PPSA SECURITY AGREEMENT
Act: PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time: January 19, 2022 at 1:59:52 pm Pacific time
Current Expiry Date and Time: January 19, 2035 at 11:59:59 pm Pacific time
 Expiry date includes subsequent registered renewal(s)
Trust Indenture: No

CURRENT REGISTRATION INFORMATION

(as of February 9, 2024 at 1:36:21 pm Pacific time)

Secured Party Information

CONNECT FIRST CREDIT UNION LTD. **Address**
 P.O. BOX 908
 CALGARY AB
 T2P 2J6 Canada

Debtor Information

LOTUS VENTURES INC **Address**
 1010, 1030 WEST GEORGIA STREET
 VANCOUVER BC
 V6E 2Y3 Canada

Vehicle Collateral

None



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PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

General Collateral

Base Registration General Collateral:

ANY AND ALL PRESENT AND FUTURE ACCOUNTS, MONIES AND ALL OTHER INDEBTEDNESS, OBLIGATIONS, AND LIABILITIES OF ANY KIND, DIRECT OR INDIRECT, ABSOLUTE OR CONTINGENT, JOINT OR SEVERAL OF LOTUS CANNABIS ALBERTA INCORPORATED WHICH ARE NOW OR HEREAFTER OWED TO THE DEBTOR AND ALL INSTRUMENTS, DOCUMENTS, AGREEMENTS, CHOSES IN ACTION, CLAIMS AND/OR DEMANDS IN RESPECT OF THEREOF, OR IN ANY WAY RELATED THERETO. PROCEEDS: GOODS, CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY AND INTANGIBLES.

Original Registering Party

DENTONS CANADA LLP

Address

20TH FLOOR, 250 HOWE STREET
VANCOUVER BC
V6C 3R8 Canada



PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

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Base Registration Number: 788742P

Registration Description: PPSA SECURITY AGREEMENT
Act: PERSONAL PROPERTY SECURITY ACT
Base Registration Date and Time: September 14, 2023 at 12:50:38 pm Pacific time
Current Expiry Date and Time: September 14, 2025 at 11:59:59 pm Pacific time
 Expiry date includes subsequent registered renewal(s)
Trust Indenture: No

CURRENT REGISTRATION INFORMATION

(as of February 9, 2024 at 1:36:21 pm Pacific time)

Secured Party Information

5008679 ONTARIO LIMITED

Address

1662 VALLEY CLOSE
BURLINGTON ON
L7P 4W4 Canada

Debtor Information

LOTUS VENTURES INC.

Address

1010-1030 WEST GEORGIA STREET
VANCOUVER BC
V6E 2Y3 Canada

Vehicle Collateral

None

General Collateral

Base Registration General Collateral:

ALL PRESENT AND FUTURE CANNABIS INVENTORY OF THE DEBTOR LOCATED AT THE DEBTOR'S FACILITY AT 8461 S GRANDVIEW ROAD, ARMSTRONG, BC V0E 1B5, AND ALL PROCEEDS FROM ANY SALE OF SAID INVENTORY BY THE DEBTOR ON BEHALF OF THE SECURED PARTY.



24

PERSONAL PROPERTY REGISTRY SEARCH RESULT

BC Registries and Online Services

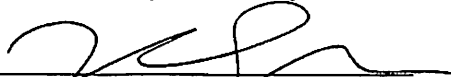
Original Registering Party

FOGLER, RUBINOFF LLP (THILL)

Address

3000-77 KING STREET WEST, PO BOX 95
TORONTO ON
M5K 1G8 Canada

This is Exhibit "D" referred to in the
affidavit of Dale McClanaghan sworn before
me at Vancouver, British Columbia,
this 13th day of February, 2024



A Commissioner for taking Affidavits for
British Columbia

TITLE SEARCH PRINT

File Reference: 2976.1
Declared Value \$1045000

2024-02-09, 14:01:34
Requestor: Aidan Lyons

****CURRENT AND CANCELLED INFORMATION SHOWN****

Land Title District KAMLOOPS
Land Title Office KAMLOOPS

Title Number CA6851702
From Title Number KP27614

Application Received 2018-06-08

Application Entered 2018-06-12

Registered Owner in Fee Simple
Registered Owner/Mailing Address: LOTUS VENTURES INC., INC.NO. BC1020339
#1010 C/O 1030 W GEORGIA ST
VANCOUVER, BC
V6E 2Y3

Taxation Authority Spallumcheen, The Corporation of the Township of
Grandview Waterworks District

Description of Land
Parcel Identifier: 011-546-247
Legal Description:
LOT 8 SECTION 16 TOWNSHIP 7 OSOYOOS DIVISION YALE DISTRICT PLAN 1558

Legal Notations
NOTICE OF INTEREST, BUILDERS LIEN ACT (S.3(2)), SEE CA4818014
FILED 2015-11-18

THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 14 OF THE LOCAL
GOVERNMENT ACT, SEE CA7308782

THIS TITLE MAY BE AFFECTED BY A PERMIT UNDER PART 14 OF THE LOCAL
GOVERNMENT ACT, SEE CA8118257

HERETO IS ANNEXED EASEMENT K4961 OVER THE NORTHERLY 20 FEET
OF LOT 10, PLAN 1558

THIS CERTIFICATE OF TITLE MAY BE AFFECTED BY THE AGRICULTURAL LAND
COMMISSION ACT, SEE AGRICULTURAL LAND RESERVE PLAN NO. M11122

TITLE SEARCH PRINT

2024-02-09, 14:01:34

File Reference: 2976.1

Requestor: Aidan Lyons

Declared Value \$1045000

HERETO IS ANNEXED EASEMENT KR72086 OVER THAT PART OF LOT 2 PLAN 39983 SHOWN ON PLAN KAP69513

HERETO IS ANNEXED A RIGHT TO ACQUIRE EASEMENT N45885 OVER LOT 3 ODYD PL 1558

Charges, Liens and Interests

Nature:	UNDERSURFACE RIGHTS
Registration Number:	82335E
Registered Owner:	THE DIRECTOR OF SOLDIER SETTLEMENT
Remarks:	INTER ALIA DD 211422F OTHER THAN THOSE EXCEPTED BY THE CROWN

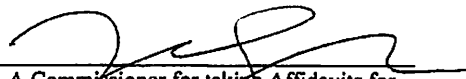
Nature:	RIGHT OF WAY
Registration Number:	50965E
Registration Date and Time:	1952-01-29 10:33
Registered Owner:	BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
Remarks:	INTER ALIA PART ON PLAN A1087

Nature:	RIGHT OF WAY
Registration Number:	86521E
Registration Date and Time:	1960-09-01 11:02
Registered Owner:	BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
Remarks:	INTER ALIA PART ON PLAN A1648

Nature:	MORTGAGE
Registration Number:	CA1193258
Registration Date and Time:	2009-07-20 15:56
Registered Owner:	FARM CREDIT CANADA
Remarks:	MODIFIED BY CA1372505
Cancelled By:	CA6941228
Cancelled Date:	2018-07-19

Nature:	MODIFICATION
Registration Number:	CA1372505
Registration Date and Time:	2009-11-30 14:32
Remarks:	MODIFICATION OF CA1193258
Cancelled By:	CA6941228
Cancelled Date:	2018-07-19

This is Exhibit "E" referred to in the
affidavit of Dale McClanaghan sworn before
me at Vancouver, British Columbia,
this 13th day of February, 2024

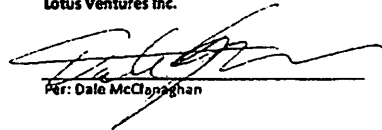

A Commissioner for taking Affidavits for
British Columbia

Lotus Ventures Inc.
Statement of Projected Cash Flow
For the Period of January 22, 2023 to April 19, 2023

	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13
Week Starting	Jan 22	Jan 29	Feb 5	Feb. 12	Feb 19	Feb. 26	Mar 4	Mar 11	Mar 18	Mar 25	April 1	April 8	April 15
Opening Cash	4,780	30,980	28,671	29,071	87,271	43,271	63,262	81,162	79,362	56,862	72,597	30,953	74,153
Cash Inflow													
Revenue													
Export	110,000		65,000	65,000			112,500	55,000	55,000			100,000	
Retail Domestic			30,000	45,000		45,000				30,000	45,000		40,000
Small Flower and Extracts		9,000				10,000			10,000	10,000			20,000
Collection of accounts receivable		20,000			35,000								
Other inflow of cash - Loans				5,000							15,000		
Total Cash Inflow	110,000	29,000	95,000	115,000	35,000	55,000	112,500	55,000	65,000	40,000	60,000	100,000	60,000
Cash Outflows													
Trustee fees		10,000		10,000		10,000		10,000		10,000		10,000	
Advertising and promotion	4,800			4,800				4,800				4,800	
Bank fees and interest		265				265				265			
Consulting and professional fees	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Listing, filing and license fees		7,044				7,044				7,044			
Office, rent insurance & misc.	500	500	16,100	500	500	4,200	16,100	500	500	500	16,100	500	500
Payroll	65,000		65,000		65,000		65,000		65,000		65,000		65,000
BC Hydro	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Lab testing	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Supplies & Maintenance	1,500	1,500	1,500	29,500	1500	1,500	1500	29,500	10,000	1,500	1,500	29,500	1500
Other	500	500	500	500	500	500	500	500	500	500	500	500	500
Travel													
Total Cash Outflow	83,800	31,309	94,600	56,800	79,000	35,009	94,600	56,800	87,500	24,265	101,644	56,800	79,000
Closing Cash Position	30,980	28,671	29,071	87,271	43,271	63,262	81,162	79,362	56,862	72,597	30,953	74,153	55,153

Dated at Spallumcheen, BC, this 26th day of January, 2024

Prepared by:
 Lotus Ventures Inc.



Per: Dale McClanaghan


Reviewed by:
 MNP Ltd., Proposal Trustee of Lotus Ventures Inc.

Per: Greg Ibbott, CPA, CA, CIRP, LIT

**In the Matter of the Proposal of
Lotus Ventures Inc. (the "Debtor")
Cash Flow Projections – Key Assumptions**

1. Projected revenue has been estimated based on historical results and management's anticipated levels of revenue during the projection period. The Company experienced revenue growth in the previous two fiscal years. The Company's revenue growth trend has continued into the current fiscal year. The revenue growth trend has been partially as a result of the Company generating more revenue from export sales. The cash inflows during the projection period are expected to be consistent with these trends.
2. Bulk export sales are expected to be renewed based on the customers having obtained several import permits.
3. Domestic retail sales projections are based on recent monthly averages and the assumption of consistent demand for the Company's products.
4. Collection of accounts receivable is related to the collection of funds due to the Company related to domestic retail sales.
5. The Company primarily operates with full payment prior to shipment of the Company's products. Where there are credit terms provided, the timing of the collection of those accounts are reflected in the projected revenue amounts.
6. The production facility will continue to operate at full capacity, averaging 2.5 harvests per month.
7. Wages and benefits have been estimated based upon current and anticipated staffing levels and have been reported as gross wages. Staffing levels will remain consistent throughout the projection period.
8. Management's projected production cost and administrative expenses are based on prior period averages. Management estimates that these cash outflows will remain consistent and are not subject to major fluctuations given the expected consistent levels of production and sales output.
9. The Company's export sales are exempt from GST. The Company's projected cash outflows include GST. The Company expects that GST collected from domestic sales will be offset by GST paid on its disbursements.
10. Management expects to maintain consistent product quality throughout the projection period.
11. Payments to Proposal Trustee reflect estimated payments, as the terms of a Proposal to be filed under the provisions of the *Bankruptcy and Insolvency Act* have not yet been formulated;

This is Exhibit "F" referred to in the
affidavit of Dale McClanaghan sworn before
me at Vancouver, British Columbia,
this 13th day of February, 2024


A Commissioner for taking Affidavits for
British Columbia

February 12, 2024

Gehlen Dabbs Cash LLP
1201 – 1030 W Georgia Street
Vancouver, BC
V6E 2Y3

Attention: Geoffrey Dabbs

Dear Mr. Dabbs

Re: Lotus Ventures Inc. – Extension to File the Proposal

On January 17, 2024, Lotus Ventures Inc. (the "**Company**") filed a Notice of Intention (the "**NOI**") to make a Proposal with the Office of the Superintendent of Bankruptcy, and MNP Ltd. was named as Proposal Trustee (the "**Proposal Trustee**").

The Company is a public company registered in British Columbia. The Company is a licensed cannabis producer with a production facility located in Spallumcheen, British Columbia. The Company reported net losses for the years ended August 31, 2022, and August 31, 2023. The cash flow constraints continued through the end of 2023 which resulted in the Company's Management deciding to file the NOI.

As at January 17, 2024, the Company reported total unsecured debts of \$4,846,945. The Company reports no secured debt.

Efforts to formulate a Proposal

Since the filing of the NOI, the Company has been working with the Proposal Trustee in order to submit a viable proposal to its creditors. However, the Company reports that it will not be in a position to make a proposal by the end of the initial stay of proceedings, being February 16, 2024.

Accordingly, the Company has stated that it intends to seek an extension of time to file its proposal

and seeks an extension of the stay of proceedings.

The Proposal Trustee supports the Company's request for the extensions being sought.

Since filing the NOI, and in preparation for its filing, the Company has been acting in good faith by organizing its affairs and investigating various options with a view to formulating and presenting a proposal to its creditors. In particular, and as examples, the Company has:

- (a) Reduced operating costs;
- (b) Continued in its efforts to increase sales, particularly in respect of exporting its products through bulk sales to international customers;
- (c) Assessed options for a sale of the business as a going concern; and
- (d) Is in the process of assessing the forced liquidation value of its property as it relates to putting forth a proposal that would provide a greater return to its creditors than would be received under a bankruptcy scenario.

The Company is up to date with all of its filing and payment obligations to Canada Revenue Agency and has continued to meet its obligations under the *Bankruptcy and Insolvency Act*, including the monitoring program set out by the Proposal Trustee at the outset of the engagement.

Conclusion

The Proposal Trustee is of the opinion:

- (a) The Company continues to act in good faith and with due diligence in formulating a Proposal;
- (b) If a 45-day extension is granted, the Company will likely be able to make a viable Proposal; and
- (c) No creditor will be materially prejudiced if an extension is granted.

Yours very truly,

MNP Ltd.

Trustee in the Matter of the Notice of Intention
to File a Proposal for Lotus Ventures Inc.

Greg Ibbott, CPA, CA, CIRP LIT
Senior Vice President