

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837



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

FORM 40

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

**Report of Trustee on Proposal
(Section 59(1) and paragraph 58(d) of the Act)**

We, MNP Ltd., of the City of Vancouver, Province of British Columbia, Licensed Insolvency Trustee acting in the Proposal of Lotus Ventures Inc. (the "**Debtor**" or the "**Company**"), hereby report to the Court as follows:

1. That on the 17th day of January of 2024, the Debtor filed a Notice of Intention to Make a Proposal ("**NOI**"), a copy of which is attached and marked as Exhibit "**A**", and that we filed a copy of the Notice of Intention to Make a Proposal with the Official Receiver on the 17th day of January of 2024.
2. That on the 22nd day of January of 2024, we gave notice to the Debtor and to every known creditor affected by the Proposal that a Notice of Intention to Make a Proposal was filed, whose names and addresses are shown in Exhibit "**B**".
3. That on the 26th day of January of 2024, the Debtor filed a Cash flow Projection, a copy of which is attached and marked as Exhibit "**C**", and that we filed a copy of the Cash-flow Projection with the Official Receiver on the 26th day of January of 2024.
4. That on the 15th day of February of 2024, the Debtor made an application to Court for an order extending the period to file a proposal to the 1st day of April of 2024. A copy of the Order extending the period to file a proposal, granted on the 15th day of February of 2024, is attached and marked as Exhibit "**D**".
5. That on the 28th day of March of 2024, the Debtor lodged with us a Proposal, a copy of which is attached and marked as Exhibit "**E**", and that we filed a copy of the Proposal with the Official Receiver on the 28th day of March of 2024.

6. That on the 28th day of March of 2024 the Debtor prepared an amended Cash flow projection covering the period of April 1, 2024, to June 30, 2029 a copy of which is attached and marked as Exhibit “F”, and that we filed a copy of the Cash-flow Projection with the Official Receiver on the 28th day of March of 2024.
7. That on the 5th day of April of 2024, the Debtor made amendments to its Proposal (the “**Amended Proposal**”), and that we filed a copy of the Amended Proposal with the Official Receiver on the 5th day of April of 2024. A copy of the Amended Proposal is attached and marked as Exhibit “G”.
8. That on the 8th day of April of 2024, we gave notice to the Debtor, to the Superintendent of Bankruptcy and to every known creditor affected by the Proposal, whose names and addresses are shown in Exhibit “H” to this report, of calling of a meeting of creditors to be held on the 18th day of April of 2024 to consider the Amended Proposal.
9. That with the notice was included a copy of the Amended Proposal, a sworn Statement of Affairs listing the creditors affected by the Proposal, a form of proof of claim and proxy in blank and a voting letter. Copies of the notice, the Statement of Affairs and Trustee’s Report to Creditors are attached and marked as Exhibits “I”, “J”, and “K”, respectively.
10. That prior to the meeting of creditors we made a detailed and careful inquiry into the liabilities of the Debtor, the Debtor’s assets and their value, the Debtor’s conduct and the causes of the Debtor’s insolvency.
11. That the first meeting of creditors was held on the 18th day of April of 2024, and was presided over by Greg Ibbott, Licensed Insolvency Trustee. At the first meeting of creditors, a motion was made to adjourn the meeting for the purpose of further investigation into the Company’s affairs. A copy of the minutes of the first meeting of creditors, including the Resolution to adjourn the meeting until the 3rd day of May of 2024, is attached and marked as Exhibit “L”.
12. That on the 1st day of May of 2024 the Trustee issued a Material Adverse Change report (“**MAC Report**”) due to the Company generating significantly lower revenue than the revenue projections within its cash flows, and that the Company was not meeting all of its ongoing post NOI obligations when then became due.
13. That the first meeting of creditors was reconvened on the 3rd day of May of 2024. At the reconvened meeting of creditors, a motion was made to further adjourn the meeting for the purpose of the Debtor to amend its proposal to incorporate a subscription agreement between the Debtor and 5008679 Ontario Limited which would improve the Debtor’s proposal to creditors. A copy of the minutes of the reconvened first meeting of creditors, including the

Resolution to adjourn the meeting until the 8th day of May of 2024, is attached and marked as Exhibit “M”.

14. That on the 7th day of May of 2024, the Debtor made further amendments to its Proposal, and that we filed a copy of the 2nd amended proposal (the “**Further Amended Proposal**”) with the Official Receiver on the 7th day of May of 2024. A copy of the Further Amended Proposal is attached and marked as Exhibit “N”.
15. That on the 7th day of May of 2024, the Trustee provided the Trustee’s Second Report to Creditors, a copy of which is attached and marked as Exhibit “O”.
16. That the first meeting of creditors was reconvened on the 8th day of May of 2024. At the reconvened first meeting of creditors, the Further Amended Proposal was unanimously accepted by the required majority of creditors. A copy of the minutes of the 2nd reconvened first meeting of creditors, including the Resolution Accepting the Further Amended Proposal, is attached and marked as Exhibit “P”.
17. That on the 15th day of May of 2024, we gave notice to the Debtor and to all creditors who have filed a claim and whose names and addresses are shown in Exhibit “Q” to this report, of the application of the Trustee for Court approval of the Proposal. A copy of this notice was filed with the Official Receiver on the 15th day of May of 2024.
18. That we are of the opinion that:

- (a) the assets of the Debtor and their fair net realizable value are as follows:

Property Name	Estimated \$	Realizable \$
Inventory	200,000	(40,000)
Real Property	2,000,000	1,564,630
Accounts Receivable		25,000
Equipment, Furniture, Fixtures		20,000
Total Property Value	\$2,200,000	\$1,569,630

- (b) the liabilities of the Debtor are as detailed on the attached claims register marked as Exhibit “R”.

19. That we are also of the opinion that:

(a) the cause of the insolvency of the Debtor is as follows:

- The Debtor reported net losses for the years ended August 31, 2022 and August 31, 2023. The Debtor incurred ongoing cash flow constraints through the end of 2023 which were projected to continue into 2024.
- On January 15, 2024, a judgment was obtained by 5008679 Ontario Ltd., against the Debtor in excess of \$1 million.
- The cashflow constraints imposed on the Debtor by its operating losses resulted in the working capital deficiencies and the judgment obtained by 5008679 Ontario Ltd. led to the Debtor's inability to meet its obligations as they generally became due.

(b) the conduct of the Debtor is not subject to censure.

(c) There are no facts mentioned in section 173 of the Act that may be proved against the Debtor.

20. That we are further of the opinion that the Debtor's Proposal is advantageous for the creditors, for the following reasons:

(a) The Further Amended Proposal includes that the Company had entered into a transaction in which 5008679 Ontario Limited (the "**Purchaser**") will acquire all of the issued and outstanding shares of the Company in exchange for a payment to the Trustee defined as the Cash Consideration in the separate Subscription Agreement (the "**Agreement**"). Further, upon approval of the Proposal by the creditors, the Company seek to obtain court approval of the Proposal in conjunction with a reverse vesting order (the "**RVO**"). The RVO will vest all of the Affected Creditors (as defined in the Agreement) to a shell company defined as ResidualCo. who will be eligible, upon proving a claim, to receive a prorata share of the distribution from the bankruptcy of ResidualCo.

Why is the RVO necessary?

(b) The Company operates in a highly regulated industry. Licensees must comply with the regulatory requirements set by Health Canada and other federal and provincial regulators that oversee the cannabis industry.

(c) The RVO provides the Purchaser with an ability to carry on the Company's business with the benefit of preserving the licenses without interruption and a balance sheet that will have been cleansed by the RVO. Under a transaction involving a traditional Asset Purchase Agreement the cannabis licenses would not transfer, and therefore any purchaser would have to

- apply for new licenses which may result in the Purchaser incurring delay, uncertainty and additional cost of having to apply for new licenses in the various jurisdictions in which the Company operates. The Purchaser would incur significant costs in seeking those licenses.
- (d) It is a condition precedent to the Agreement that the cannabis licenses are maintained.
 - (e) A sale of the licenses or cannabis inventory is not available under a bankruptcy of the Company. If the Further Amended Proposal does not receive creditor or court approval, the Company will be deemed to have made an assignment into bankruptcy. The Trustee is of the view that the relevant legislation and policies would not allow a bankruptcy Trustee to take possession and realize on the Company's cannabis inventory or licenses. Such inventory would have to be destroyed in line with the relevant policies of the British Columbia Ministry of Environment.

Whether the structure produces an economic result at least as favourable as any other viable alternative?

- (f) The Further Amended Proposal will provide \$2,538,398 less the Company Obligations which are to be finalized prior to closing. The Company has estimated the Company Obligations to be approximately \$275,000 plus Proposal Trustee Fees and costs. The estimated Cash Consideration payment to the Proposal Trustee (after payment of the Company Obligations) is estimated to be approximately \$2,035,000.
- (g) After payment of the Property Tax claim and ResidualCo. bankruptcy Trustee fees, there is expected to be approximately \$1,810,000 available to the Affected Creditors under the Proposal (or approximately 36% of their claims).
- (h) In a bankruptcy scenario, funds available will be primarily dependent on the asset realizations. The timing on the payout to creditors under the bankruptcy is expected to be between six months and one year, as the primary Company asset is real estate. Based on the assumptions and analysis included in the Trustee's Second Report to Creditors, the Affected Creditors are expected to receive approximately 21% of their claims under a bankruptcy scenario.
- (i) The Trustee is also of the view that the Further Amended Proposal, if completed as contemplated, effectively deals with the concerns raised under the MAC Report by providing payment to the post NOI creditors as Company Obligations, and a set payment to the Affected Creditors that is not reliant on the current Management achieving their revenue

assumptions. These issues were not dealt with under the Company's original Proposal.

Is any stakeholder worse off under the RVO structure than under a viable alternative?

- (j) The Trustee is not aware of any stakeholder who would be worse off under the RVO structure as compared a bankruptcy of the Company if court approval is not obtained. Conversely, as noted above, the RVO preserves the Licenses and ongoing operations of the Company, which is favourable to the employees and other stakeholders. Further, the parties who are identified as Retained Contracts under the Agreement are paid Cure Costs and are not creditors.

Does the consideration being paid for the debtor's business reflect the importance and value of the assets being preserved under the RVO structure?

- (k) If the Cash Consideration is approximately \$2,035,000, the Proposal will provide a significantly higher recovery (by approximately \$700,000) to the Affected Creditors than they would receive in a bankruptcy scenario as outlined in the Trustee's Second Report to Creditors.

21. That we forwarded a copy of this report to the Official Receiver on this day.

DATED at Vancouver, British Columbia this 3rd day of June of 2024.

MNP Ltd.

Per:



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

EXHIBIT “A”

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

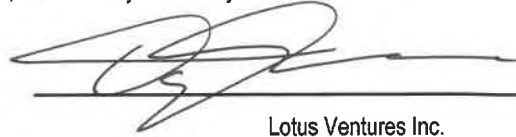
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

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 Dwyne)	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
Donevaile 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 Coquitlam 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

EXHIBIT “B”

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

Affidavit of Mailing

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

I, Julia Noort, of the Trustee's office of MNP Ltd., PO Box 10203 LCD Pacific Centre, Suite 1630 - 609 Granville Street, Vancouver, BC, V7Y 1E7, hereby make oath (or solemnly affirm) and say:

That on the 22nd day of January 2024, I did cause to be sent by E-mail, fax and prepaid ordinary mail to the known creditors of the above named debtor, whose names and addresses appear on the paper writing marked exhibit "A" annexed hereto, a copy of: Letter to creditors, Certificate of filing a Notice of Intention to Make a Proposal, Trustee's consent to Act, and Form 33 - Notice of Intention to Make a Proposal, annexed hereto as exhibit "B".



Julia Noort
Phone: (604) 639-0001
Fax: (604) 904-8628

SWORN (or SOLEMNLY DECLARED) before me in the City of
Vancouver in the Province of British Columbia, this 22nd day of January
2024.



Sofie Parker, Commissioner for Taking Affidavits
For the Province of British Columbia
Expires May 31, 2024

SOFICA PARKER
*A Commissioner for Taking Affidavits
Within the Province of British Columbia*
**Suite 430 - 505 Burrard Street
Vancouver, B.C. V7X 1M3**

Appointment Expires: May 31, 2024

SOFICA PARKER
 A Commissioner for Taking Affidavits
 Within the Province of British Columbia
 Suite 430 - 505 Burrard Street
 Vancouver, B.C. V7X 1A9
 Appointment Expires: May 31, 2024

Creditor Mailing List

In the Matter of the Proposal of
 Lotus Ventures Inc

of the Municipality of Spallumcheen, in the Province of British Columbia

This is Exhibit "A" referred to in the
 Affidavit of Julia Neorf
 sworn (or affirmed) before me Vancouver
 this 22nd day of January, 2024
 J. Parker
 A Commissioner for Taking Affidavits
 within British Columbia

Creditor Type	Name	Attention	Address
Unsecured	5008679 Ontario Ltd. (Albert Dwynn)		Attention: Gavin Cameron 2900 - 550 Burrard St Vancouver BC V6C 0A3 gcameron@faskens.com
	Addo Consulting Ltd.		415 Oakview Road Kelowna BC V1W 4K2 email@gavindew.com
	Air Liquide Canada Inc.-Western Region	Dana Dumitrescu	10020 - 56 Avenue Edmonton AB T6E 5Z2 Fax: (780) 438-2801 dana.dumitrescu@airliquide.com
	Auxly Cannabis Group Inc.	Ronald Fichter	777 Richmond St. W - 002 Toronto ON M6J 0C2 ron@auxly.com
	BC Hydro & Power Authority	Credit Admin	333 Dunsmuir St, 7th floor Vancouver BC V6B 5R3 Fax: (604) 528-2518 bhydroinsolvency@bhydro.com
	Carl Corriea		6880 Bryden Rd, Vernon BC V1B 3T3
	Carl Corriea		6880 Bryden Rd, Vernon BC V1B 3T3 carl@lotusventures.ca
	Chapman Mechanical Ltd.		901 Waddington Dr., Vernon BC V1T 9E2
	Chrimson Opportunities Inc.		Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9 rdavidmgt@gmail.com
	Chroma Global Technologies Ltd.		Unit #207 - 2906 West Broadway Vancouver BC V6K 2G8 Vancouver BC V6K 2G9 rdavidmgt@gmail.com
	Courtfield Group Holdings Limited		2111 Blenheim Street Vancouver BC V6K 0G5
	CRA - Tax - Pacific		Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1 Fax: (833) 697-2389
	Crezo Construction Inc.		P.O. Box 531 Armstrong BC V0E 1B0 jeff@crezoconstruction.com
	Dale McClanaghan		708 - 1445 Marpole Ave. Vancouver BC V6H 1S5 dalemccclanaghan@gmail.com
	Donevaile Holding Inc.		1371 Marina Way Nanoose Bay BC V9P 9B8 mcreagh@ventanaconstruction.com
	Fortis BC Energy Inc. - Natural Gas	Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9 Fax: (888) 224-2720 collections.group@fortisbc.com
	Health Canada		Address Locator 0900C2 Ottawa ON K1A 0K9 Fax: (613) 941-5366 Info@hc-sc.gc.ca

Creditor Mailing List

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

Creditor Type	Name	Attention	Address
Unsecured	High North Laboratories		241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7
	Jason Brown		1527 40th St. Vernon BC V1T 8J6
	Katie Correia		6880 Bryden Rd Vernon BC V1B 3T3 carl@lotusventures.ca
	Kris Walton (Spectrum)		1480 Springhill Rd Parksville BC V9P 2T2
	Legacy Holdings Ltd.		2750 Rupert Street Vancouver BC V5M 3T7 stuart@terrahousing.ca
	Lillian McClanaghan		2750 Rupert Street Armstrong BC V0E 1B0 lmclanaghan@gmail.com
	Marsh Canada		550 Burrard St Suite 800, Vancouver BC V6C2K1
	McClanaghan & Associates		2750 Rupert Street Vancouver BC V5M 3T7 dalemclanaghan@gmail.com
	Miller Thomson Lawyers		700 West Georgia Street Suite 2200 PO Box 10325 Vancouver BC V5N 1K8 vsartzetakis@millerthomson.com
	Norton Rose Fulbright		1800-510 West Georgia Street Vancouver BC V6B 0M3 nrreceivables@nortonrosefulbright.com
	Orbis Express		Suite 200 6791 Elmbridge Way Richmond BC V7C 4N1
	Pathogenia Laboratories		5055 Rue Fisher Saint Laurent QC H4T 1J8
	SBD Management Ltd.		402 - 905 Pender Street Vancouver BC V5N 4A5 wnichols@devissergray.com
	SDI Holdings Ltd.		2750 Rupert Street, Vancouver BC V5M 3T7 simon@terrahousing.ca
	Sidel Transport Ltd.		2101 43rd St. Vernon BC V1T 6K7
	Stellar Wholesale Inc.		19055 Airport Way Pitt Meadows BC V3Y 0G4
	Stephen K Winters Law Corp.		2750 Rupert Street Vancouver BC V5M 3T7 skwlaw6@gmail.com
	Sterigenics Radiation Technologies Canada		1425 Kebet Way Port Coquitlam BC V3C 6L3
	Steve Phillips		Suite 1010, 1030 West Georgia Street Vancouver BC V6E 2Y3
	Terra Housing Consultants		2750 Rupert Street Vancouver BC V5M 3T7 rasoul@terrahousing.ca
	Township of Spallumcheen		4144 Spallumcheen Way Spallumcheen BC V0E 1B6 mail@spallumcheentwp.bc.ca

Creditor Mailing List

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

Creditor Type	Name	Attention	Address
Unsecured	Troy Fire and Safety		2250 Leckie Rd. Unit 3 Kelowna BC V1X 7K1
	Valo Mechanical		Admin@ValoMechanical.ca
	Wade Simpson		1400 - 1125 Howe Street vancouver BC V6Z 2K8
	William Spratt		3203 East 6th Ave. vancouver BC V5M 1S6 sprattvan@gmail.com
	WorkSafeBC - Collections Department		PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5 Fax: (604) 244-6373 LGLINSOLVEN@worksafebc.com

This is Exhibit "B" referred to in the Affidavit of Julia Noort sworn (or affirmed) before me Vancouver this 22nd day of January 2024.

MNP LTD

January 22, 2024

A Commissioner for Taking Affidavits
within British Columbia

TO CREDITORS OF LOTUS VENTURES INC. **SOFICA PARKER**

A Commissioner for Taking Affidavits
Within the Province of British Columbia
Suite 430 - 505 Burrard Street
Vancouver, B.C. V7X 1M3

Re: LOTUS VENTURES INC.

Appointment Expires: May 31, 2024

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.

MNP LTD

Suite 1630-609 Granville Street, PO Box 10203 LCD Pacific Centre, Vancouver B.C., V7Y 1E7

T: 604.689.8939 F: 604.689.8584

 PRAXITY
A member of PwC Praxity Global Alliance

Licensed Insolvency Trustees MNPdebt.ca



Industry Canada

Industrie Canada

Office of the Superintendent
of Bankruptcy 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.

E-File/Dépôt Electronique

Date: January 17, 2024, 17:39

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.

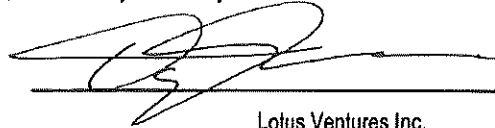
- FORM 33 -
Notice of Intention To Make a Proposal
(Subsection 50.4(1) of the Act)

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 Dwyne)	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
Donevaile Holding Inc.	1371 Marina Way Nanose 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 Coquitlam 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

EXHIBIT “C”

Exhibit "C"

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

Week Starting	Week 1 Jan 22	Week 2 Jan 29	Week 3 Feb 5	Week 4 Feb. 12	Week 5 Feb 19	Week 6 Feb. 26	Week 7 Mar. 4	Week 8 Mar 11	Week 9 Mar 18	Week 10 Mar 25	Week 11 April 1	Week 12 April 8	Week 13 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				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	1,500	1,500	15,000	29,500	10,000	1,500	1,500	29,500	15,000
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.

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

Per: Dale McClanaghan

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

**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;

EXHIBIT “D”



Exhibit "D"

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.**

ORDER

BEFORE) ASSOCIATE JUDGE BILAWICK) 15/FEB/2024
))
)


ON THE APPLICATION of Lotus Ventures Inc. coming on for hearing at Vancouver, British Columbia, on February 15, 2024 and on hearing Jacob J. Gehlen, counsel for Lotus Ventures Inc., and upon reading the material filed and no one else appearing although duly served;

THIS COURT ORDERS THAT:

1. The time for service of the Notice of Motion and supporting materials is abridged such that the Notice of Motion is properly returnable today.
2. Pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, the time for filing a proposal with the Official Receiver in these proceedings is extended to and includes April 1, 2024.
3. ~~Endorsement of this Order by counsel appearing on this application, other than counsel for the applicant, is dispensed with.~~

PA5

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:



Signature of Jacob J. Gehlen
Lawyer for Lotus Ventures Inc.

CHECKED




By the Court

Registrar in Bankruptcy

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.

ORDER

Jacob J. Gehlen
GEHLEN DABBS CASH LLP
Barristers & Solicitors
1201-1030 West Georgia Street
Vancouver, BC, V6E 2Y3
604.642.6422

File: 2976.1

EXHIBIT “E”

Exhibit "E"

ESTATE NO. 11-3031837
COURT NO. B240063
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY

IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.

PROPOSAL

OF

LOTUS VENTURES INC.

DATED FOR REFERENCE MARCH 28, 2024

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I
DEFINITIONS & INTERPRETATION**

1.1 DEFINITIONS

In this Proposal, including the attached schedules:

“Approval Order” means the court order made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“Business Day” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“Claim” means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of His Majesty the King in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or in the case of claims under executory contracts arising subsequent to the Filing Date as a result of the termination of such contracts as at the date of such termination.

“Classes” means the classes of Creditors created under the Proposal.

“Company” means Lotus Ventures Inc., an Insolvent Person incorporated under the laws of British Columbia.

“Court” means the Supreme Court of British Columbia.

“CRA” means His Majesty the King in Right of Canada as represented by the Minister of National Revenue.

“Creditor” means a person having a Proven Claim.

“Deferred Creditor” means a creditor who elects to delay receipt of an interim distribution.

“Disallowed Claimant” means a person filing a Proof of Claim with the Trustee which is disallowed in whole or in part by the Trustee until either:

- (a) The time period for disputing the Trustee’s disallowance established in the Proposal expires without the filing of a motion to Court by such Disallowed Claimant, in which case the Disallowed Claimant shall not have a claim; or
- (b) A motion has been filed by the Disallowed Claimant disputing the disallowance and either:
 - (i) The Court has upheld the Trustee’s disallowance in which case the Disallowed Claimant shall not have a Claim; or
 - (ii) The Court has varied either in whole or in part, the Trustee’s disallowance, in which the case the amount established by the Court will become a Claim.

“Filing Date” means January 17, 2024, the date when the Notice of Intention to Make a Proposal was filed.

“General Creditors” means:

- a) Any Creditor who is not a Secured Creditor;
- b) Any Creditor who has any deficiency claim in connection with any security, mortgage, charge or encumbrance;
- c) Any Secured Creditor who has elected to file a proof of claim as an unsecured creditor under section 50.1(3) of the BIA.

“Implementation Date” means the first Business Day after the date the Court approves the Proposal.

“Insolvent Person” means that definition set out in Section 2 (1) of the BIA.

“Meeting” means the meeting of the General Creditors to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

“Post Filing Creditor Claims” means all claims of Post Filing Creditors for amounts alleged to be owed to them arising after the Filing Date.

“Post Filing Creditor” means any person who has supplied goods or services to or who has an entitlement to receive sales or excise taxes, source deductions or assessments and premiums from the Company arising subsequent to the Filing Date in relation to any unpaid amounts relating thereto and extends to include the federal or provincial Crown for amounts owed in respect of federal or provincial sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, Canada Pension Plan contributions and Employment Insurance premiums arising subsequent to the Filing Date, and amounts payable to any Workers’ Compensation authority whether as to premiums or assessments accruing due subsequent to the Filing Date.

“Preferred Creditors” means all creditors entitled to priority over the General Creditors pursuant to section 136 of the BIA.

“Proof of Claim” means the prescribed form of document required under the BIA to evidence the Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

“Proposal” means this Proposal among the Company and the Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and any of the Creditors or Class, as provided for herein or pursuant to any Meeting of the Classes, and may be referred to as being the Proposal of the Company dated for reference March 28, 2024.

“Proposal Fund” has the meaning given to it in Article III.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA in Action No. 11- 3031837 in the Vancouver Registry of the Court.

“Proven Claim” means a Claim that has been filed with the Trustee in accordance with the Proposal and has either been accepted and allowed by the Trustee and the Company or has been allowed by the Court, in whole or in part.

“Related Parties” means that definition set out in Section 4 (2) of the BIA.

“Secured Creditor” means those creditors holding perfected valid security interests against assets or property of the Company or holding a valid mortgage, charge or encumbrance in the assets or property of the Company.

“Trustee” means MNP Ltd., appointed as Licensed Insolvency Trustee in the Proposal Proceedings.

**ARTICLE II
PURPOSE AND EFFECT OF THE PROPOSAL**

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to permit the Company to settle payment of its liabilities arising before the Filing Date and to compromise the indebtedness owed to General Creditors of the Company on a fair and equitable basis.

2.2 TRUSTEE UNDER THE PROPOSAL

The Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to Creditors.

**ARTICLE III
CREDITOR CLASSES AND PAYMENTS**

3.1 CLASSES OF CREDITORS

There will be one Class of Creditors for the purpose of considering and voting upon the Proposal consisting of the General Creditors.

3.2 SECURED CREDITORS

Secured Creditors including outstanding property taxes shall be paid in accordance with the present arrangements existing between the Company and respective Secured Creditors, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively.

3.4 PAYMENT

3.4.1 The Company will pay a total of \$2,350,000 to the Trustee for the benefit of General Creditors and the Company's obligations pursuant to paragraphs 3.5 of the Proposal and pursuant to the provisions of the *BIA* (the "Proposal Fund") as follows:

- (a) \$235,000 to be paid by way of ten semiannual payments beginning on December 31, 2024, and ending on June 29, 2029.
- (b) A schedule of payments is set out below:
December 31, 2024 - \$235,000

June 30, 2025 - \$235,000
December 31, 2025 - \$235,000
June 30, 2026 - \$235,000
December 31, 2026 - \$235,000
June 30, 2027 - \$235,000
December 31, 2027 - \$235,000
June 30, 2028 - \$235,000
December 29, 2028 - \$235,000
June 29, 2029 - \$235,000

3.4.2 The Trustee will distribute to General Creditors the Proposal Fund as follows:

- (a) Each of the General Creditors will be paid their proportionate *pro rata* share of the amount of the Proposal Fund which remains after each of the payments described in paragraph 3.5.
- (b) The Trustee will make interim distributions to the General Creditors following the receipt of each semiannual payment by the Company.
- (c) A General Creditor may elect to defer its prorata share of an interim distribution by notifying the Trustee in writing that it wishes to delay receipt of an interim distribution. The notice of deferral shall confirm the length of the deferral. Any interim distributions that are deferred by a General Creditor remain owing and payable. The interim distributions shall be prepared on a prorata basis excluding the claim of the Deferred Creditors, thus resulting in the General Creditors who did not elect to defer receiving a larger proportion of the interim distribution and a more expedient recovery. Upon the expiry of the deferral, the Deferred interim distributions shall be paid at the date of next interim distribution to the Deferred Creditors in priority to the General Creditors.
- (d) A General Creditor may elect to waive its share of an interim distribution, in full or in part, upon written notice to the Trustee. Interim distributions that are waived by a General Creditor extinguish the Company's obligation in respect of waived portion of the interim distribution.

3.4.3 Notwithstanding the foregoing, the Company is obligated to pay only the aggregate amount of all Proven Claims and amounts accruing due to the Trustee pursuant to paragraph 3.5 of the Proposal. If and when the Company pays in full the Proven Claims and amounts accruing due to the Trustee as a Preferred Claim pursuant to paragraph 3.5 of the Proposal, the Company

shall be deemed to have fully performed this Proposal and the Company shall not be required to make any further payment to the Trustee.

3.4.4 The Company is at liberty to prepay, without penalty, any amounts payable under this Proposal.

3.5 **PREFERRED PAYMENTS IN PRIORITY TO ALL OTHER CREDITORS UNDER THE PROPOSAL**

3.5.1 His Majesty the King in Right of Canada or a Province shall be paid in full all amounts of a kind which could be subject to a demand under sub-section 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date, within six months of the Approval Order.

3.5.2 Provision for payment of all proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, and of the Company, of and incidental to the proceedings arising in the Proposal Proceeding together with such fees of the Trustee incidental to and arising from the preparation of this Proposal shall be paid in full in priority to the claims of all Creditors. In the event no Inspectors are appointed, the Trustee may take advances of the Trustee's Fees, subject to final taxation by the Court. Such advances may be taken on a quarterly basis, with the first advance commencing on or after the Implementation Date.

3.5.3 Immediately after Court approval of the Proposal, employees and former employees of the Company shall be paid amounts equal to the amounts they would be qualified to receive under paragraph 136(1)(d) of the *BIA* had the Company become bankrupt on the date of Court approval of the Proposal as well as wages, salaries, commissions or compensation for services rendered after the date of the Filing Date and the date of the Approval Order.

3.5.4 Preferred claims (which include claims of employees) are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the *BIA*.

3.6 **EFFECT ON CREDITORS**

Effective as of the Implementation Date, upon satisfaction of the claims of Creditors in the manner described in this Proposal, the Company shall be released from all claims, liabilities and obligations to all General Creditors.

**ARTICLE IV
DELIVERY OF PROOFS OF CLAIM**

4.1 **DELIVERING PROOFS OF CLAIM**

The Creditors shall deliver their Proofs of Claim for review by the Trustee and the Company by faxing the completed Proof of Claim to the Trustee at Fax No. (604) 685-8594, Attention: Seamus Boyle or by e-mailing the completed Proof of Claim to the Trustee at: InsolvencyInfoTBG@mnp.ca or mailing the Proof of Claim to the address of the Trustee set out

in Article 10.2., or by depositing such a Proof of Claim with the Trustee prior to the commencement of the Meeting.

4.2 FAILURE TO FILE PROOFS OF CLAIM PRIOR TO MEETING

If a Creditor fails to either deliver a Proof of Claim to be received by the Trustee prior to 5:00 pm on the day before the date for the Meeting for the Classes, or fails to deposit a Proof of Claim with the Trustee or his nominee on or before the time for commencement of the Meeting, the Creditor shall have no right to vote in respect of the Proposal. Subject to Article 4.3, failure by a Creditor to file a Proof of Claim by that deadline shall not disentitle such Creditor from receiving any future payment to be made under the Proposal.

4.3 DISPUTED PROOFS OF CLAIM

4.3.1 In the event that the Company disputes any Proof of Claim as to entitlement to participate in the Classes or as to amount of the Claim set out in the Proof of Claim the Trustee may:

- (a) disallow the Proof of Claim;
- (b) allow the Proof of Claim as presented for the purposes of voting at the Meeting but disallow the Proof of Claim for distribution purposes; or
- (c) allow the Proof of Claim for voting and distribution purposes in such amount as it determines appropriate.

4.3.2 If the Trustee disallows a Proof of Claim for any reason or allows the Proof of Claim for an amount less than that set out in the Proof of Claim, the Creditor shall be deemed to accept the determination of the Company unless the Creditor shall have filed with the Court a motion to value its Claim within thirty (30) days of the date that the disallowance notice is forwarded to the Creditor by the Trustee.

ARTICLE V MEETING OF THE CREDITORS

5.1 GENERAL

5.1.1 At the Meeting of the Creditors held to consider this Proposal the Creditors may appoint one or more but not exceeding five inspectors (the "Inspectors") under this Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) To advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under this Proposal;

- (c) To advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee; and
- (d) If in the opinion of a majority of the Inspectors it is in the interests of the Creditors that the time for payment of their Proven Claims be extended, the Inspectors will be entitled, without further reference or notice to the Creditors, to extend the time for payment of their Proven Claims.

5.1.2 The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

5.1.3 Upon payment to the Trustee as provided in Article III, this Proposal shall be fulfilled and the Creditors shall have no further claims against the Company.

5.2 MEETING

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

5.3 VOTING

Except as provided in paragraph 5.4, for the purposes of voting as a member of the Classes, each Creditor shall have one vote for the purposes of determining a majority in number and each Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim.

5.4 PROXIES AND VOTING LETTERS

Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all Creditors.

5.5 ADJOURNMENT OF MEETING

The chair of the Meeting may in his or her discretion adjourn the Meeting upon such terms as are considered appropriate by the chair of the Meeting upon notice to those persons present at the Meeting for the purposes of considering amendments to the proposal contemplated in Article VI.

**ARTICLE VI
AMENDMENTS AND MODIFICATIONS**

6.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time and re-submit it to the Creditors and the Proposal may be amended among the Company and the General Creditors at the Meeting.

6.2 MODIFICATION OF PROPOSAL

After the Meeting, the Proposal may be modified by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a Creditor or not. On such application, the Proposal may be modified as may be reasonably necessary to ensure the successful reorganization of the Company in accordance with the purposes of the Proposal.

6.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Trustee or by a Creditor if such provision affects only that Creditor.

**ARTICLE VII
APPLICATION FOR APPROVAL ORDER**

7.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting if the Proposal has been approved by the General Creditors by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Proven Claims of Creditors, the Company will forthwith apply to the Court for the Approval Order.

7.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

7.3 COMPROMISE OF INDEBTEDNESS

Upon acceptance of the Proposal by the requisite numbers of Creditors, approval of the Proposal by the Court and payment to the Creditors on or following the Implementation Date as contemplated under the Proposal, the Creditors shall have no further rights to enforce their Claims except as provided in the Proposal.

7.4 RELEASE OF DIRECTORS

Effective upon the Implementation Date, the directors of the Company shall be released from any obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligations but shall not include claims that:

- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- (b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

ARTICLE VIII APPROVAL PROCEDURE

8.1 PRECONDITIONS TO IMPLEMENTATION

The Proposal is expressly subject to all of the following conditions precedent:

- (a) approval by the requisite majority of the Creditors pursuant to the BIA;
- (b) approval of the Proposal by the Court; and
- (c) such other orders by the Court as may be required in order to completely implement the Proposal.

8.2 EFFECTIVENESS

The Proposal will become effective upon the Implementation Date and will apply to all Creditors and all Proven Claims against the Company both domestic and foreign irrespective of the jurisdiction in which such Creditors reside or where the Proven Claims arise.

8.3 IMPLEMENTATION

Subject to the conditions precedent set out in Article 8.1, payments to Creditors will occur as set out in Article III.

8.4 EXECUTORY CONTRACTS

On or before the date of the Approval Order, the Company may, if necessary, seek an order from the Court confirming that:

- (a) all executory contracts to which the Company is a party at the date of such application, are in full force and effect and at the Implementation Date notwithstanding that the Company has commenced this Proposal Proceeding, filed a Proposal, or any compromises effected pursuant to the Proposal on the holders of such executory contracts; and

- (b) no party to such executory contracts shall be entitled to terminate, or repudiate its obligation under such executory contracts following the Implementation Date by reason of the commencement of the Proposal Proceeding, the contents of the Proposal, the non-payment of any Claim, or any compromises effected under the Proposal.

ARTICLE IX DISALLOWED CLAIMANTS

9.1 VALIDITY OF CLAIMS

If the Proposal is not approved by the requisite majority of the General Creditors voting at the Meeting as required by the BIA, and the sole reason for that non-approval is the vote of a Disallowed Claimant or Disallowed Claimants, the Company will apply to the Court, at the earliest convenient date for all parties, to determine the validity of the amount alleged due by such Disallowed Claimant or Disallowed Claimants.

9.2 STATUS QUO

Until such time as the amount which is alleged to be owed by the Company to a Disallowed Claimant who has voted against the Proposal and whose vote, either alone or in conjunction with other Disallowed Claimants, has governed the Class of which it is a proper member is finally determined:

- (a) the Company will maintain the status quo;
- (b) the effect of the Proposal and all steps to be taken hereunder will continue with respect to all other Creditors pending the determination of the issues between the Company and the Disallowed Claimants; and
- (c) The Company will defer any application for the Approval Order until the dispute has been resolved by the Court.

ARTICLE X GENERAL

10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to "Sections" and "Schedules" are to sections of and schedules to the Proposal.

10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

10.6 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

10.7 NOTICES

All notices, Proofs of Claim, and payments required or permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by e-mail or mail by regular or registered or certified mail, return receipt requested, to the Company at the following address:

c/o MNP Ltd.
Licensed Insolvency Trustee in the Proposal
Proceedings of Lotus Ventures Inc.
Suite 1630 609 Granville Street
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384

Facsimile: (604) 685-8594

E-mail: Seamus.Boyle@mnp.ca

And if to a Creditor or Disallowed Claimant, at its address set forth in the last Proof of Claim deposited with the Company.


10.8 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors, the Disallowed Claimants and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 28th day of March 2024.

LOTUS VENTURES INC.

Per:



Authorized Signatory

EXHIBIT “F”

Cash Flow Plan of Arrangement Mar 28 2024 V8 FIN

Lotus Ventures Inc.
Statement of Projected Cash Flow
Cash period April 1, 2024 to June 30 2029

YEAR 1

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	13 Month Total
	April	May	June	July	August	September	October	November	December	January	February	March	April	
Week Starting Opening Cash	30,000	40,000	48,468	70,936	103,404	150,872	213,348	275,825	338,301	165,777	228,253	290,730	353,206	
Cash Inflow														
Revenue Forecast														
Grams - net of GST														
Large Flower (Domestic) - 50,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	1,050,000
Large Flower (Export) - 75,000	140,000	140,000	154,000	159,000	161,250	161,250	161,250	161,250	161,250	161,250	161,250	161,250	161,250	1,612,500
Small Flower (Domestic/PR/ Export) 25,000	8,000	8,000	8,000	10,500	20,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	250,000
Extract conversion @ 10% 60,000	8,000	8,000	8,000	10,500	14,000	18,758	18,758	18,758	18,758	18,758	18,758	18,758	18,758	187,580
Hub (Brokered Export) 200,000	0	0	0	0	0	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	50,000
CASH FLOW FROM OPERATIONS	261,000	261,000	275,000	285,000	300,000	315,008	315,008	315,008	315,008	315,008	315,008	315,008	315,008	3,902,066
Collection of accounts receivable														
Other inflow of cash - Loans & Capital														
Total Cash Inflow	261,000	261,000	275,000	285,000	300,000	315,008	315,008	315,008	315,008	315,008	315,008	315,008	315,008	3,902,066
Cash Outflows														
Trustee fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
Advertising and promotion	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	48,000
Bank fees and interest	265	265	265	265	265	265	265	265	265	265	265	265	265	2,650
Consulting and professional fees	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	130,000
Listing, filing and transfer fees	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	1,167	11,670
License fees	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	3,700	37,000
Office and miscellaneous	500	500	500	500	500	500	500	500	500	500	500	500	500	5,000
Rent & Accounting	3,668	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200	52,000
	\$34,100	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	\$35,632	461,684
Production Costs	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000	1,300,000
Payroll	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	320,000
BC Hydro	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	30,000
CO2	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	11,900	119,000
Insurance	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000
Lab testing	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	28,000	280,000
Supplies	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	60,000
Maintenance	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
other	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	20,000
	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	\$216,900	2,819,700
Payment to Proposal Fund	\$251,900	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	\$252,532	3,281,384
Closing Cash Position	10,000.00	8,468.00	22,468.00	32,468.00	47,468.00	62,476.25	62,476.25	62,476.25	62,476.25	62,476.25	62,476.25	62,476.25	62,476.25	610,682
	40,000	48,468	70,936	103,404	150,872	213,348	275,825	338,301	165,777	228,253	290,730	353,206	415,682	

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

Prepared by:
 Lotus Ventures Inc.

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

Per: Sale McLaughlin

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

Lotus Ventures Inc.
Statement of Projected Cash Flow
Cash period April 1, 2024 to June 30 2029

YEAR 2

YEAR TWO - May 1 2025 to April 30, 2026

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	12 Month Total
Week Starting Opening Cash	415,682	486,032	321,382	391,732	462,082	532,432	602,782	673,132	508,483	578,833	649,183	719,533	
Cash Inflow													
Large Flower (Domestic) - 50,000	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	1,323,000
Large Flower (Export) - 75,000	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	2,031,750
Small Flower (Domestic/PR/Export) 25,000	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	315,000
Extract conversion @ 10% 60,000	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	236,352
Hub (Brokered Export) 200,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
CASH FLOW FROM OPERATIONS	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	4,026,104
Other Inflow of cash - Loans & Capital													
Total Cash Inflow	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	335,509	4,026,104
Cash Outflows													
Overheads -Admin.													
Trustee fees	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	126,000
Advertising and promotion	5,040	5,040	5,040	5,040	5,040	5,040	5,040	5,040	5,040	5,040	5,040	5,040	60,480
Bank fees and interest	278	278	278	278	278	278	278	278	278	278	278	278	3,336
Consulting and professional fees	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	10,500	126,000
Listing, filing and transfer fees	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	1,225	14,700
License fees	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	3,885	46,620
Office and miscellaneous	525	525	525	525	525	525	525	525	525	525	525	525	6,300
Rent	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	5,460	65,520
Inflation Year 2 @ 5%	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	\$37,414	448,963
Production Costs													
Payroll	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	136,500	1,638,000
BC Hydro	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	33,600	403,200
CO2	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,800
Insurance	12,495	12,495	12,495	12,495	12,495	12,495	12,495	12,495	12,495	12,495	12,495	12,495	150,000
Lab testing	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	50,400
Supplies	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	29,400	352,800
Maintenance	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	75,600
other	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	25,200
Total Cash Outflow	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	\$227,745	2,732,840
Closing Cash Position	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	\$265,159	3,181,903
Payment to Proposal Fund													
Total Cash Outflow	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	70,350.06	844,201
Closing Cash Position	446,032	516,382	351,732	422,082	492,432	562,782	633,132	703,483	538,833	609,183	679,533	749,883	
	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	2,817,000
	281,382	321,382	391,732	462,082	532,432	602,782	673,132	703,483	578,833	649,183	719,533	789,883	
	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$486,032.06	\$4,860,320.72

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

Prepared by:
 Lotus Ventures Inc.


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


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

Lotus Ventures Inc.
Statement of Projected Cash Flow
Cash period April 1, 2024 to June 30 2029

YEAR 3

YEAR THREE - May 1 2026 to April 30, 2027

Week Starting	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	12 Month Total
Opening Cash	789,883	869,250	713,618	776,710	839,802	902,894	965,986	1,029,079	857,171	920,263	983,355	1,046,447	
Cash Inflow													
Large Flower (Domestic) - 50,000	115,763	115,763	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	1,102,500
Large Flower (Export) - 75,000	177,778	177,778	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	1,693,113
Small Flower (Domestic/PR/ Export) 25,000	27,563	27,563	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	262,500
Extract conversion @ 10% 60,000	20,681	20,681	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	196,956
Hub (Brokered Export) 200,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	160,000
CASH FLOW FROM OPERATIONS	357,784	357,784	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	4,130,655
Collection of accounts receivable													
Other inflow of cash - Loans & Capital													
Total Cash Inflow	357,784	357,784	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	341,509	4,130,655
Cash Outflows													
Overheads--Admin.													
Trustee fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	110,250
Advertising and promotion	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	52,920
Bank fees and interest	292	292	292	292	292	292	292	292	292	292	292	292	2,920
Consulting and professional fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	110,250
Litig. filing and transfer fees	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	12,870
License fees	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	40,790
Office and miscellaneous	551	551	551	551	551	551	551	551	551	551	551	551	5,510
Rent	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	57,330
Inflation Year 3 @ 5%	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	471,411
Production Costs													
Payroll	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	1,433,250
BC Hydro	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	352,800
CO2	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	3,308	33,080
Insurance	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	131,200
Lab testing	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	44,100
Supplies	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	308,700
Maintenance	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	66,150
other	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	22,050
SEMI-ANNUAL PVMT	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	2,391,320
June 2026	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	2,784,170
749,883	79,367,57	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	63,092,13	630,921,300
	829,250	908,618	736,710	799,802	862,894	925,986	989,079	1,052,171	880,263	943,355	1,006,447	1,069,539	789,656
	235,000												235,000
	673,618												673,618
Total Cash Outflow	869,250	869,250	776,710	839,802	902,894	965,986	1,029,079	857,171	920,263	983,355	1,046,447	1,109,539	11,109,539
Closing Cash Position													

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

Prepared by:
 Lotus Ventures Inc.



Per: Dale McClaghlin

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

Per: Greg Ibbott, CPA, CA, CFP, CIT

Lotus Ventures Inc.
Statement of Projected Cash Flow
Cash period April 1, 2024 to June 30 2029

YEAR 4

YEAR TWO - May 1 2027 to April 30, 2028

Week Starting	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	12 Month Total
Opening Cash	1,109,539	1,197,907	1,051,274	1,123,366	1,195,459	1,267,551	1,339,643	1,411,735	1,248,827	1,320,919	1,393,011	1,465,104	
Cash Inflow													
Forecast - Sept. '24 onwards													
Grams													
Large Flower (Domestic) - 50,000	115,763	115,763	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	
Large Flower (Export) - 75,000	177,778	177,778	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	
Small Flower (Domestic/PR/ Export) 25,000	27,563	27,563	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	
Extract conversion @ 10% 60,000	20,681	20,681	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	
Hub (Brokered Export) 200,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	
CASH FLOW FROM OPERATIONS	366,784	366,784	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	4,238,655
Collection of accounts receivable													
Other inflow of cash - Loans & Capital													
Total Cash Inflow	366,784	366,784	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	4,238,655
Cash Outflows													
Overheads - Adminh.													
Trustee fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	
Advertising and promotion	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	
Bank fees and interest	292	292	292	292	292	292	292	292	292	292	292	292	
Consulting and professional fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	
Listing, filing and transfer fees	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	
License fees	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	
Office and miscellaneous	551	551	551	551	551	551	551	551	551	551	551	551	
Rent	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	
Inflation Year 4 @ 0%	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	471,411
Production Costs													
Payroll	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	
BC Hydro	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	
CO2	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	
Insurance	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	
Lab testing	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	
Supplies	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	
Maintenance	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	
other	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	
Total Cash Outflow	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	2,869,587
Closing Cash Position	88,367,57	88,367,57	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	72,092,13	897,656
Payment to Proposal Fund	1,157,907	1,246,274	1,083,366	1,155,459	1,227,551	1,299,643	1,371,735	1,443,827	1,280,919	1,353,011	1,425,104	1,497,196	
Total Cash Outflow	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	235,000	
Closing Cash Position	1,011,274	1,011,274	1,123,366	1,195,459	1,267,551	1,339,643	1,411,735	1,483,827	1,320,919	1,393,011	1,465,104	1,537,196	

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

Prepared by:
 Lotus Ventures Inc.

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

[Signature]
 Per: Dale McLaughlin

[Signature]
 Per: Greg Ibbott, CPA, CA, CRRP, LIT

Lotus Ventures Inc.
Statement of Projected Cash Flow
Cash period April 1, 2024 to June 30 2029

YEAR 5

YEAR FIVE - May 1 2028 to June 30, 2029

Week Starting	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13	Month 14	14 Month Total
Opening Cash	1,537,196	1,625,563	1,478,931	1,551,023	1,623,115	1,695,207	1,767,299	1,839,391	1,676,484	1,748,576	1,820,668	1,892,760	1,964,852	2,036,944	
Cash Inflow															
Forecast - Sept. '24 onwards															
Grants															
Large Flower (Domestic) - 50,000	115,763	115,763	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250	110,250
Large Flower (Export) - 75,000	177,778	177,778	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313	169,313
Small Flower (Domestic/PR/ Export) 25,000	27,563	27,563	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250	26,250
Extract conversion @ 10% 60,000	20,681	20,681	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696	19,696
Hubs (Brokered Export) 200,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
CASH FLOW FROM OPERATIONS	366,784	366,784	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509
Collection of accounts receivable															
Other inflow of cash - Loans & Capital															
Total Cash Inflow	366,784	366,784	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509	350,509
Cash Outflows															
Overheads-Admin.															
Trustee fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025
Advertising and promotion	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292	5,292
Bank fees and interest	292	292	292	292	292	292	292	292	292	292	292	292	292	292	292
Consulting and professional fees	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025	11,025
Listing, filing and transfer fees	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287	1,287
License fees	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079	4,079
Office and miscellaneous	551	551	551	551	551	551	551	551	551	551	551	551	551	551	551
Rent	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733	5,733
Inflation Year 5 @ 0%	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284	\$39,284
Production Costs															
Payroll	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325	143,325
BC Hydro	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280	35,280
CO2	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508	3,508
Insurance	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120	13,120
Lab testing	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410	4,410
Supplies	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870	30,870
Maintenance	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615	6,615
other	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205	2,205
CASH FLOW FROM OPERATIONS	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132	\$239,132
Total Cash Outflow	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417	\$278,417
Closing Cash Position	88,367.57	88,367.57	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13	72,092.13
	1,585,563	1,673,931	1,511,023	1,583,115	1,655,207	1,727,299	1,799,391	1,871,484	1,708,576	1,780,668	1,852,760	1,924,852	1,996,944	2,069,036	2,141,128
	235,000	1,438,931					1,636,484								235,000
															1,834,036
															1,874,036

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

Prepared by:
 Lotus Ventures Inc.

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

Per: Date  

Per: Greg Ibbott, CPA, CA, CFP, CIT

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

1. The Debtor is projecting improved sales performance in the domestic and international markets.
2. One of the Debtor’s products has been added to the Ontario Cannabis Store standard list which is expected to increase domestic large flower sales materially in this segment.
3. The Debtor recently entered the export market and has the ability to export cannabis from Canada. International buyers have been provided samples and have attended the Debtors production facility. The Debtor has received positive feedback from each of these potential export customers. The Debtor expects that its standards and production quality will result in growth in large export sales.
4. The Debtor expects to enter into long term service contracts with these international buyers during the period of the Proposal which will provide for a steady recurring revenue base once executed.
5. The Debtor will be producing at full capacity and will be focusing its production on strains that produce higher yield per harvest. The Debtor expects to produce 60,200 grams per harvest resulting in 150,500 grams harvested per month. The Debtor expects to maintain this level of production throughout the projection period.
6. The Debtor projects that its weighted average price per gram produced will continue at existing levels adjusted for inflation as needed.
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. Payments to Proposal Trustee reflect estimated payments.



EXHIBIT “G”

ESTATE NO. 11-3031837
COURT NO. B240063
VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

AMENDED PROPOSAL

OF

LOTUS VENTURES INC.

DATED FOR REFERENCE APRIL 5, 2024

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I
DEFINITIONS & INTERPRETATION**

1.1 DEFINITIONS

In this Proposal, including the attached schedules:

“**Approval Order**” means the court order made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“**Business Day**” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“**Claim**” means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of His Majesty the King in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or in the case of claims under executory contracts arising subsequent to the Filing Date as a result of the termination of such contracts as at the date of such termination.

“**Classes**” means the classes of Creditors created under the Proposal.

“**Company**” means Lotus Ventures Inc., an Insolvent Person incorporated under the laws of British Columbia.

“**Court**” means the Supreme Court of British Columbia.

“**CRA**” means His Majesty the King in Right of Canada as represented by the Minister of National Revenue.

“**Creditor**” means a person having a Proven Claim.

“**Deferred Creditor**” means a creditor who elects to delay receipt of an interim distribution.

“**Disallowed Claimant**” means a person filing a Proof of Claim with the Trustee which is disallowed in whole or in part by the Trustee until either:

- (a) The time period for disputing the Trustee’s disallowance established in the Proposal expires without the filing of a motion to Court by such Disallowed Claimant, in which case the Disallowed Claimant shall not have a claim; or
- (b) A motion has been filed by the Disallowed Claimant disputing the disallowance and either:
 - (i) The Court has upheld the Trustee’s disallowance in which case the Disallowed Claimant shall not have a Claim; or
 - (ii) The Court has varied either in whole or in part, the Trustee’s disallowance, in which the case the amount established by the Court will become a Claim.

“**Filing Date**” means January 17, 2024, the date when the Notice of Intention to Make a Proposal was filed.

“**General Creditors**” means:

- a) Any Creditor who is not a Secured Creditor;
- b) Any Creditor who has any deficiency claim in connection with any security, mortgage, charge or encumbrance;
- c) Any Secured Creditor who has elected to file a proof of claim as an unsecured creditor under section 50.1(3) of the BIA.

“**Implementation Date**” means the first Business Day after the date the Court approves the Proposal.

“**Insolvent Person**” means that definition set out in Section 2 (1) of the BIA.

“Meeting” means the meeting of the General Creditors to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

“Post Filing Creditor Claims” means all claims of Post Filing Creditors for amounts alleged to be owed to them arising after the Filing Date.

“Post Filing Creditor” means any person who has supplied goods or services to or who has an entitlement to receive sales or excise taxes, source deductions or assessments and premiums from the Company arising subsequent to the Filing Date in relation to any unpaid amounts relating thereto and extends to include the federal or provincial Crown for amounts owed in respect of federal or provincial sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, Canada Pension Plan contributions and Employment Insurance premiums arising subsequent to the Filing Date, and amounts payable to any Workers’ Compensation authority whether as to premiums or assessments accruing due subsequent to the Filing Date.

“Preferred Creditors” means all creditors entitled to priority over the General Creditors pursuant to section 136 of the BIA.

“Proof of Claim” means the prescribed form of document required under the BIA to evidence the Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

“Proposal” means this Proposal among the Company and the Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and any of the Creditors or Class, as provided for herein or pursuant to any Meeting of the Classes, and may be referred to as being the Proposal of the Company dated for reference March 28, 2024 and as amended on April 5, 2024.

“Proposal Fund” has the meaning given to it in Article III.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA in Action No. 11- 3031837 in the Vancouver Registry of the Court.

“Proven Claim” means a Claim that has been filed with the Trustee in accordance with the Proposal and has either been accepted and allowed by the Trustee and the Company or has been allowed by the Court, in whole or in part.

“Related Parties” means that definition set out in Section 4 (2) of the BIA.

“Secured Creditor” means those creditors holding perfected valid security interests against assets or property of the Company or holding a valid mortgage, charge or encumbrance in the assets or property of the Company.

“Trustee” means MNP Ltd., appointed as Licensed Insolvency Trustee in the Proposal Proceedings.

ARTICLE II
PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to permit the Company to settle payment of its liabilities arising before the Filing Date and to compromise the indebtedness owed to General Creditors of the Company on a fair and equitable basis.

2.2 TRUSTEE UNDER THE PROPOSAL

The Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to Creditors.

ARTICLE III
CREDITOR CLASSES AND PAYMENTS

3.1 CLASSES OF CREDITORS

There will be one Class of Creditors for the purpose of considering and voting upon the Proposal consisting of the General Creditors.

3.2 SECURED CREDITORS

Secured Creditors including outstanding property taxes shall be paid in accordance with the present arrangements existing between the Company and respective Secured Creditors, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively.

3.4 PAYMENT

3.4.1 The Company will pay a total of \$2,350,000 to the Trustee for the benefit of General Creditors and the Company's obligations pursuant to paragraphs 3.5 of the Proposal and pursuant to the provisions of the *BIA* (the "**Proposal Fund**") as follows:

- (a) \$2,350,000 to be paid by way of ten semiannual payments beginning on December 31, 2024, and ending on June 30, 2029.
- (b) A schedule of payments is set out below:

December 31, 2024 - \$235,000

June 30, 2025 - \$235,000
December 31, 2025 - \$235,000
June 30, 2026 - \$235,000
December 31, 2026 - \$235,000
June 30, 2027 - \$235,000
December 31, 2027 - \$235,000
June 30, 2028 - \$235,000
December 29, 2028 - \$235,000
June 29, 2029 - \$235,000

3.4.2 The Trustee will distribute to General Creditors the Proposal Fund as follows:

- (a) Each of the General Creditors will be paid their proportionate *pro rata* share of the amount of the Proposal Fund which remains after each of the payments described in paragraph 3.5.
- (b) The Trustee will make interim distributions to the General Creditors following the receipt of each semiannual payment by the Company.
- (c) A General Creditor may elect to defer its prorata share of an interim distribution by notifying the Trustee in writing that it wishes to delay receipt of an interim distribution. The notice of deferral shall confirm the length of the deferral. Any interim distributions that are deferred by a General Creditor remain owing and payable. The interim distributions shall be prepared on a prorata basis excluding the claim of the Deferred Creditors, thus resulting in the General Creditors who did not elect to defer receiving a larger proportion of the interim distribution and a more expedient recovery. Upon the expiry of the deferral, the Deferred interim distributions shall be paid at the date of next interim distribution to the Deferred Creditors in priority to the General Creditors.
- (d) A General Creditor may elect to waive its share of an interim distribution, in full or in part, upon written notice to the Trustee. Interim distributions that are waived by a General Creditor extinguish the Company's obligation in respect of waived portion of the interim distribution.
- (e) The Company will pay the Trustee fees and costs directly (the "Trustee Fee Payments") in addition to the above payments. The Trustee will issue its monthly

invoices to the Company, and the Company will pay these invoices within 30 days of issuance. The Trustee Fee Payments will form part of the Proposal Funds and be shown as paid to the Trustee based on the priority discussed in section 3.5.2 of this Proposal.

3.4.3 Notwithstanding the foregoing, the Company is obligated to pay only the aggregate amount of all Proven Claims and amounts accruing due to the Trustee pursuant to paragraph 3.5 of the Proposal. If and when the Company pays in full the Proven Claims and amounts accruing due to the Trustee as a Preferred Claim pursuant to paragraph 3.5 of the Proposal, the Company shall be deemed to have fully performed this Proposal and the Company shall not be required to make any further payment to the Trustee.

3.4.4 The Company is at liberty to prepay, without penalty, any amounts payable under this Proposal.

3.5 PREFERRED PAYMENTS IN PRIORITY TO ALL OTHER CREDITORS UNDER THE PROPOSAL

3.5.1 His Majesty the King in Right of Canada or a Province shall be paid in full all amounts of a kind which could be subject to a demand under sub-section 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date, within six months of the Approval Order.

3.5.2 Provision for payment of all proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, and of the Company, of and incidental to the proceedings arising in the Proposal Proceeding together with such fees of the Trustee incidental to and arising from the preparation of this Proposal shall be paid in full in priority to the claims of all Creditors. In the event no Inspectors are appointed, the Trustee may take advances of the Trustee's Fees, subject to final taxation by the Court. Such advances may be taken on a quarterly basis, with the first advance commencing on or after the Implementation Date.

3.5.3 Immediately after Court approval of the Proposal, employees and former employees of the Company shall be paid amounts equal to the amounts they would be qualified to receive under paragraph 136(1)(d) of the *BIA* had the Company become bankrupt on the date of Court approval of the Proposal as well as wages, salaries, commissions or compensation for services rendered after the date of the Filing Date and the date of the Approval Order.

3.5.4 Preferred claims (which include claims of employees) are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the *BIA*.

3.6 EFFECT ON CREDITORS

Effective as of the Implementation Date, upon satisfaction of the claims of Creditors in the manner described in this Proposal, the Company shall be released from all claims, liabilities and obligations to all General Creditors.

ARTICLE IV DELIVERY OF PROOFS OF CLAIM

4.1 DELIVERING PROOFS OF CLAIM

The Creditors shall deliver their Proofs of Claim for review by the Trustee and the Company by faxing the completed Proof of Claim to the Trustee at Fax No. (604) 685-8594, Attention: Seamus Boyle or by e-mailing the completed Proof of Claim to the Trustee at: InsolvencyInfoTBG@mnp.ca or mailing the Proof of Claim to the address of the Trustee set out in Article 10.2., or by depositing such a Proof of Claim with the Trustee prior to the commencement of the Meeting.

4.2 FAILURE TO FILE PROOFS OF CLAIM PRIOR TO MEETING

If a Creditor fails to either deliver a Proof of Claim to be received by the Trustee prior to 5:00 pm on the day before the date for the Meeting for the Classes, or fails to deposit a Proof of Claim with the Trustee or his nominee on or before the time for commencement of the Meeting, the Creditor shall have no right to vote in respect of the Proposal. Subject to Article 4.3, failure by a Creditor to file a Proof of Claim by that deadline shall not disentitle such Creditor from receiving any future payment to be made under the Proposal.

4.3 DISPUTED PROOFS OF CLAIM

4.3.1 In the event that the Company disputes any Proof of Claim as to entitlement to participate in the Classes or as to amount of the Claim set out in the Proof of Claim the Trustee may:

- (a) disallow the Proof of Claim;
- (b) allow the Proof of Claim as presented for the purposes of voting at the Meeting but disallow the Proof of Claim for distribution purposes; or
- (c) allow the Proof of Claim for voting and distribution purposes in such amount as it determines appropriate.

4.3.2 If the Trustee disallows a Proof of Claim for any reason or allows the Proof of Claim for an amount less than that set out in the Proof of Claim, the Creditor shall be deemed to accept the determination of the Company unless the Creditor shall have filed with the Court a motion to value its Claim within thirty (30) days of the date that the disallowance notice is forwarded to the Creditor by the Trustee.

ARTICLE V MEETING OF THE CREDITORS

5.1 GENERAL

5.1.1 At the Meeting of the Creditors held to consider this Proposal the Creditors may appoint one or more but not exceeding five inspectors (the “Inspectors”) under this Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) To advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under this Proposal;
- (c) To advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee; and
- (d) If in the opinion of a majority of the Inspectors it is in the interests of the Creditors that the time for payment of their Proven Claims be extended, the Inspectors will be entitled, without further reference or notice to the Creditors, to extend the time for payment of their Proven Claims.

5.1.2 The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

5.1.3 Upon payment to the Trustee as provided in Article III, this Proposal shall be fulfilled and the Creditors shall have no further claims against the Company.

5.2 MEETING

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

5.3 VOTING

Except as provided in paragraph 5.4, for the purposes of voting as a member of the Classes, each Creditor shall have one vote for the purposes of determining a majority in number and each Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim.

5.4 PROXIES AND VOTING LETTERS

Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all Creditors.

5.5 ADJOURNMENT OF MEETING

The chair of the Meeting may in his or her discretion adjourn the Meeting upon such terms as are considered appropriate by the chair of the Meeting upon notice to those persons present at the Meeting for the purposes of considering amendments to the proposal contemplated in Article VI.

**ARTICLE VI
AMENDMENTS AND MODIFICATIONS**

6.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time and re-submit it to the Creditors and the Proposal may be amended among the Company and the General Creditors at the Meeting.

6.2 MODIFICATION OF PROPOSAL

After the Meeting, the Proposal may be modified by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a Creditor or not. On such application, the Proposal may be modified as may be reasonably necessary to ensure the successful reorganization of the Company in accordance with the purposes of the Proposal.

6.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Trustee or by a Creditor if such provision affects only that Creditor.

**ARTICLE VII
APPLICATION FOR APPROVAL ORDER**

7.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting if the Proposal has been approved by the General Creditors by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Proven Claims of Creditors, the Company will forthwith apply to the Court for the Approval Order.

7.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

7.3 COMPROMISE OF INDEBTEDNESS

Upon acceptance of the Proposal by the requisite numbers of Creditors, approval of the Proposal by the Court and payment to the Creditors on or following the Implementation Date as contemplated under the Proposal, the Creditors shall have no further rights to enforce their Claims except as provided in the Proposal.

7.4 RELEASE OF DIRECTORS

Effective upon the Implementation Date, the directors of the Company shall be released from any obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligations but shall not include claims that:

- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- (b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

ARTICLE VIII APPROVAL PROCEDURE

8.1 PRECONDITIONS TO IMPLEMENTATION

The Proposal is expressly subject to all of the following conditions precedent:

- (a) approval by the requisite majority of the Creditors pursuant to the BIA;
- (b) approval of the Proposal by the Court; and
- (c) such other orders by the Court as may be required in order to completely implement the Proposal.

8.2 EFFECTIVENESS

The Proposal will become effective upon the Implementation Date and will apply to all Creditors and all Proven Claims against the Company both domestic and foreign irrespective of the jurisdiction in which such Creditors reside or where the Proven Claims arise.

8.3 IMPLEMENTATION

Subject to the conditions precedent set out in Article 8.1, payments to Creditors will occur as set out in Article III.

8.4 EXECUTORY CONTRACTS

On or before the date of the Approval Order, the Company may, if necessary, seek an order from the Court confirming that:

- (a) all executory contracts to which the Company is a party at the date of such application, are in full force and effect and at the Implementation Date notwithstanding that the Company has commenced this Proposal Proceeding, filed a Proposal, or any compromises effected pursuant to the Proposal on the holders of such executory contracts; and
- (b) no party to such executory contracts shall be entitled to terminate, or repudiate its obligation under such executory contracts following the Implementation Date by reason of the commencement of the Proposal Proceeding, the contents of the Proposal, the non-payment of any Claim, or any compromises effected under the Proposal.

ARTICLE IX DISALLOWED CLAIMANTS

9.1 VALIDITY OF CLAIMS

If the Proposal is not approved by the requisite majority of the General Creditors voting at the Meeting as required by the BIA, and the sole reason for that non-approval is the vote of a Disallowed Claimant or Disallowed Claimants, the Company will apply to the Court, at the earliest convenient date for all parties, to determine the validity of the amount alleged due by such Disallowed Claimant or Disallowed Claimants.

9.2 STATUS QUO

Until such time as the amount which is alleged to be owed by the Company to a Disallowed Claimant who has voted against the Proposal and whose vote, either alone or in conjunction with other Disallowed Claimants, has governed the Class of which it is a proper member is finally determined:

- (a) the Company will maintain the status quo;
- (b) the effect of the Proposal and all steps to be taken hereunder will continue with respect to all other Creditors pending the determination of the issues between the Company and the Disallowed Claimants; and
- (c) The Company will defer any application for the Approval Order until the dispute has been resolved by the Court.

ARTICLE X GENERAL

10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to “Sections” and “Schedules” are to sections of and schedules to the Proposal.

10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

10.6 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

10.7 NOTICES

All notices, Proofs of Claim, and payments required or permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by e-mail or mail by regular or registered or certified mail, return receipt requested, to the Company at the following address:

c/o MNP Ltd.
Licensed Insolvency Trustee in the Proposal
Proceedings of Lotus Ventures Inc.
Suite 1630 609 Granville Street
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384
Facsimile: (604) 685-8594
E-mail: Seamus.Boyle@mnp.ca

And if to a Creditor or Disallowed Claimant, at its address set forth in the last Proof of Claim deposited with the Company.

10.8 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors, the Disallowed Claimants and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 5th day of April 2024.

LOTUS VENTURES INC.

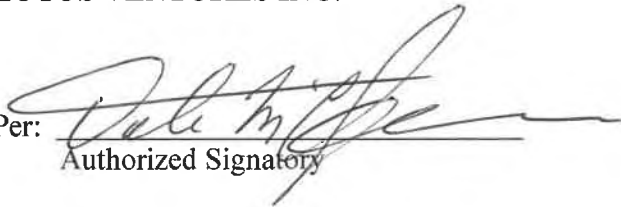
Per: 
Authorized Signatory

EXHIBIT “H”

CANADA
Province of British Columbia
District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

Affidavit of Mailing

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

I, Julia Noort, of the Trustee's office of MNP Ltd., 1630 - 609 Granville Street, PO Box 10203 LCD Pacific Centre, Vancouver, BC, V7Y 1E7, hereby make oath (or solemnly affirm) and say:

That on the 8th day of April 2024, I did cause to be sent by prepaid ordinary mail to the known creditors of the above named debtor, whose names and addresses appear on the paper writing marked exhibit "A" annexed hereto, a copy of: Affidavit of Mailing Form 92 (Notice of Proposal to Creditors-Division 1), Proposal, Trustee's Report to Creditors, First page of Statement of Affairs, Form 36 (Proof of Claim), Form 36 (Proxy) and Form 37 (Voting Letter), annexed hereto exhibit "B".

And that on the 8th day of April, 2024 I filed with the Official Receiver the Form 92 and Trustee's Report to Creditors.p



Julia Noort
Phone: (604) 689-8939
Fax: (604) 689-8584


SWORN (or SOLEMNLY DECLARED) before me in the City of Vancouver in the Province of British Columbia, this 9th day of April 2024.



Seamus Boyle, Commissioner for Taking Affidavits
For the Province of British Columbia
Expires November 30, 2024

Creditor Mailing List

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

This is Exhibit "A" referred to in the
 Affidavit of Julia Naart
 sworn (or affirmed) before me at Vancouver
 this 27th day of April, 2024

 A Commissioner for Taking Affidavits
 within British Columbia

Creditor Type	Name	Attention	Address
Director	Dale McClanaghan		708 - 1445 Marpole Avenue Vancouver BC V6H 1S5
Unsecured	5008679 Ontario Ltd. (Albert Dwyann)		2900 - 550 Burrard St Vancouver BC V6C 0A3
	Addo Consulting Ltd.		415 Oakview Road Kelowna BC V1W 4K2
	Air Liquide Canada Inc.-Western Region	Dana Dumitrescu	10020 - 56 Avenue Edmonton AB T6E 5Z2
	Auxly Cannabis Group Inc.	Ronald Fichter	777 Richmond St. W - 002 Toronto ON M6J 0C2
	BC Hydro & Power Authority	Credit Admin	333 Dunsmuir St, 7th floor Vancouver BC V6B 5R3
	Carl Correia		6880 Bryden Rd, Vernon BC V1B 3T3
	Chapman Mechanical Ltd.		901 Waddington Dr., Vernon BC V1T 9E2
	Chrimson Opportunities Inc.		Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9
	Chroma Global Technologies Ltd.		Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9
	Connect First Credit Union formerly Mountain View C.U.		#401, 6501 - 51 St Olds AB T4H 1Y6
	Courtfield Group Holdings Limited		2111 Blenheim Street Vancouver BC V6K 0G5
	CRA - Tax - Pacific		Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1
	Crezo Construction Inc.		P.O. Box 531 Armstrong BC V0E 1B0
	Donevaile Holding Inc.		1371 Marina Way Nanose Bay BC V9P 9B8
	FCC / FAC Farm Credit Canada - BC	Zita Monaghan	301-5460 152 Street Surrey BC V3S 5J9
	Fortis BC Energy Inc. - Natural Gas	Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9
	Health Canada		Address Locator 0900C2 Ottawa ON K1A 0K9
	High North Laboratories		241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7
	Jason Brown		1527 40th St. Vernon BC V1T 8J6
	Katie Correia		6880 Bryden Rd Vernon BC V1B 3T3
	Kris Walton (Spectrum)		1480 Springhill Rd Parksville BC V9P 2T2
	Legacy Holdings Ltd.		2750 Rupert Street Vancouver BC V5M 3T7
	Lillian McClanaghan		2750 Rupert Street Armstrong BC V0E 1B0
	Marsh Canada		550 Burrard St Suite 800, Vancouver BC V6C2K1

Creditor Mailing List

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

Creditor Type	Name	Attention	Address
Unsecured	McClanaghan & Associates		2750 Rupert Street Vancouver BC V5M 3T7
	Miller Thomson Lawyers		Attention: Gavin Cameron 2200 - 700 West Georgia Street Vancouver BC V5N 1K8
	Norton Rose Fulbright		1800-510 West Georgia Street Vancouver BC V6B 0M3
	Orbis Express		Suite 200 6791 Elmbridge Way Richmond BC V7C 4N1
	Pathogenia Laboratories		5055 Rue Fisher Saint Laurent QC H4T 1J8
	SBD Management Ltd.		402 - 905 Pender Street Vancouver BC V5N 4A5
	SDI Holdings Ltd.		2750 Rupert Street, Vancouver BC V5M 3T7
	Sidel Transport Ltd.		2101 43rd St. Vernon BC V1T 6K7
	Stellar Wholesale Inc.		19055 Airport Way Pitt Meadows BC V3Y 0G4
	Stephen K Winters Law Corp.		2750 Rupert Street Vancouver BC V5M 3T7
	Sterigenics Radiation Technologies Canada		1425 Kebet Way Port Coquitlam BC V3C 6L3
	Steve Phillips		Suite 1010, 1030 West Georgia Street Vancouver BC V6E 2Y3
	Terra Housing Consultants		2750 Rupert Street Vancouver BC V5M 3T7
	Township of Spallumcheen		4144 Spallumcheen Way Spallumcheen BC V0E 1B6
	Troy Fire and Safety	Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7
	Valo Mechanical		989 Maranda court Kelowna BC V1W 2N9
	Wade Simpson		1400 - 1125 Howe Street vancouver BC V6Z 2K8
	William Spratt		3203 East 6th Ave. vancouver BC V5M 1S6
	WorkSafeBC - Collections Department		PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5

This is Exhibit "B" referred to in the Affidavit of Julia Noyt sworn (or affirmed) before me at Vancouver this 9th day of April, 2024.



[Signature]
A Commissioner for Taking Affidavits
within British Columbia

April 8, 2024

To all Creditors of Lotus Ventures Inc.

Re: In the Matter of the Proposal of Lotus Ventures Inc. (the "Company")

On January 17, 2024, the Company filed a Notice of Intention to make a Proposal and on April 5, 2024, filed a Proposal to Creditors. MNP Ltd. was appointed Licensed Insolvency Trustee in the Proposal Proceedings.

Enclosed for your attention is a copy of the Creditor's Package containing the following documents:

- Notice of Proposal to Creditors (Form 92);
- Proposal;
- Trustee's Report to Creditors;
- First page of Statement of Affairs (Form 78);
- Proof of Claim with Proxy (Form 31 and Form 36) and Voting Letter (Form 37); and,
- Checklist for Completing a Proof of Claim Form.

The First Meeting of Creditors ("FMOC") is scheduled to be held on April 18, 2024, at 2:00 pm (PDT). The FMOC will be conducted via conference call with the following call-in details:

Dial in: (877) 252-9279
Passcode: 445171601#

The purpose of the FMOC is to consider the Company's affairs and to vote on the Company's Proposal to Creditors. Proven creditors may vote virtually at the FMOC or through a voting letter. In order to be eligible to vote at the FMOC, creditors must have completed and submitted a properly executed Proof of Claim including a proxy, if applicable, prior to the start of the FMOC to allow for sufficient time for the Trustee to review the claims.

Further information on the Proposal Proceedings can be obtained from the Trustee's website at: <https://mnpdebt.ca/en/corporate/corporate-engagements/lotus-ventures-inc>

Should you require further information, including assistance with completing a Proof of Claim or Voting Letter, please contact us at 604-689-8939 or by email at InsolvencyClaimsTBG@mnp.ca.

Yours very truly,

MNP Ltd.

In its capacity as Licensed Insolvency Trustee in the Proposal of Lotus Ventures Inc., and not in its personal capacity.

MNP LTD

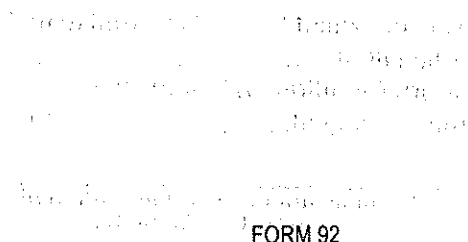
Suite 1630-609 Granville Street, PO Box 10203 LCD Pacific Centre, Vancouver B.C., V7Y 1E7

T: 604.689.8939 F: 604.689.8584



Licensed Insolvency Trustees [MNPdebt.ca](https://mnpdebt.ca)

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837



FORM 92
Notice of Proposal to Creditors
(Section 51 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 Lotus Ventures Inc. of the City of Vancouver in the Province of British Columbia has lodged with me a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of the creditors will be held on the 18th day of April 2024 at 2:00 PM at Held via Teleconference, Vancouver, BC or (877) 252-9279 Phone conference ID: 445 171 601#.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim must be lodged with me prior to the commencement of the meeting.

Proxies and voting letters intended to be used at the meeting may be filed at any time up until the moment a vote is called.

Dated at the City of Vancouver in the Province of British Columbia, this 1st day of April 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

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Continued

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 Dwyne)	Attention: Gavin Cameron 2900 - 550 Burrard St Vancouver BC V6C 0A3		1,150,867.00
Addo Consulting Ltd.	415 Oakview Road Kelowna BC V1W 4K2		27,500.00
Air Liquide Canada Inc. -Western Region Dana Dumitrescu	10020 - 56 Avenue Edmonton AB T6E 5Z2		11,509.20
BC Hydro & Power Authority Credit Admin	333 Dunsmuir St, 7th floor 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
Donevaile Holding Inc.	1371 Marina Way Nanose Bay BC V9P 9B8		79,926.53

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Continued

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 Inc. - Natural Gas Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9		262.75
Health Canada	Address Locator 0900C2 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 McCleanaghan	2750 Rupert Street Armstrong BC V0E 1B0		473,518.15
Marsh Canada	550 Burrard St Suite 800, Vancouver BC V6C2K1		83,041.28
McCleanaghan & 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. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Concluded

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 Coquitlam 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 Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7		3,556.00
Valo Mechanical	BC		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
WorkSafeBC - Collections Department	PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5		21,000.00
Total			4,846,944.92

ESTATE NO. 11-3031837
COURT NO. B240063
VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

AMENDED PROPOSAL

OF

LOTUS VENTURES INC.

DATED FOR REFERENCE APRIL 5, 2024

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I
DEFINITIONS & INTERPRETATION**

1.1 DEFINITIONS

In this Proposal, including the attached schedules:

“Approval Order” means the court order made in the Proposal Proceeding approving the Proposal and directing the implementation of the Proposal.

“BIA” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“Business Day” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“Claim” means a claim for an amount alleged by a person to be owed to it, or any obligation, enforceable right, duty or liability, contingent or otherwise, (including any claim whether contingent or accrued on behalf of His Majesty the King in right of the Dominion of Canada or any Province or any municipality), or any cause of action against the Company or its respective assets and property calculated either as at the Filing Date or in the case of claims under executory contracts arising subsequent to the Filing Date as a result of the termination of such contracts as at the date of such termination.

“Classes” means the classes of Creditors created under the Proposal.

“Company” means Lotus Ventures Inc., an Insolvent Person incorporated under the laws of British Columbia.

“Court” means the Supreme Court of British Columbia.

“CRA” means His Majesty the King in Right of Canada as represented by the Minister of National Revenue.

“Creditor” means a person having a Proven Claim.

“Deferred Creditor” means a creditor who elects to delay receipt of an interim distribution.

“Disallowed Claimant” means a person filing a Proof of Claim with the Trustee which is disallowed in whole or in part by the Trustee until either:

- (a) The time period for disputing the Trustee’s disallowance established in the Proposal expires without the filing of a motion to Court by such Disallowed Claimant, in which case the Disallowed Claimant shall not have a claim; or
- (b) A motion has been filed by the Disallowed Claimant disputing the disallowance and either:
 - (i) The Court has upheld the Trustee’s disallowance in which case the Disallowed Claimant shall not have a Claim; or
 - (ii) The Court has varied either in whole or in part, the Trustee’s disallowance, in which the case the amount established by the Court will become a Claim.

“Filing Date” means January 17, 2024, the date when the Notice of Intention to Make a Proposal was filed.

“General Creditors” means:

- a) Any Creditor who is not a Secured Creditor;
- b) Any Creditor who has any deficiency claim in connection with any security, mortgage, charge or encumbrance;
- c) Any Secured Creditor who has elected to file a proof of claim as an unsecured creditor under section 50.1(3) of the BIA.

“Implementation Date” means the first Business Day after the date the Court approves the Proposal.

“Insolvent Person” means that definition set out in Section 2 (1) of the BIA.

“Meeting” means the meeting of the General Creditors to be held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve the Proposal, as same may be amended at any such Meeting, and agreeing to the compromise and arrangement constituted thereby, and any adjournment thereof.

“Post Filing Creditor Claims” means all claims of Post Filing Creditors for amounts alleged to be owed to them arising after the Filing Date.

“Post Filing Creditor” means any person who has supplied goods or services to or who has an entitlement to receive sales or excise taxes, source deductions or assessments and premiums from the Company arising subsequent to the Filing Date in relation to any unpaid amounts relating thereto and extends to include the federal or provincial Crown for amounts owed in respect of federal or provincial sales or excise taxes collected subsequent to the Filing Date, or amounts owing in respect of source deductions on account of employee income tax, Canada Pension Plan contributions and Employment Insurance premiums arising subsequent to the Filing Date, and amounts payable to any Workers’ Compensation authority whether as to premiums or assessments accruing due subsequent to the Filing Date.

“Preferred Creditors” means all creditors entitled to priority over the General Creditors pursuant to section 136 of the BIA.

“Proof of Claim” means the prescribed form of document required under the BIA to evidence the Claim of a Creditor under Part III of the BIA prior to the date of the Meeting.

“Proposal” means this Proposal among the Company and the Creditors, as from time to time amended, modified or supplemented pursuant to an order of the Court, or pursuant to an agreement among the Company and any of the Creditors or Class, as provided for herein or pursuant to any Meeting of the Classes, and may be referred to as being the Proposal of the Company dated for reference March 28, 2024 and as amended on April 5, 2024.

“Proposal Fund” has the meaning given to it in Article III.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA in Action No. 11- 3031837 in the Vancouver Registry of the Court.

“Proven Claim” means a Claim that has been filed with the Trustee in accordance with the Proposal and has either been accepted and allowed by the Trustee and the Company or has been allowed by the Court, in whole or in part.

“Related Parties” means that definition set out in Section 4 (2) of the BIA.

“Secured Creditor” means those creditors holding perfected valid security interests against assets or property of the Company or holding a valid mortgage, charge or encumbrance in the assets or property of the Company.

“Trustee” means MNP Ltd., appointed as Licensed Insolvency Trustee in the Proposal Proceedings.

ARTICLE II
PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THE PROPOSAL

The purpose of the Proposal is to permit the Company to settle payment of its liabilities arising before the Filing Date and to compromise the indebtedness owed to General Creditors of the Company on a fair and equitable basis.

2.2 TRUSTEE UNDER THE PROPOSAL

The Trustee shall act as the administrator for all purposes connected with the Proposal including management of the claims process, administration of the Meeting and any adjournments thereto and distribution of dividends to Creditors.

ARTICLE III
CREDITOR CLASSES AND PAYMENTS

3.1 CLASSES OF CREDITORS

There will be one Class of Creditors for the purpose of considering and voting upon the Proposal consisting of the General Creditors.

3.2 SECURED CREDITORS

Secured Creditors including outstanding property taxes shall be paid in accordance with the present arrangements existing between the Company and respective Secured Creditors, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively.

3.4 PAYMENT

3.4.1 The Company will pay a total of \$2,350,000 to the Trustee for the benefit of General Creditors and the Company's obligations pursuant to paragraphs 3.5 of the Proposal and pursuant to the provisions of the *BIA* (the "Proposal Fund") as follows:

- (a) \$2,350,000 to be paid by way of ten semiannual payments beginning on December 31, 2024, and ending on June 30, 2029.
- (b) A schedule of payments is set out below:
December 31, 2024 - \$235,000

June 30, 2025 - \$235,000

December 31, 2025 - \$235,000

June 30, 2026 - \$235,000

December 31, 2026 - \$235,000

June 30, 2027 - \$235,000

December 31, 2027 - \$235,000

June 30, 2028 - \$235,000

December 29, 2028 - \$235,000

June 29, 2029 - \$235,000

3.4.2 The Trustee will distribute to General Creditors the Proposal Fund as follows:

- (a) Each of the General Creditors will be paid their proportionate *pro rata* share of the amount of the Proposal Fund which remains after each of the payments described in paragraph 3.5.
- (b) The Trustee will make interim distributions to the General Creditors following the receipt of each semiannual payment by the Company.
- (c) A General Creditor may elect to defer its prorata share of an interim distribution by notifying the Trustee in writing that it wishes to delay receipt of an interim distribution. The notice of deferral shall confirm the length of the deferral. Any interim distributions that are deferred by a General Creditor remain owing and payable. The interim distributions shall be prepared on a prorata basis excluding the claim of the Deferred Creditors, thus resulting in the General Creditors who did not elect to defer receiving a larger proportion of the interim distribution and a more expedient recovery. Upon the expiry of the deferral, the Deferred interim distributions shall be paid at the date of next interim distribution to the Deferred Creditors in priority to the General Creditors.
- (d) A General Creditor may elect to waive its share of an interim distribution, in full or in part, upon written notice to the Trustee. Interim distributions that are waived by a General Creditor extinguish the Company's obligation in respect of waived portion of the interim distribution.
- (e) The Company will pay the Trustee fees and costs directly (the "Trustee Fee Payments") in addition to the above payments. The Trustee will issue its monthly

invoices to the Company, and the Company will pay these invoices within 30 days of issuance. The Trustee Fee Payments will form part of the Proposal Funds and be shown as paid to the Trustee based on the priority discussed in section 3.5.2 of this Proposal.

3.4.3 Notwithstanding the foregoing, the Company is obligated to pay only the aggregate amount of all Proven Claims and amounts accruing due to the Trustee pursuant to paragraph 3.5 of the Proposal. If and when the Company pays in full the Proven Claims and amounts accruing due to the Trustee as a Preferred Claim pursuant to paragraph 3.5 of the Proposal, the Company shall be deemed to have fully performed this Proposal and the Company shall not be required to make any further payment to the Trustee.

3.4.4 The Company is at liberty to prepay, without penalty, any amounts payable under this Proposal.

3.5 PREFERRED PAYMENTS IN PRIORITY TO ALL OTHER CREDITORS UNDER THE PROPOSAL

3.5.1 His Majesty the King in Right of Canada or a Province shall be paid in full all amounts of a kind which could be subject to a demand under sub-section 224(1.2) of the *Income Tax Act* or under any substantially similar provision of provincial legislation and that were outstanding at the time of the Filing Date, within six months of the Approval Order.

3.5.2 Provision for payment of all proper fees, expenses and legal costs (the "Trustee's Fees") of the Trustee, and of the Company, of and incidental to the proceedings arising in the Proposal Proceeding together with such fees of the Trustee incidental to and arising from the preparation of this Proposal shall be paid in full in priority to the claims of all Creditors. In the event no Inspectors are appointed, the Trustee may take advances of the Trustee's Fees, subject to final taxation by the Court. Such advances may be taken on a quarterly basis, with the first advance commencing on or after the Implementation Date.

3.5.3 Immediately after Court approval of the Proposal, employees and former employees of the Company shall be paid amounts equal to the amounts they would be qualified to receive under paragraph 136(1)(d) of the *BIA* had the Company become bankrupt on the date of Court approval of the Proposal as well as wages, salaries, commissions or compensation for services rendered after the date of the Filing Date and the date of the Approval Order.

3.5.4 Preferred claims (which include claims of employees) are to be paid in priority to all claims of General Creditors pursuant to sections 60(1) and 136 of the *BIA*.

3.6 EFFECT ON CREDITORS

Effective as of the Implementation Date, upon satisfaction of the claims of Creditors in the manner described in this Proposal, the Company shall be released from all claims, liabilities and obligations to all General Creditors.

ARTICLE IV DELIVERY OF PROOFS OF CLAIM

4.1 DELIVERING PROOFS OF CLAIM

The Creditors shall deliver their Proofs of Claim for review by the Trustee and the Company by faxing the completed Proof of Claim to the Trustee at Fax No. (604) 685-8594, Attention: Seamus Boyle or by e-mailing the completed Proof of Claim to the Trustee at: InsolvencyInfoTBG@mntp.ca or mailing the Proof of Claim to the address of the Trustee set out in Article 10.2., or by depositing such a Proof of Claim with the Trustee prior to the commencement of the Meeting.

4.2 FAILURE TO FILE PROOFS OF CLAIM PRIOR TO MEETING

If a Creditor fails to either deliver a Proof of Claim to be received by the Trustee prior to 5:00 pm on the day before the date for the Meeting for the Classes, or fails to deposit a Proof of Claim with the Trustee or his nominee on or before the time for commencement of the Meeting, the Creditor shall have no right to vote in respect of the Proposal. Subject to Article 4.3, failure by a Creditor to file a Proof of Claim by that deadline shall not disentitle such Creditor from receiving any future payment to be made under the Proposal.

4.3 DISPUTED PROOFS OF CLAIM

4.3.1 In the event that the Company disputes any Proof of Claim as to entitlement to participate in the Classes or as to amount of the Claim set out in the Proof of Claim the Trustee may:

- (a) disallow the Proof of Claim;
- (b) allow the Proof of Claim as presented for the purposes of voting at the Meeting but disallow the Proof of Claim for distribution purposes; or
- (c) allow the Proof of Claim for voting and distribution purposes in such amount as it determines appropriate.

4.3.2 If the Trustee disallows a Proof of Claim for any reason or allows the Proof of Claim for an amount less than that set out in the Proof of Claim, the Creditor shall be deemed to accept the determination of the Company unless the Creditor shall have filed with the Court a motion to value its Claim within thirty (30) days of the date that the disallowance notice is forwarded to the Creditor by the Trustee.

ARTICLE V MEETING OF THE CREDITORS

5.1 GENERAL

5.1.1 At the Meeting of the Creditors held to consider this Proposal the Creditors may appoint one or more but not exceeding five inspectors (the "Inspectors") under this Proposal whose duties will be restricted to the following:

- (a) to advise the Trustee in connection with its actions under this Proposal or any amendment thereto as the Trustee may, from time to time, request;
- (b) To advise the Trustee concerning any dispute which may arise as to the validity of claims of Creditors under this Proposal;
- (c) To advise the Trustee in respect of such other matters as may be referred to the Inspectors by the Trustee; and
- (d) If in the opinion of a majority of the Inspectors it is in the interests of the Creditors that the time for payment of their Proven Claims be extended, the Inspectors will be entitled, without further reference or notice to the Creditors, to extend the time for payment of their Proven Claims.

5.1.2 The Trustee, and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect.

5.1.3 Upon payment to the Trustee as provided in Article III, this Proposal shall be fulfilled and the Creditors shall have no further claims against the Company.

5.2 MEETING

The Meeting shall be conducted in accordance with Division 1 – General Scheme for Proposals of the BIA.

5.3 VOTING

Except as provided in paragraph 5.4, for the purposes of voting as a member of the Classes, each Creditor shall have one vote for the purposes of determining a majority in number and each Creditor shall be entitled to one vote for each \$1.00 of its Proven Claim.

5.4 PROXIES AND VOTING LETTERS

Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim and will be binding upon all Creditors.

5.5 ADJOURNMENT OF MEETING

The chair of the Meeting may in his or her discretion adjourn the Meeting upon such terms as are considered appropriate by the chair of the Meeting upon notice to those persons present at the Meeting for the purposes of considering amendments to the proposal contemplated in Article VI.

**ARTICLE VI
AMENDMENTS AND MODIFICATIONS**

6.1 AMENDMENT OF PROPOSAL

The Company reserves the right, with the consent of the Trustee, to amend the Proposal at any time and re-submit it to the Creditors and the Proposal may be amended among the Company and the General Creditors at the Meeting.

6.2 MODIFICATION OF PROPOSAL

After the Meeting, the Proposal may be modified by the Court at any time on application of the Company or the Trustee and upon notice to those determined by the Company to be directly affected by the proposed modification, whether a Creditor or not. On such application, the Proposal may be modified as may be reasonably necessary to ensure the successful reorganization of the Company in accordance with the purposes of the Proposal.

6.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Trustee or by a Creditor if such provision affects only that Creditor.

**ARTICLE VII
APPLICATION FOR APPROVAL ORDER**

7.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting if the Proposal has been approved by the General Creditors by the requisite percentages in relation both to numbers of Creditors and dollar amounts of Proven Claims of Creditors, the Company will forthwith apply to the Court for the Approval Order.

7.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

7.3 COMPROMISE OF INDEBTEDNESS

Upon acceptance of the Proposal by the requisite numbers of Creditors, approval of the Proposal by the Court and payment to the Creditors on or following the Implementation Date as contemplated under the Proposal, the Creditors shall have no further rights to enforce their Claims except as provided in the Proposal.

7.4 RELEASE OF DIRECTORS

Effective upon the Implementation Date, the directors of the Company shall be released from any obligations of the Company where the directors are by law liable in their capacity as directors for the payment of such obligations but shall not include claims that:

- (a) relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
- (b) are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.

**ARTICLE VIII
APPROVAL PROCEDURE**

8.1 PRECONDITIONS TO IMPLEMENTATION

The Proposal is expressly subject to all of the following conditions precedent:

- (a) approval by the requisite majority of the Creditors pursuant to the BIA;
- (b) approval of the Proposal by the Court; and
- (c) such other orders by the Court as may be required in order to completely implement the Proposal.

8.2 EFFECTIVENESS

The Proposal will become effective upon the Implementation Date and will apply to all Creditors and all Proven Claims against the Company both domestic and foreign irrespective of the jurisdiction in which such Creditors reside or where the Proven Claims arise.

8.3 IMPLEMENTATION

Subject to the conditions precedent set out in Article 8.1, payments to Creditors will occur as set out in Article III.

8.4 EXECUTORY CONTRACTS

On or before the date of the Approval Order, the Company may, if necessary, seek an order from the Court confirming that:

- (a) all executory contracts to which the Company is a party at the date of such application, are in full force and effect and at the Implementation Date notwithstanding that the Company has commenced this Proposal Proceeding, filed a Proposal, or any compromises effected pursuant to the Proposal on the holders of such executory contracts; and
- (b) no party to such executory contracts shall be entitled to terminate, or repudiate its obligation under such executory contracts following the Implementation Date by reason of the commencement of the Proposal Proceeding, the contents of the Proposal, the non-payment of any Claim, or any compromises effected under the Proposal.

ARTICLE IX DISALLOWED CLAIMANTS

9.1 VALIDITY OF CLAIMS

If the Proposal is not approved by the requisite majority of the General Creditors voting at the Meeting as required by the BIA, and the sole reason for that non-approval is the vote of a Disallowed Claimant or Disallowed Claimants, the Company will apply to the Court, at the earliest convenient date for all parties, to determine the validity of the amount alleged due by such Disallowed Claimant or Disallowed Claimants.

9.2 STATUS QUO

Until such time as the amount which is alleged to be owed by the Company to a Disallowed Claimant who has voted against the Proposal and whose vote, either alone or in conjunction with other Disallowed Claimants, has governed the Class of which it is a proper member is finally determined:

- (a) the Company will maintain the status quo;
- (b) the effect of the Proposal and all steps to be taken hereunder will continue with respect to all other Creditors pending the determination of the issues between the Company and the Disallowed Claimants; and
- (c) The Company will defer any application for the Approval Order until the dispute has been resolved by the Court.

ARTICLE X GENERAL

10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to "Sections" and "Schedules" are to sections of and schedules to the Proposal.

10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

10.6 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

10.7 NOTICES

All notices, Proofs of Claim, and payments required or permitted or desired to be made pursuant to the Proposal shall be in writing and shall be delivered personally or by e-mail or mail by regular or registered or certified mail, return receipt requested, to the Company at the following address:

c/o MNP Ltd.
Licensed Insolvency Trustee in the Proposal
Proceedings of Lotus Ventures Inc.
Suite 1630 609 Granville Street
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384
Facsimile: (604) 685-8594
E-mail: Seamus.Boyle@mnp.ca

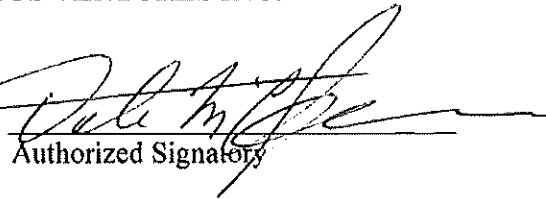
And if to a Creditor or Disallowed Claimant, at its address set forth in the last Proof of Claim deposited with the Company.

10.8 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Creditors, the Disallowed Claimants and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 5th day of April 2024.

LOTUS VENTURES INC.

Per: 
Authorized Signatory

COURT NO. B240063
ESTATE NO. 11-3031837

VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

TRUSTEE'S REPORT TO CREDITORS

BACKGROUND

Lotus Ventures Inc. (“**Lotus**”, the “**Company**”) is a British Columbia based licensed cannabis producer and was formed in British Columbia in November 2014 as a result of an amalgamation. The Company’s Directors are Mr. Carl Correia, Mr. Maurice Creagh, Mr. Simon Davie, and Mr. Dale McClanaghan (also President and CEO) based on a search of the BC Companies Registry as of January 10, 2024. Lotus was incorporated for the purpose of growing premium cannabis which is carried in retail locations across BC and Ontario and sold through export markets. The Company operates from a production facility (the “**Production Facility**”) located in Spallumcheen, British Columbia. The Production Facility is not subject to any encumbrances or mortgages and is wholly owned by the Company. Lotus is listed on the Canadian Securities Exchange (CSE:J) and on the OTC Markets (OTC:LTTSF). Further financial and other information reported by the Company can be found at: <https://thecse.com/listings/lotus-ventures-inc/sedar-filings/?page=1>

The Company reported net losses for the years ended August 31, 2022, and August 31, 2023. The Company reported a net loss of \$1,872,566 for the twelve months ended August 31, 2023, compared to a net loss of \$4,950,683 same period ending August 31, 2022. The Company’s management (the “**Management**”) reported that the net loss decreased by \$2,920,193 as compared to the prior year as a result of an increase in sales, gross margin, and no impairment of inventory in the most recent year. The Company incurred ongoing cash flow constraints through the end of 2023 which were projected to continue into 2024.

On January 16, 2024, 5008679 Ontario Ltd. (a company owned by a former director of Lotus) obtained a judgment (the “**Judgment**”) against Lotus with regards to a loan totaling in excess of \$1 million. Management did not contest the amount owing to 5008679 Ontario Ltd.

As a result of the significant operating losses and the Judgment, Lotus lacked sufficient working capital to meet all of its obligations to its creditors resulting in Management deciding to seek creditor protection to permit a restructuring of Lotus' financial affairs. Management filed a Notice of Intention to Make a Proposal ("**NOI**") pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("**BIA**") on January 17, 2024, and MNP Ltd. consented to act as Licensed Insolvency Trustee ("**Trustee**") in the proposal proceedings.

On February 12, 2024, the Company filed an application with the British Columbia Supreme Court (the "**Court**") seeking an extension of time to file its proposal to creditors and was granted an extension of time to April 1, 2024.

Lotus filed a proposal to its creditors on March 28, 2024 (the "**Proposal**"), which was amended on April 5, 2024. The amendment to the Proposal clarified that the Trustee's fees are being paid by the Company directly in addition to set payments intended for the benefit of the General Creditors.

In preparing this Trustee's Report to Creditors (the "**Report**") and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report, the Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or other standards established by the Chartered Professional Accountants of Canada.

Capitalized terms used in the Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to Canadian currency.

SUMMARY OF PROPOSAL

A summary and major terms of the Proposal are as follows:

- There will be one Class of Creditors for the purpose of considering the Proposal consisting of the General Creditors.
- The Company shall continue to pay the Secured Creditors in accordance with present arrangements, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively. Secured Creditors will not vote on this Proposal as their claims are not being compromised by the Proposal.
- The Company shall make certain payments (defined as the "**Proposal Fund**") to the Trustee for the benefit of the General Creditors as well as certain priority obligations

pursuant to the provisions of the BIA and as set out in the Proposal. These payments include specific payment amounts outlined in the Proposal, in addition to payment of the Trustee's fees and costs in this matter.

- In addition to the payment of the Trustee's fees and costs, the Company will pay the Trustee ten (10) payments totaling \$2,350,000, each of \$235,000 which are due to be paid by the Company to the Trustee on specified dates, as follows:
 - December 31, 2024;
 - June 30, 2025;
 - December 31, 2025;
 - June 30, 2026;
 - December 31, 2026;
 - June 30, 2027;
 - December 31, 2027;
 - June 30, 2028;
 - December 31, 2028; and
 - June 30, 2029.

- Canada Revenue Agency ("CRA") will be paid in full by the Proposal Funds within 6 months of Court Approval of the Proposal, for unremitted payroll source deductions.

- The Trustee's fees and expenses, and legal costs of the Trustee arising out of the Proposal shall be paid directly from the Company, in addition to the payments referenced above. These payments for Trustee fees and legal costs will be included in the Proposal Fund, and then paid to the Trustee in priority to the General Creditors.

- General Creditors will be paid a pro rata share of the remaining funds in the Proposal Fund.

- The Proposal contains provisions that allow for General Creditors to either defer their pro rata share of an interim distribution or waive its share of an interim distribution (in full or in part).

- The Proposal contains a provision that claims against the Company's Director are compromised after the approval of the Proposal by the Court.

OPERATIONS

The Company has continued normal course operations subsequent to the filing of the Notice of Intention on January 17, 2024. The Company has also continued to carry on business with its suppliers on terms which are acceptable to Lotus and its suppliers.

Lotus currently employs approximately 24 full and part-time employees, in addition to four other parties on a contract basis. The Company's payroll is processed on a bi-weekly

basis and employees are being paid in accordance with the payroll schedule. The Company utilizes the services of ADP Canada to administer its payroll, and as such payroll withholdings are remitted to CRA directly by ADP Canada.

Management is of the view that Lotus will achieve profitability as they have reduced operating costs and continued in efforts to increase sales, particularly in respect of developing a focus on retail markets and exporting its products through bulk sales to international customers.

Management have transitioned from a wholesale focus to domestic retail sales by expanding their presence in the British Columbia and Ontario Cannabis Stores. The further focus on the export sales began in January 2024 after the company received Health Canada and international certification to be allowed to sell to international markets. Management reports that Lotus has obtained export accreditation and commenced international sales to Australia, the United Kingdom, and certain countries in Eastern Europe for its dried flower product.

Management is also of the view that they will be able to continue to grow revenues by focusing on higher yield and higher priced products. Management reports that they are operating at full capacity and have taken a harvest every 12 days sequentially from one of the grow rooms since the initial crop in September 2019.

Efforts with regards to costs reduction have been focused on reduction of Management compensation, and deferral of discretionary costs. Further, the Company's cost structure is such that many of their material costs do not vary significantly with changes in production.

ASSETS

Management provided their Statement of Affairs ("SOA") which outlines the assets and liabilities of the Company. The SOA is included in the documents circulated to the creditors with this Report.

Cash in Bank

The SOA includes no material surplus cash on hand. The Company reported cash of approximately \$44,000 on their August 31, 2023 financial statements. The Company has provided support that there was minimal available operating funds at the time of filing of the Proposal on March 28, 2024, although that balance increased materially with a deposit soon thereafter and will continue to fluctuate daily.

For the basis of our analysis in this report we have assumed a cash balance of nil.

Accounts Receivable

The SOA shows no accounts receivable. The Company reported approximately \$400,000 in accounts receivable on the August 31, 2023, financial statements.

It is our understanding that the Company now sells its export product based solely on a cash on delivery ("COD") basis. Further, the retail sales will lead to sales on terms, and accounts receivable amounts. However, as at the date of the Statement of Affairs, the Company had collected all material accounts receivable although is in the process of issuing invoices which will create a new account receivable of approximately \$50,000. As a result of the transition of the sales focus from wholesale to retail and export the level of accounts receivable is expected to be lower going forward than historically reported.

For the basis of our analysis in this report we have assumed a collectable accounts receivable balance of \$25,000.

Inventory

The SOA shows the Company's inventory (the "Inventory") at a value of \$200,000. The Inventory was shown on the August 31, 2023, financial statements at \$840,000.

The Inventory is located at the Company's Production Facility in Spallumcheen, British Columbia. The reported Inventory balance has varied materially on the Company's financial statements over the last two years and is primarily dependent on the status of the harvest of crops and sale shipments leaving the Production Facility. Management's estimate of \$200,000 for the Inventory on the Statement of Affairs is based on a liquidation process by the Management.

The Trustee is of the view that the applicable Federal and Provincial legislation regarding the control and sale of cannabis would not allow a Trustee in Bankruptcy to possess and realize on the Inventory. Further, the Trustee would be required to comply with the regulations under the Cannabis Act and Environmental Management Act (and other applicable legislation) regarding the destruction and disposal of the Inventory. In summary, the Inventory would be a liability under a bankruptcy scenario and not a realizable asset.

Based on our initial review, we understand that significant time and costs would be required to correspond and coordinate with the appropriate governmental oversight authorities on this matter, along with specific costs related to the appropriate destruction and disposal of the Inventory. Such specific costs would include staffing costs for handling and destruction of the Inventory, transportation and disposal costs, in addition to the costs and fees of the bankruptcy trustee.

Biological Assets

The Company's financial statements include biological assets consisting of cannabis plants that have not yet been harvested and transferred to inventory. The fair value of these assets are subject to standard assumptions and estimates in accordance with the IFRS standards for agricultural assets (IAS 41). Similar to the Company's inventory, under a bankruptcy scenario the Trustee would be required to comply with all applicable regulations regarding the destruction and disposal of the biological assets and there would not be any expected realization from the biological assets.

As a result, we estimate that the net cost of appropriately dealing with the destruction and disposal of the Inventory and biological assets to be approximately \$40,000.

Equipment

The SOA shows no value for Company owned equipment. The Company's August 31, 2023, financial statements include approximately \$260,000 in net book value of the equipment, being included in the Property, Plant and Equipment reporting.

Lotus owns various office and production equipment to facilitate the Company's operations. Management have provided the Trustee with the Company's equipment listing (the "Equipment"), which we have reviewed on site and determined it is a reasonable listing of the equipment noted at the Production Facility. Management have determined no value for the Equipment based on material items forming part of the Production Facility (and therefore sold with the real property), and limited value of the remaining Equipment items.

The Trustee is of the view that a majority of the Equipment are attached to the Production Facility and would be sold with the building. However, there are certain items that are removable and therefore would be realizable as a separate equipment sale, such as the trimming machines, incubators, shredder, and rosin press. The Trustee estimates the realizable value for these removable items to be between \$20,000 and \$30,000. There are also a significant number of office items and smaller assets which would not be expected to yield material realization either individually, or in their aggregate.

There are no lease or financing agreements registered on the British Columbia Personal Property Registry with regards to specific items or serial number registrations that would attach a priority claim to specific equipment. There are potential general security agreements registered against all of the Company assets, which are discussed further under the Secured Creditors section of this report.

The net liquidation value of removable assets is anticipated to be approximately \$20,000 after taking into consideration auctioneer's commissions, potential transport costs from this remote location, and other selling costs that would be incurred.

Real Property

The Production Facility is located on a parcel of land that is approximately 23 acres in size and includes the cannabis production facility and an older single-family home. The cannabis facility consists of a single steel frame building of 22,192 square feet, broken into various cultivation rooms, processing, shipping/receiving, infrastructure and staff areas.

The property's overall assessment (BC Assessment) is \$6,229,200 as of July 1, 2023.

The Production Facility is shown on the SOA at a value of \$2,000,000. Further there is outstanding property taxes owing, which are to be paid by the Company's cash flow under the Proposal. However, they would form a priority lien against the property in the event of a bankruptcy scenario.

The Company engaged Colliers Canada ("Colliers") to provide a Broker's Opinion of Value with respect to the Production Facility. Colliers' material considerations included the market conditions with regards to a use specific facility in the cannabis industry, costs associated with alternative uses, location, and all within a forced liquidation scenario (less than six months) which would be applicable to a bankruptcy scenario.

Colliers concluded that their estimate of value to be "less than \$2,000,000" based on their assumptions, and as of March 22, 2024. Further, the recommended listing price for the Production Facility was \$1,995,000.

A January 15, 2024 search of the land titles registry related to the Production Facility shows expected easements and permits related to governmental rights. Further, there is a notice of interest under the builder's lien act dated November 2015. Management confirmed that this lien related to the build out of the Production Facility and has been paid in full.

To determine a net realizable value on the Production Facility, we have assumed the following adjustments to the Colliers recommended listing price:

Lotus Ventures Inc. - Production Facility	
Net Realizable Value - Bankruptcy	
Recommended Listing Price	1,995,000
Less:	
Estimated Reduction to Sales Price	- 99,750
Estimated Sales Price	<u>1,895,250</u>
Less:	
Commission - 8%	- 151,620
Unpaid Property Tax	- 170,000
Possession Costs - security / insurance	- 9,000
Estimated Net Realizable Value	<u><u>1,564,630</u></u>

LIABILITIES

Secured Creditors

The Trustee has not obtained an independent legal opinion on the validity or enforceability of the various security agreements and/or potential claims of the various secured creditors discussed in the Report.

The SOA shows no secured creditors. However, there are security registrations filed against the Company as shown on a January 10, 2024 search of the Personal Property Registry of British Columbia. These registrations include general security registrations for Kolab Project Inc. and Connect First Credit Union Ltd., along with a registration over cannabis inventory by 5008679 Ontario Limited, and a registration over a guaranteed investment certificate by the Bank of Montreal. Management is of the view that all of the claims with regards to the above registrations are either paid in full, or not valid secured claims.

The Trustee will be required to review and adjudicate any secured claims that are submitted in this Proposal. To the extent there are proven secured claims, section 3.2 confirms that such secured claims will be paid in accordance with the present arrangements. Any payments to proven secured creditors will be paid directly from the Company and will not form any claim against the Proposal Funds.

Preferred Creditors

Employees

Employees are preferred creditors pursuant to Section 136 of the *Bankruptcy and Insolvency Act*, and as such, their preferred claims must be paid in full before any payments are made to the general unsecured creditors. Each employee's preferred claim may not exceed \$2,000, relating to wages and vacation pay during the six-month period immediately preceding the initial date of filing. Amounts owing in excess of the threshold or relate to a period more than six months prior to the Notice of Intention, are general unsecured claims. Any claims relating to severance or termination pay are general unsecured claims.

In a bankruptcy scenario, preferred claims of employees (wages/vacation pay) become a secured charge over current assets, and takes priority over other secured creditors, with the exception of the claim of CRA pertaining to unremitted payroll withholdings. Claims for outstanding termination pay rank as general unsecured claims in a bankruptcy or proposal scenario.

The Trustee is not aware of any preferred amounts owing to present or former employees with regards to the Proposal. However, it is expected that there would be accrued wages and vacation pay, along with severance obligations owing under a bankruptcy scenario. For the purposes of this report we have assumed each employee would be owed a preferred claim of \$1,000, and a further \$2,000 unsecured claim.

Unsecured Creditors

The Company's Statement of Affairs indicates unsecured creditors of approximately \$4,846,500. Ultimately the amount owing to creditors will be based upon the proven claims filed in the Proposal proceedings.

Under a bankruptcy scenario we have assumed additional unsecured claim amounts related to the employees:

Employees Termination / Severance costs	\$48,000
---	----------

The voting rights or rights to participate in the Proposal Funds may be impaired if any claim is determined to be a Related Party Claim or a Non-Arm's Length Claim as defined within the BIA, or related legislation and regulations.

CONDUCT OF THE DEBTOR

Since the 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:

- Reduced operating costs;
- Continued in its efforts to increase sales, particularly in respect of exporting its products through bulk sales to international customers;
- Assessed options for a sale of the business as a going concern; and
- Obtained an assessment of 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; and
- The Company is up to date with all of its filing and payment obligations to Canada Revenue Agency since the filing of the NOI and has continued to meet its obligations under the BIA, including the monitoring program set out by the Proposal Trustee at the outset of the engagement.

The Trustee undertook a material transaction (in excess of \$50,000) review covering the prior year to identify any potential material preferential payments or transactions at undervalue that may be pursued by a Trustee in bankruptcy. We identified 29 payments from the Company's bank account in excess of \$50,000 during this period. These payments were primarily related to payroll, payments to the local township, or repayment of short-term bridge funding. The Trustee continues to review these payments with Management and legal counsel, however as of the date of this report the Trustee has not identified material preferential transactions or transactions at under value that would likely be challenged by a Trustee in Bankruptcy pursuant to the provisions of the BIA.

REMUNERATION OF THE TRUSTEE

The costs of administration pertaining to the Trustee's fees and disbursements and legal costs incurred in relation to the Proposal are a preferred claim and will be paid from the Proposal Fund and will be subject to taxation by Court and approval of the Inspectors, if appointed, or the creditors should no Inspectors be appointed.

The Proposal includes that in the event no Inspectors are appointed, the Trustee may take advances of Trustee's Fees, subject to final taxation by the Court. Such advances shall not be taken less than on a quarterly basis, commencing after approval of the Proposal by Court. If any Inspectors are appointed, they must approve any advances to the Trustee for fees, in accordance with the BIA.

The estimated Trustee fees are included in the Statement of Estimated Realization. However, we note that due to the term of the Proposal, minor monthly changes in the expected costs will result in a material change over the full period of the Proposal.

The Trustee holds a third party retainer of \$75,000 related to this matter.

CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL

If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

ESTIMATED REALIZATION – BANKRUPTCY vs. PROPOSAL

The Trustee has prepared a Statement of Estimated Realization (the “**Statement**”) which is attached as Schedule “**A**” to this Report and compares the estimated net realization in a bankruptcy versus proposal scenario. If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

The Proposal will provide \$2,350,000 to the Proposal Fund over the term of the Proposal, if the Company complies with the specific payments required under section 3.4.1. The Statement outlines the expected funding under the Proposal, costs, and then distribution to the General Creditors. The Proposal includes that dividends will be paid to the General Creditors every six months (or as otherwise directed by the Inspectors). The General Creditors are expected to receive approximately 48% of their claims under the Proposal.

In a bankruptcy scenario, funds available will be primarily dependent on the asset realizations. While the Trustee has presented our reasonable expectations regarding these realizations in this Report, actual realizations may vary materially from these estimates. The timing on the payout to creditors under the bankruptcy is expected to be between six months and one year, as the primary Company asset is real estate. The creditors are expected to receive approximately 27% of their claims under a bankruptcy scenario.

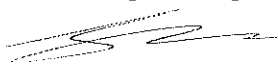
This percentage of creditor recovery will vary from the above analysis as the actual payout will be dependent on proven claims accepted by the Trustee (or by the Court) in this process which may be higher or lower than the \$4,846,500 included in this analysis.

If the Company complies with the specific payments required under section 3.4.1, the Proposal will provide a significantly higher recovery (by approximately \$1,000,000) to the General Creditors than they would receive in a bankruptcy scenario. Accordingly, we recommend acceptance of this Proposal.

DATED AT the City of Vancouver, British Columbia this 8th day of April, 2024.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
In the Proposal Proceedings of Lotus Ventures Inc.
and not in its corporate capacity



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

In the Matter of the Lotus Ventures Inc.

Statement of Estimated Realization (rounded)

Bankruptcy vs. Proposal

Schedule "A"

	Proposal	Bankruptcy
ESTIMATED RECEIPTS		
Cash In Bank	\$ -	\$ -
Accounts Receivable	-	25,000
Inventory - Net Cost of Disposal	-	40,000
Equipment , Furniture and Fixtures	-	20,000
Real Property - Production Facility		1,564,630
Proposal Fund Payments		
Set Payments	2,350,000	-
Trustee Payments	288,750	
Total Estimated Receipts	\$ 2,638,750	\$ 1,569,630
ESTIMATED DISBURSEMENTS		
Trustee's Fees (including those of the Trustee's Legal Counsel)	275,000	200,000
GST on Above	13,750	
Total Estimated Disbursements	\$ 288,750	\$ 200,000
AVAILABLE FOR DISTRIBUTION	\$ 2,350,000	\$ 1,369,630
Preferred Creditors (Note 1)	-	24,000
General Creditors	2,350,000	1,345,630
	\$ 2,350,000	\$ 1,369,630
Claims of General Creditors claiming pro rata share (Note 2)	\$ 4,846,500	\$ 4,894,500
Estimated % Dividend (Note 3)	48%	27%

Notes:

1. There are no expected claims from employees within the Proposal. However, it is assumed that at any specific time wages and vacation pay will be accruing, which may for preferred claims under a bankruptcy scenario.
2. Additional unsecured creditors are assumed under the bankruptcy scenario due to employee severance costs.
3. The estimated dividend does not take into account the 5% levy payable to the Superintendent of Bankruptcy which is payable on all dividends. The levy is payable in either a proposal or bankruptcy.

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

Original Amended


Form 78
 Statement of Affairs (Business Proposal) made by an entity
 (Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(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

To the debtor:
 You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 17th day of January 2024. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

LIABILITIES (as stated and estimated by the officer)		ASSETS (as stated and estimated by the officer)	
1. Unsecured creditors as per list "A"	4,846,947.92	1. Inventory	200,000.00
Balance of secured claims as per list "B"	0.00	2. Trade fixtures, etc.	0.00
Total unsecured creditors	4,846,947.92	3. Accounts receivable and other receivables, as per list "E"	
2. Secured creditors as per list "B"	0.00	Good	0.00
3. Preferred creditors as per list "C"	0.00	Doubtful	0.00
4. Contingent, trust claims or other liabilities as per list "D"	0.00	Bad	0.00
estimated to be reclaimable for		Estimated to produce	0.00
Total liabilities	4,846,947.92	4. Bills of exchange, promissory note, etc., as per list "F" ..	0.00
Surplus	NIL	5. Deposits in financial institutions	0.00
		6. Cash	0.00
		7. Livestock	0.00
		8. Machinery, equipment and plant	0.00
		9. Real property or immovable as per list "G"	2,000,000.00
		10. Furniture	0.00
		11. RRSPs, RRRIFs, life insurance, etc.	0.00
		12. Securities (shares, bonds, debentures, etc.)	0.00
		13. Interests under wills	0.00
		14. Vehicles	0.00
		15. Other property, as per list "H"	0.00
		If debtor is a corporation, add:	
		Amount of subscribed capital	0.00
		Amount paid on capital	0.00
		Balance subscribed and unpaid	0.00
		Estimated to produce	0.00
		Total assets	2,200,000.00
		Deficiency	2,846,947.92

I, Dale McLanaghan, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 17th day of January 2024 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED)
 before me at the City of Spallumcheen in the Province of British Columbia, on this 1st day of April 2024.

Vancouver



 Dale McLanaghan

GEOFFREY H. DABBS
 Barrister & Solicitor
 1201 - 1030 West Georgia Street
 Vancouver BC V6E 2Y3
 604.642.6422

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 31
Proof of Claim
(Sections 50.1, 81.5, 81.6, Subsections 65.2(4), 81.2(1), 81.3(8), 81.4(8), 102(2), 124(2), 128(1),
and Paragraphs 51(1)(e) and 66.14(b) of the Act)

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

All notices or correspondence regarding this claim must be forwarded to the following address:

In the matter of the proposal of Lotus Ventures Inc. of the City of Vancouver in the Province of British Columbia and the claim of _____, creditor.
I, _____ (name of creditor or representative of the creditor), of the city of _____ in the province of _____, do hereby certify:

1. That I am a creditor of the above named debtor (or I am _____ (position/title) of _____, creditor).

2. That I have knowledge of all the circumstances connected with the claim referred to below.

3. That the debtor was, at the date of proposal, namely the 17th day of January 2024, and still is, indebted to the creditor in the sum of \$ _____, as specified in the statement of account (or affidavit) attached and marked Schedule "A", after deducting any counterclaims to which the debtor is entitled. (The attached statement of account or affidavit must specify the vouchers or other evidence in support of the claim.)

4. (Check and complete appropriate category.)

A. UNSECURED CLAIM OF \$ _____
(other than as a customer contemplated by Section 262 of the Act)

That in respect of this debt, I do not hold any assets of the debtor as security and
(Check appropriate description.)

Regarding the amount of \$ _____, I claim a right to a priority under section 136 of the Act.

Regarding the amount of \$ _____, I do not claim a right to a priority.
(Set out on an attached sheet details to support priority claim.)

B. CLAIM OF LESSOR FOR DISCLAIMER OF A LEASE \$ _____

That I hereby make a claim under subsection 65.2(4) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

C. SECURED CLAIM OF \$ _____

That in respect of this debt, I hold assets of the debtor valued at \$ _____ as security, particulars of which are as follows:
(Give full particulars of the security, including the date on which the security was given and the value at which you assess the security, and attach a copy of the security documents.)

D. CLAIM BY FARMER, FISHERMAN OR AQUACULTURIST OF \$ _____

That I hereby make a claim under subsection 81.2(1) of the Act for the unpaid amount of \$ _____
(Attach a copy of sales agreement and delivery receipts.)

District of British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 31 --- Concluded
In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia

- E. CLAIM BY WAGE EARNER OF \$ _____
- That I hereby make a claim under subsection 81.3(8) of the Act in the amount of \$ _____.
- That I hereby make a claim under subsection 81.4(8) of the Act in the amount of \$ _____.
- F. CLAIM BY EMPLOYEE FOR UNPAID AMOUNT REGARDING PENSION PLAN OF \$ _____
- That I hereby make a claim under subsection 81.5 of the Act in the amount of \$ _____.
- That I hereby make a claim under subsection 81.6 of the Act in the amount of \$ _____.
- G. CLAIM AGAINST DIRECTOR \$ _____

(To be completed when a proposal provides for the compromise of claims against directors.)

That I hereby make a claim under subsection 50(13) of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

- H. CLAIM OF A CUSTOMER OF A BANKRUPT SECURITIES FIRM \$ _____

That I hereby make a claim as a customer for net equity as contemplated by section 262 of the Act, particulars of which are as follows:
(Give full particulars of the claim, including the calculations upon which the claim is based.)

5. That, to the best of my knowledge, I _____ (am/am not) (or the above-named creditor _____ (is/is not)) related to the debtor within the meaning of section 4 of the Act, and _____ (have/has/have not/has not) dealt with the debtor in a non-arm's-length manner.

6. That the following are the payments that I have received from, and the credits that I have allowed to, and the transfers at undervalue within the meaning of subsection 2(1) of the Act that I have been privy to or a party to with the debtor within the three months (or, if the creditor and the debtor are related within the meaning of section 4 of the Act or were not dealing with each other at arm's length, within the 12 months) immediately before the date of the initial bankruptcy event within the meaning of Section 2 of the Act: *(Provide details of payments, credits and transfers at undervalue.)*

7. *(Applicable only in the case of the bankruptcy of an individual.)*

- Whenever the trustee reviews the financial situation of a bankrupt to redetermine whether or not the bankrupt is required to make payments under section 68 of the Act, I request to be informed, pursuant to paragraph 68(4) of the Act, of the new fixed amount or of the fact that there is no longer surplus income.
- I request that a copy of the report filed by the trustee regarding the bankrupt's application for discharge pursuant to subsection 170(1) of the Act be sent to the above address.

Dated at _____, this _____ day of _____.

Witness

Creditor

Phone Number: _____

Fax Number: _____

E-mail Address: _____

NOTE: If an affidavit is attached, it must have been made before a person qualified to take affidavits.

WARNINGS: A trustee may, pursuant to subsection 128(3) of the Act, redeem a security on payment to the secured creditor of the debt or the value of the security as assessed, in a proof of security, by the secured creditor.

Subsection 201(1) of the Act provides severe penalties for making any false claim, proof, declaration or statement of account.

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 36
Proxy
(Subsection 102(2) and paragraphs 51(1)(e) and 66.15(3)(b) of the Act)

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

I, _____, of _____, a creditor in the above matter, hereby
appoint _____, of _____, to be
my proxyholder in the above matter, except as to the receipt of dividends, _____ (with or without)
power to appoint another proxyholder in his or her place.

Dated at _____, this _____ day of _____, _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____
Name and Title of Signing Officer

Return To:
MNP Ltd. - Licensed Insolvency Trustee

1630 - 609 Granville Street, PO Box 10203 LCD Pacific Centre
Vancouver BC V7Y 1E7
Fax: (604) 689-8584
E-mail: InsolvencyClaimsTBG@mnp.ca

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 37

Voting Letter
(Paragraph 5(1)(f) of the Act)

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

I, _____, creditor (or I, _____, representative
of _____, creditor), of _____, a creditor in the above matter
for the sum of \$ _____, hereby request the trustee acting with respect to the proposal of Lotus
Ventures Inc., to record my vote _____ (for or against) the acceptance of the proposal as made on
the 28th day of March, 2024 and amended on the 5th day of April, 2024.

Dated at _____, this _____ day of _____.

Witness

Individual Creditor

Witness

Name of Corporate Creditor

Per _____

Name and Title of Signing Officer

Return To:
MNP Ltd. - Licensed Insolvency Trustee
Per:

Greg Ibbott - Licensed Insolvency Trustee
1630 - 609 Granville Street, PO Box 10203 LCD Pacific Centre
Vancouver BC V7Y 1E7
Fax: (604) 689-8584
E-mail: InsolvencyClaimsTBG@mnp.ca

CHECKLIST FOR COMPLETING A PROOF OF CLAIM FORM

This checklist is provided to assist you in preparing a complete and accurate Proof of Claim form and, where required, a Proxy. A creditor who does not prove their claim is not entitled to vote or share in any distribution. Please check each requirement.

GENERAL

- The form must be signed by the person completing the Proof of Claim and that person must be an authorized signatory.
- The signature of a witness is required.
- Give the complete address, including postal code, where any notice or correspondence is to be forwarded.
- The amount on the Statement of Account must correspond with the amount indicated on the Proof of Claim.

PARAGRAPH 1

- The creditor must state the full and complete legal name of the company or firm.
- If the individual completing the Proof of Claim is not the creditor himself, he must state his position or title.

PARAGRAPH 3

- A Schedule A or Statement of Account must be attached.
- The Schedule A or Statement of Account must be complete and detailed, showing the date, number and amount of all invoices or charges, together with the date, number and amount of all creditors or payments. A Statement of Account is not complete if it begins with an amount brought forward.
- If the claim is for a guarantee of a debt, a copy of the guarantee must be attached.

PARAGRAPH 4

- An unsecured creditor must strike out sub-paragraphs B, C, D and E.
- A secured creditor must attach proof of registration of the security, including the date on which the security was given and the value at which you assess the security.
- A claim by a farmer, fisherman or aqua culturist must attach a copy of the sales agreement and delivery documents.
- Details of Section 136 are listed below.

PARAGRAPH 5

- All claimants must indicate if they are or are not related to the debtor, as defined in Section 4 of the Bankruptcy and Insolvency Act.

PARAGRAPH 6

- All claimants must attach a detailed list of all payments or credits received or granted as follows:
 - Within the three (3) months preceding the bankruptcy/proposal, in the case where the claimant and debtor are not related;
 - Within the twelve (12) months preceding the bankruptcy/proposal, in the case where the claimant and debtor are related.

PROXY

The *Bankruptcy and Insolvency Act* permits a Proof of Claim to be made by a duly authorized agent of a creditor, however, this does not give such a person power to vote at the First Meeting of Creditors or to act as the proxy of the creditors unless the proxy form is completed by the creditor appointing the authorized agent as proxy.

- A creditor may vote either in person or by proxy.
- The Trustee may be appointed as a proxy for any creditor.
- A Corporation may vote by an authorized agent at a meeting of creditors.
- Debtors may not be appointed a proxy to vote at any meeting of their creditors.
- In order for a duly authorized person to have a right to vote, they must be a creditor themselves or be the holder of a property executed proxy, showing the name of the creditor.

SECTION 136 (Condensed Priority of Claims)

Subject to the rights of secured creditors, the proceeds realized from the property of a bankrupt shall be applied in priority of payment as follows:

- The cost of administration of the estate in the following order:
 - Expenses and fees of the trustee
 - Legal costs
- Wages, salaries, commissions or compensation for services rendered in the six months immediately preceding the date of bankruptcy, to a maximum of \$2,000 per person together with, in the case of a travelling salesman, disbursements incurred by the salesman during this same period to a maximum of \$1,000;
- Alimony, support or maintenance for a spouse or child for periodic amounts accrued in the year before the date of bankruptcy plus any lump sum amount;
- Municipal taxes assessed or levied within the two years immediately preceding the bankruptcy which do not constitute a lien or charge on real property of the bankrupt but this claim is restricted to the interest in the property held by the bankrupt;
- Landlord for rent arrears in the three months immediately preceding the date of bankruptcy and accelerated rent for three months following the bankruptcy if provided for in the lease but this claim is restricted to the realization from the property and any accelerated rent paid by the Trustee must be credited against the amount payable by the Trustee for occupation rent;
- A solicitor's bill of costs, including sheriff's and land registration fees, for the first creditor to attach or execute against the property of the bankrupt but this claim is restricted to the amount realized from the applicable property;
- Claims resulting from injuries to employees of the bankrupt in which the *Workers' Compensation Act* does not apply but this claim is restricted to the amount of moneys received from persons guaranteeing the bankrupt against damages for those claims.

A creditor whose rights are restricted by this section are entitled to rank as an unsecured creditor for any balance remaining on their claim.

EXHIBIT “I”

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 92
Notice of Proposal to Creditors
(Section 51 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 Lotus Ventures Inc. of the City of Vancouver in the Province of British Columbia has lodged with me a proposal under the *Bankruptcy and Insolvency Act*.

A copy of the proposal, a condensed statement of the debtor's assets, and liabilities, and a list of the creditors affected by the proposal and whose claims amount to \$250 or more are enclosed.

A general meeting of the creditors will be held on the 18th day of April 2024 at 2:00 PM at Held via Teleconference, Vancouver, BC or (877) 252-9279 Phone conference ID: 445 171 601#.

The creditors or any class of creditors qualified to vote at the meeting may by resolution accept the proposal either as made or as altered or modified at the meeting. If so accepted and if approved by the court the proposal is binding on all the creditors or the class of creditors affected.

Proofs of claim must be lodged with me prior to the commencement of the meeting.

Proxies and voting letters intended to be used at the meeting may be filed at any time up until the moment a vote is called.

Dated at the City of Vancouver in the Province of British Columbia, this 1st day of April 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

(A form of proof of claim, a form of proxy and a voting letter should be enclosed with each notice.)

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Continued

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)	Attention: Gavin Cameron 2900 - 550 Burrard St Vancouver BC V6C 0A3		1,150,867.00
Addo Consulting Ltd.	415 Oakview Road Kelowna BC V1W 4K2		27,500.00
Air Liquide Canada Inc. -Western Region Dana Dumitrescu	10020 – 56 Avenue Edmonton AB T6E 5Z2		11,509.20
BC Hydro & Power Authority Credit Admin	333 Dunsmuir St, 7th floor 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 McCleanaghan	708 - 1445 Marpole Ave. Vancouver BC V6H 1S5		180,106.48
Donevaile Holding Inc.	1371 Marina Way Nanose Bay BC V9P 9B8		79,926.53

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Continued

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 Inc. - Natural Gas Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9		262.75
Health Canada	Address Locator 0900C2 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. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 92 --- Concluded

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 Coquitlam 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 Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7		3,556.00
Valo Mechanical	. BC		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
WorkSafeBC - Collections Department	PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5		21,000.00
Total			4,846,944.92

EXHIBIT “J”

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

[X] Original [] Amended

Form 78
Statement of Affairs (Business Proposal) made by an entity
(Subsection 49(2) and Paragraph 158(d) of the Act / Subsections 50(2) and 62(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

To the debtor:

You are required to carefully and accurately complete this form and the applicable attachments showing the state of your affairs on the date of the filing of your proposal (or notice of intention, if applicable), on the 17th day of January 2024. When completed, this form and the applicable attachments will constitute the Statement of Affairs and must be verified by oath or solemn declaration.

Table with two columns: LIABILITIES (as stated and estimated by the officer) and ASSETS (as stated and estimated by the officer). Rows include Unsecured creditors, Secured creditors, Preferred creditors, Inventory, Trade fixtures, Accounts receivable, Bills of exchange, Deposits, Cash, Livestock, Machinery, Real property, Furniture, RRSPs, Securities, Interests under wills, Vehicles, and Other property.

I, Dale McClanaghan, of the City of Vancouver in the Province of British Columbia, do swear (or solemnly declare) that this statement and the attached lists are to the best of my knowledge, a full, true and complete statement of the affairs of the Corporation on the 17th day of January 2024 and fully disclose all property of every description that is in my possession or that may devolve on me in accordance with the Act.

SWORN (or SOLEMNLY DECLARED) before me at the City of Spallumcheen in the Province of British Columbia, on this 17th day of April 2024.

Vancouver
[Signature]

[Signature]
Dale McClanaghan

GEOFFREY H. DABBS
Barrister & Solicitor
1201 - 1030 West Georgia Street
Vancouver BC V6E 2Y3
604.642.6422

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia
 List "A"
 Unsecured Creditors
 Lotus Ventures Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
1	5008679 Ontario Ltd. (Albert Dwyne)	Attention: Gavin Cameron 2900 - 550 Burrard St Vancouver BC V6C 0A3	1,150,867.00	0.00	1,150,867.00
2	Addo Consulting Ltd.	415 Oakview Road Kelowna BC V1W 4K2	27,500.00	0.00	27,500.00
3	Air Liquide Canada Inc.-Western Region Attn: Dana Dumitrescu	10020 - 56 Avenue Edmonton AB T6E 5Z2	11,509.20	0.00	11,509.20
4	Auxly Cannabis Group Inc. Attn: Ronald Fichter	777 Richmond St. W - 002 Toronto ON M6J 0C2	1.00	0.00	1.00
5	BC Hydro & Power Authority Attn: Credit Admin	333 Dunsmuir St, 7th floor Vancouver BC V6B 5R3	121,250.20	0.00	121,250.20
6	Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3	89,688.00	0.00	89,688.00
7	Carl Corriea	6880 Bryden Rd, Vernon BC V1B 3T3	28,869.42	0.00	28,869.42
8	Chapman Mechanical Ltd.	901 Waddington Dr., Vernon BC V1T 9E2	29,842.94	0.00	29,842.94
9	Chrimson Opportunities Inc.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9	18,342.00	0.00	18,342.00
10	Chroma Global Technologies Ltd.	Unit #207 - 2906 West Broadway Vancouver BC V6K 2G8 Vancouver BC V6K 2G9	27,900.00	0.00	27,900.00
11	Connect First Credit Union formerly Mountain View C.U.	#401, 6501 - 51 St Olds AB T4H 1Y6	1.00	0.00	1.00
12	Courtfield Group Holdings Limited	2111 Blenheim Street Vancouver BC V6K 0G5	52,500.00	0.00	52,500.00
13	CRA - Tax - Pacific GST	Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1	667,329.00	0.00	667,329.00
14	Crezo Construction Inc.	P.O. Box 531 Armstrong BC V0E 1B0	184,631.64	0.00	184,631.64
15	Dale McClanaghan	708 - 1445 Marpole Ave. Vancouver BC V6H 1S5	180,106.48	0.00	180,106.48
16	Donevaile Holding Inc.	1371 Marina Way Nanose Bay BC V9P 9B8	79,926.53	0.00	79,926.53
17	FCC / FAC Farm Credit Canada - BC Attn: Zita Monaghan	301-5460 152 Street Surrey BC V3S 5J9	1.00	0.00	1.00
18	Fortis BC Energy Inc. - Natural Gas Attn: Collection Department	PO Box 6666, Station Terminal Vancouver BC V6B 6M9	262.75	0.00	262.75
19	Health Canada	Address Locator 0900C2 Ottawa ON K1A 0K9	27,998.71	0.00	27,998.71
20	High North Laboratories	241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7	9,876.00	0.00	9,876.00
21	Jason Brown	1527 40th St. Vernon BC V1T 8J6	141,400.00	0.00	141,400.00

April 1, 2024
 Date


 Dale McClanaghan

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia
 List "A"
 Unsecured Creditors
 Lotus Ventures Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
22	Katie Correia	6880 Bryden Rd Vernon BC V1B 3T3	31,495.68	0.00	31,495.68
23	Kris Walton (Spectrum)	1480 Springhill Rd Parksville BC V9P 2T2	47,478.91	0.00	47,478.91
24	Legacy Holdings Ltd.	2750 Rupert Street Vancouver BC V5M 3T7	35,604.51	0.00	35,604.51
25	Lillian McClanaghan	2750 Rupert Street Armstrong BC V0E 1B0	473,518.15	0.00	473,518.15
26	Marsh Canada	550 Burrard St Suite 800, Vancouver BC V6C2K1	83,041.28	0.00	83,041.28
27	McClanaghan & Associates	2750 Rupert Street Vancouver BC V5M 3T7	257,301.00	0.00	257,301.00
28	Miller Thomson Lawyers	700 West Georgia Street Suite 2200 PO Box 10325 Vancouver BC V5N 1K8	10,548.91	0.00	10,548.91
29	Norton Rose Fulbright	1800-510 West Georgia Street Vancouver BC V6B 0M3	3,670.00	0.00	3,670.00
30	Orbis Express	Suite 200 6791 Elmbridge Way Richmond BC V7C 4N1	11,206.12	0.00	11,206.12
31	Pathogenia Laboratories	5055 Rue Fisher Saint Laurent QC H4T 1J8	1,238.00	0.00	1,238.00
32	SBD Management Ltd.	402 - 905 Pender Street Vancouver BC V5N 4A5	90,865.17	0.00	90,865.17
33	SDI Holdings Ltd.	2750 Rupert Street, Vancouver BC V5M 3T7	223,538.58	0.00	223,538.58
34	Sidel Transport Ltd.	2101 43rd St. Vernon BC V1T 6K7	14,567.00	0.00	14,567.00
35	Stellar Wholesale Inc.	19055 Airport Way Pitt Meadows BC V3Y 0G4	3,042.14	0.00	3,042.14
36	Stephen K Winters Law Corp.	2750 Rupert Street Vancouver BC V5M 3T7	341,637.00	0.00	341,637.00
37	Sterigenics Radiation Technologies Canada	1425 Kebet Way Port Coquitlam BC V3C 6L3	19,543.04	0.00	19,543.04
38	Steve Phillips	Suite 1010, 1030 West Georgia Street Vancouver BC V6E 2Y3	30,280.29	0.00	30,280.29
39	Terra Housing Consultants	2750 Rupert Street Vancouver BC V5M 3T7	56,556.61	0.00	56,556.61
40	Township of Spallumcheen	4144 Spallumcheen Way Spallumcheen BC V0E 1B6	169,422.76	0.00	169,422.76
41	Troy Fire and Safety Attn: Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7	3,556.00	0.00	3,556.00
42	Valo Mechanical	. BC	4,500.00	0.00	4,500.00
43	Wade Simpson	1400 - 1125 Howe Street vancouver BC V6Z 2K8	28,000.00	0.00	28,000.00

April 1, 2024
 Date


 Dale McClanaghan

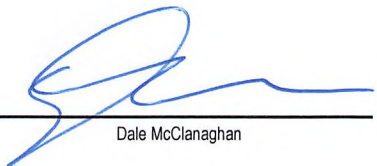
District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia
 List "A"
 Unsecured Creditors
 Lotus Ventures Inc.

No.	Name of creditor	Address	Unsecured claim	Balance of claim	Total claim
44	William Spratt	3203 East 6th Ave. vancouver BC V5M 1S6	35,533.90	0.00	35,533.90
45	WorkSafeBC - Collections Department	PO Box 5350 Stn. Terminal Vancouver BC V6B 5L5	21,000.00	0.00	21,000.00
Total:			4,846,947.92	0.00	4,846,947.92

April 1, 2024
 Date


 Dale McClanaghan

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia
List "B"
Secured Creditors

Lotus Ventures Inc.

No.	Name of creditor	Address	Amount of claim	Particulars of security	When given	Estimated value of security	Estimated surplus from security	Balance of claim
			Total:			0.00	0.00	0.00

April 4, 2024
Date


Dale McClanaghan

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia
List "C"
Preferred Creditors for Wages, Rent, etc.

Lotus Ventures Inc.

No.	Name of creditor	Address and occupation	Nature of claim	Period during which claim accrued	Amount of claim	Amount payable in full	Difference ranking for dividend
Total:					0.00	0.00	0.00

April 1, 2024
Date


Dale McClanaghan

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia
List "D"
Contingent or Other Liabilities

Lotus Ventures Inc.

No.	Name of creditor or claimant	Address and occupation	Amount of liability or claim	Amount expected to rank for dividend	Date when liability incurred	Nature of liability
Total:			0.00	0.00		

April 1, 2024
Date


Dale McClanaghan

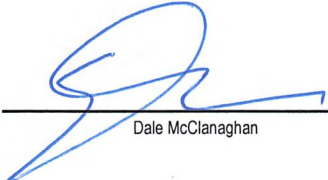
District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia
 List "E"
 Debts Due to the Debtor
 Lotus Ventures Inc.

No.	Name of debtor	Address and occupation	Nature of debt	Amount of debt (good, doubtful, bad)	Folio of ledgers or other book where particulars to be found	When contracted	Estimated to produce	Particulars of any securities held for debt
				0.00				
			Total:	0.00			0.00	
				0.00				

April 1, 2024
 Date


 Dale McClanaghan

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Continued

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

Bills of Exchange, Promissory Notes, Lien Notes, Chattel
 Mortgages, etc., Available as Assets

Lotus Ventures Inc.

No.	Name of all promissory, acceptors, endorsers, mortgagors, and guarantors	Address	Occupation	Amount of bill or note, etc.	Date when due	Estimated to produce	Particulars of any property held as security for payment of bill or note, etc.
Total:				0.00		0.00	

April 1, 2024
 Date


 Dale McClanaghan

District of: British Columbia
Division No. 03 - Vancouver
Court No. B240063
Estate No. 11-3031837

FORM 78 -- Continued

In the Matter of the Proposal of
Lotus Ventures Inc.
of the Municipality of Spallumcheen, in the Province of British Columbia
List "G"
Real Property or Immovables Owned by Debtor
Lotus Ventures Inc.

Description of property	Nature of debtor interest	In whose name does title stand	Total value	Particulars of mortgages, hypothecs, or other encumbrances (name, address, amount)	Equity or surplus
Building and Land - Spallumcheen - 4861 South Grandview Flats Road	100%	Lotus Ventures Inc.	2,000,000.00		2,000,000.00
Total:			2,000,000.00		2,000,000.00

April 1, 2024
Date


Dale McClanaghan

District of: British Columbia
 Division No. 03 - Vancouver
 Court No. B240063
 Estate No. 11-3031837

FORM 78 -- Concluded

In the Matter of the Proposal of
 Lotus Ventures Inc.
 of the Municipality of Spallumcheen, in the Province of British Columbia
 List "H"
 Property
 Lotus Ventures Inc.
 FULL STATEMENT OF PROPERTY

Nature of property	Location	Details of property	Original cost	Estimated to produce
(a) Stock-in-trade		Inventory	0.00	200,000.00
(b) Trade fixtures, etc.			0.00	0.00
(c) Cash in financial institutions			0.00	0.00
(d) Cash on hand			0.00	0.00
(e) Livestock			0.00	0.00
(f) Machinery, equipment and plant			0.00	0.00
(g) Furniture			0.00	0.00
(h) Life insurance policies, RRSPs, etc.			0.00	0.00
(i) Securities			0.00	0.00
(j) Interests under wills, etc.			0.00	0.00
(k) Vehicles			0.00	0.00
(l) Taxes			0.00	0.00
			Total:	200,000.00

April 1, 2024
 Date


 Dale McClanaghan

EXHIBIT “K”

COURT NO. B240063
ESTATE NO. 11-3031837

VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

TRUSTEE'S REPORT TO CREDITORS

BACKGROUND

Lotus Ventures Inc. ("**Lotus**", the "**Company**") is a British Columbia based licensed cannabis producer and was formed in British Columbia in November 2014 as a result of an amalgamation. The Company's Directors are Mr. Carl Correia, Mr. Maurice Creagh, Mr. Simon Davie, and Mr. Dale McClanaghan (also President and CEO) based on a search of the BC Companies Registry as of January 10, 2024. Lotus was incorporated for the purpose of growing premium cannabis which is carried in retail locations across BC and Ontario and sold through export markets. The Company operates from a production facility (the "**Production Facility**") located in Spallumcheen, British Columbia. The Production Facility is not subject to any encumbrances or mortgages and is wholly owned by the Company. Lotus is listed on the Canadian Securities Exchange (CSE:J) and on the OTC Markets (OTC:LTTSF). Further financial and other information reported by the Company can be found at: <https://thecse.com/listings/lotus-ventures-inc/sedar-filings/?page=1>

The Company reported net losses for the years ended August 31, 2022, and August 31, 2023. The Company reported a net loss of \$1,872,566 for the twelve months ended August 31, 2023, compared to a net loss of \$4,950,683 same period ending August 31, 2022. The Company's management (the "**Management**") reported that the net loss decreased by \$2,920,193 as compared to the prior year as a result of an increase in sales, gross margin, and no impairment of inventory in the most recent year. The Company incurred ongoing cash flow constraints through the end of 2023 which were projected to continue into 2024.

On January 16, 2024, 5008679 Ontario Ltd. (a company owned by a former director of Lotus) obtained a judgment (the "**Judgment**") against Lotus with regards to a loan totaling in excess of \$1 million. Management did not contest the amount owing to 5008679 Ontario Ltd.

As a result of the significant operating losses and the Judgment, Lotus lacked sufficient working capital to meet all of its obligations to its creditors resulting in Management deciding to seek creditor protection to permit a restructuring of Lotus' financial affairs. Management filed a Notice of Intention to Make a Proposal ("NOI") pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA") on January 17, 2024, and MNP Ltd. consented to act as Licensed Insolvency Trustee ("Trustee") in the proposal proceedings.

On February 12, 2024, the Company filed an application with the British Columbia Supreme Court (the "Court") seeking an extension of time to file its proposal to creditors and was granted an extension of time to April 1, 2024.

Lotus filed a proposal to its creditors on March 28, 2024 (the "Proposal"), which was amended on April 5, 2024. The amendment to the Proposal clarified that the Trustee's fees are being paid by the Company directly in addition to set payments intended for the benefit of the General Creditors.

In preparing this Trustee's Report to Creditors (the "Report") and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "Information"). Except as described in this Report, the Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or other standards established by the Chartered Professional Accountants of Canada.

Capitalized terms used in the Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to Canadian currency.

SUMMARY OF PROPOSAL

A summary and major terms of the Proposal are as follows:

- There will be one Class of Creditors for the purpose of considering the Proposal consisting of the General Creditors.
- The Company shall continue to pay the Secured Creditors in accordance with present arrangements, as amended from time to time, or as may be arranged in the future between the Company and each Secured Creditor respectively. Secured Creditors will not vote on this Proposal as their claims are not being compromised by the Proposal.
- The Company shall make certain payments (defined as the "Proposal Fund") to the Trustee for the benefit of the General Creditors as well as certain priority obligations

pursuant to the provisions of the BIA and as set out in the Proposal. These payments include specific payment amounts outlined in the Proposal, in addition to payment of the Trustee's fees and costs in this matter.

- In addition to the payment of the Trustee's fees and costs, the Company will pay the Trustee ten (10) payments totaling \$2,350,000, each of \$235,000 which are due to be paid by the Company to the Trustee on specified dates, as follows:
 - December 31, 2024;
 - June 30, 2025;
 - December 31, 2025;
 - June 30, 2026;
 - December 31, 2026;
 - June 30, 2027;
 - December 31, 2027;
 - June 30, 2028;
 - December 31, 2028; and
 - June 30, 2029.
- Canada Revenue Agency ("CRA") will be paid in full by the Proposal Funds within 6 months of Court Approval of the Proposal, for unremitted payroll source deductions.
- The Trustee's fees and expenses, and legal costs of the Trustee arising out of the Proposal shall be paid directly from the Company, in addition to the payments referenced above. These payments for Trustee fees and legal costs will be included in the Proposal Fund, and then paid to the Trustee in priority to the General Creditors.
- General Creditors will be paid a pro rata share of the remaining funds in the Proposal Fund.
- The Proposal contains provisions that allow for General Creditors to either defer their pro rata share of an interim distribution or waive its share of an interim distribution (in full or in part).
- The Proposal contains a provision that claims against the Company's Director are compromised after the approval of the Proposal by the Court.

OPERATIONS

The Company has continued normal course operations subsequent to the filing of the Notice of Intention on January 17, 2024. The Company has also continued to carry on business with its suppliers on terms which are acceptable to Lotus and its suppliers.

Lotus currently employs approximately 24 full and part-time employees, in addition to four other parties on a contract basis. The Company's payroll is processed on a bi-weekly

basis and employees are being paid in accordance with the payroll schedule. The Company utilizes the services of ADP Canada to administer its payroll, and as such payroll withholdings are remitted to CRA directly by ADP Canada.

Management is of the view that Lotus will achieve profitability as they have reduced operating costs and continued in efforts to increase sales, particularly in respect of developing a focus on retail markets and exporting its products through bulk sales to international customers.

Management have transitioned from a wholesale focus to domestic retail sales by expanding their presence in the British Columbia and Ontario Cannabis Stores. The further focus on the export sales began in January 2024 after the company received Health Canada and international certification to be allowed to sell to international markets. Management reports that Lotus has obtained export accreditation and commenced international sales to Australia, the United Kingdom, and certain countries in Eastern Europe for its dried flower product.

Management is also of the view that they will be able to continue to grow revenues by focusing on higher yield and higher priced products. Management reports that they are operating at full capacity and have taken a harvest every 12 days sequentially from one of the grow rooms since the initial crop in September 2019.

Efforts with regards to costs reduction have been focused on reduction of Management compensation, and deferral of discretionary costs. Further, the Company's cost structure is such that many of their material costs do not vary significantly with changes in production.

ASSETS

Management provided their Statement of Affairs ("**SOA**") which outlines the assets and liabilities of the Company. The SOA is included in the documents circulated to the creditors with this Report.

Cash in Bank

The SOA includes no material surplus cash on hand. The Company reported cash of approximately \$44,000 on their August 31, 2023 financial statements. The Company has provided support that there was minimal available operating funds at the time of filing of the Proposal on March 28, 2024, although that balance increased materially with a deposit soon thereafter and will continue to fluctuate daily.

For the basis of our analysis in this report we have assumed a cash balance of nil.

Accounts Receivable

The SOA shows no accounts receivable. The Company reported approximately \$400,000 in accounts receivable on the August 31, 2023, financial statements.

It is our understanding that the Company now sells its export product based solely on a cash on delivery (“**COD**”) basis. Further, the retail sales will lead to sales on terms, and accounts receivable amounts. However, as at the date of the Statement of Affairs, the Company had collected all material accounts receivable although is in the process of issuing invoices which will create a new account receivable of approximately \$50,000. As a result of the transition of the sales focus from wholesale to retail and export the level of accounts receivable is expected to be lower going forward than historically reported.

For the basis of our analysis in this report we have assumed a collectable accounts receivable balance of \$25,000.

Inventory

The SOA shows the Company's inventory (the “**Inventory**”) at a value of \$200,000. The Inventory was shown on the August 31, 2023, financial statements at \$840,000.

The Inventory is located at the Company's Production Facility in Spallumcheen, British Columbia. The reported Inventory balance has varied materially on the Company's financial statements over the last two years and is primarily dependent on the status of the harvest of crops and sale shipments leaving the Production Facility. Management's estimate of \$200,000 for the Inventory on the Statement of Affairs is based on a liquidation process by the Management.

The Trustee is of the view that the applicable Federal and Provincial legislation regarding the control and sale of cannabis would not allow a Trustee in Bankruptcy to possess and realize on the Inventory. Further, the Trustee would be required to comply with the regulations under the Cannabis Act and Environmental Management Act (and other applicable legislation) regarding the destruction and disposal of the Inventory. In summary, the Inventory would be a liability under a bankruptcy scenario and not a realizable asset.

Based on our initial review, we understand that significant time and costs would be required to correspond and coordinate with the appropriate governmental oversight authorities on this matter, along with specific costs related to the appropriate destruction and disposal of the Inventory. Such specific costs would include staffing costs for handling and destruction of the Inventory, transportation and disposal costs, in addition to the costs and fees of the bankruptcy trustee.

Biological Assets

The Company's financial statements include biological assets consisting of cannabis plants that have not yet been harvested and transferred to inventory. The fair value of these assets are subject to standard assumptions and estimates in accordance with the IFRS standards for agricultural assets (IAS 41). Similar to the Company's inventory, under a bankruptcy scenario the Trustee would be required to comply with all applicable regulations regarding the destruction and disposal of the biological assets and there would not be any expected realization from the biological assets.

As a result, we estimate that the net cost of appropriately dealing with the destruction and disposal of the Inventory and biological assets to be approximately \$40,000.

Equipment

The SOA shows no value for Company owned equipment. The Company's August 31, 2023, financial statements include approximately \$260,000 in net book value of the equipment, being included in the Property, Plant and Equipment reporting.

Lotus owns various office and production equipment to facilitate the Company's operations. Management have provided the Trustee with the Company's equipment listing (the "**Equipment**"), which we have reviewed on site and determined it is a reasonable listing of the equipment noted at the Production Facility. Management have determined no value for the Equipment based on material items forming part of the Production Facility (and therefore sold with the real property), and limited value of the remaining Equipment items.

The Trustee is of the view that a majority of the Equipment are attached to the Production Facility and would be sold with the building. However, there are certain items that are removable and therefore would be realizable as a separate equipment sale, such as the trimming machines, incubators, shredder, and rosin press. The Trustee estimates the realizable value for these removable items to be between \$20,000 and \$30,000. There are also a significant number of office items and smaller assets which would not be expected to yield material realization either individually, or in their aggregate.

There are no lease or financing agreements registered on the British Columbia Personal Property Registry with regards to specific items or serial number registrations that would attach a priority claim to specific equipment. There are potential general security agreements registered against all of the Company assets, which are discussed further under the Secured Creditors section of this report.

The net liquidation value of removable assets is anticipated to be approximately \$20,000 after taking into consideration auctioneer's commissions, potential transport costs from this remote location, and other selling costs that would be incurred.

Real Property

The Production Facility is located on a parcel of land that is approximately 23 acres in size and includes the cannabis production facility and an older single-family home. The cannabis facility consists of a single steel frame building of 22,192 square feet, broken into various cultivation rooms, processing, shipping/receiving, infrastructure and staff areas.

The property's overall assessment (BC Assessment) is \$6,229,200 as of July 1, 2023.

The Production Facility is shown on the SOA at a value of \$2,000,000. Further there is outstanding property taxes owing, which are to be paid by the Company's cash flow under the Proposal. However, they would form a priority lien against the property in the event of a bankruptcy scenario.

The Company engaged Colliers Canada ("**Colliers**") to provide a Broker's Opinion of Value with respect to the Production Facility. Colliers' material considerations included the market conditions with regards to a use specific facility in the cannabis industry, costs associated with alternative uses, location, and all within a forced liquidation scenario (less than six months) which would be applicable to a bankruptcy scenario.

Colliers concluded that their estimate of value to be "less than \$2,000,000" based on their assumptions, and as of March 22, 2024. Further, the recommended listing price for the Production Facility was \$1,995,000.

A January 15, 2024 search of the land titles registry related to the Production Facility shows expected easements and permits related to governmental rights. Further, there is a notice of interest under the builder's lien act dated November 2015. Management confirmed that this lien related to the build out of the Production Facility and has been paid in full.

To determine a net realizable value on the Production Facility, we have assumed the following adjustments to the Colliers recommended listing price:

Lotus Ventures Inc. - Production Facility	
Net Realizable Value - Bankruptcy	
Recommended Listing Price	1,995,000
Less:	
Estimated Reduction to Sales Price	- 99,750
Estimated Sales Price	<u>1,895,250</u>
Less:	
Commission - 8%	- 151,620
Unpaid Property Tax	- 170,000
Possession Costs - security / insurance	- 9,000
Estimated Net Realizable Value	<u><u>1,564,630</u></u>

LIABILITIES

Secured Creditors

The Trustee has not obtained an independent legal opinion on the validity or enforceability of the various security agreements and/or potential claims of the various secured creditors discussed in the Report.

The SOA shows no secured creditors. However, there are security registrations filed against the Company as shown on a January 10, 2024 search of the Personal Property Registry of British Columbia. These registrations include general security registrations for Kolab Project Inc. and Connect First Credit Union Ltd., along with a registration over cannabis inventory by 5008679 Ontario Limited, and a registration over a guaranteed investment certificate by the Bank of Montreal. Management is of the view that all of the claims with regards to the above registrations are either paid in full, or not valid secured claims.

The Trustee will be required to review and adjudicate any secured claims that are submitted in this Proposal. To the extent there are proven secured claims, section 3.2 confirms that such secured claims will be paid in accordance with the present arrangements. Any payments to proven secured creditors will be paid directly from the Company and will not form any claim against the Proposal Funds.

Preferred Creditors

Employees

Employees are preferred creditors pursuant to Section 136 of the *Bankruptcy and Insolvency Act*, and as such, their preferred claims must be paid in full before any payments are made to the general unsecured creditors. Each employee's preferred claim may not exceed \$2,000, relating to wages and vacation pay during the six-month period immediately preceding the initial date of filing. Amounts owing in excess of the threshold or relate to a period more than six months prior to the Notice of Intention, are general unsecured claims. Any claims relating to severance or termination pay are general unsecured claims.

In a bankruptcy scenario, preferred claims of employees (wages/vacation pay) become a secured charge over current assets, and takes priority over other secured creditors, with the exception of the claim of CRA pertaining to unremitted payroll withholdings. Claims for outstanding termination pay rank as general unsecured claims in a bankruptcy or proposal scenario.

The Trustee is not aware of any preferred amounts owing to present or former employees with regards to the Proposal. However, it is expected that there would be accrued wages and vacation pay, along with severance obligations owing under a bankruptcy scenario. For the purposes of this report we have assumed each employee would be owed a preferred claim of \$1,000, and a further \$2,000 unsecured claim.

Unsecured Creditors

The Company's Statement of Affairs indicates unsecured creditors of approximately \$4,846,500. Ultimately the amount owing to creditors will be based upon the proven claims filed in the Proposal proceedings.

Under a bankruptcy scenario we have assumed additional unsecured claim amounts related to the employees:

Employees Termination / Severance costs	\$48,000
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The voting rights or rights to participate in the Proposal Funds may be impaired if any claim is determined to be a Related Party Claim or a Non-Arm's Length Claim as defined within the BIA, or related legislation and regulations.

CONDUCT OF THE DEBTOR

Since the 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:

- Reduced operating costs;
- Continued in its efforts to increase sales, particularly in respect of exporting its products through bulk sales to international customers;
- Assessed options for a sale of the business as a going concern; and
- Obtained an assessment of 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; and
- The Company is up to date with all of its filing and payment obligations to Canada Revenue Agency since the filing of the NOI and has continued to meet its obligations under the BIA, including the monitoring program set out by the Proposal Trustee at the outset of the engagement.

The Trustee undertook a material transaction (in excess of \$50,000) review covering the prior year to identify any potential material preferential payments or transactions at undervalue that may be pursued by a Trustee in bankruptcy. We identified 29 payments from the Company's bank account in excess of \$50,000 during this period. These payments were primarily related to payroll, payments to the local township, or repayment of short-term bridge funding. The Trustee continues to review these payments with Management and legal counsel, however as of the date of this report the Trustee has not identified material preferential transactions or transactions at under value that would likely be challenged by a Trustee in Bankruptcy pursuant to the provisions of the BIA.

REMUNERATION OF THE TRUSTEE

The costs of administration pertaining to the Trustee's fees and disbursements and legal costs incurred in relation to the Proposal are a preferred claim and will be paid from the Proposal Fund and will be subject to taxation by Court and approval of the Inspectors, if appointed, or the creditors should no Inspectors be appointed.

The Proposal includes that in the event no Inspectors are appointed, the Trustee may take advances of Trustee's Fees, subject to final taxation by the Court. Such advances shall not be taken less than on a quarterly basis, commencing after approval of the Proposal by Court. If any Inspectors are appointed, they must approve any advances to the Trustee for fees, in accordance with the BIA.

The estimated Trustee fees are included in the Statement of Estimated Realization. However, we note that due to the term of the Proposal, minor monthly changes in the expected costs will result in a material change over the full period of the Proposal.

The Trustee holds a third party retainer of \$75,000 related to this matter.

CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL

If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

ESTIMATED REALIZATION – BANKRUPTCY vs. PROPOSAL

The Trustee has prepared a Statement of Estimated Realization (the “**Statement**”) which is attached as Schedule “A” to this Report and compares the estimated net realization in a bankruptcy versus proposal scenario. If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.

The Proposal will provide \$2,350,000 to the Proposal Fund over the term of the Proposal, if the Company complies with the specific payments required under section 3.4.1. The Statement outlines the expected funding under the Proposal, costs, and then distribution to the General Creditors. The Proposal includes that dividends will be paid to the General Creditors every six months (or as otherwise directed by the Inspectors). The General Creditors are expected to receive approximately 48% of their claims under the Proposal.

In a bankruptcy scenario, funds available will be primarily dependent on the asset realizations. While the Trustee has presented our reasonable expectations regarding these realizations in this Report, actual realizations may vary materially from these estimates. The timing on the payout to creditors under the bankruptcy is expected to be between six months and one year, as the primary Company asset is real estate. The creditors are expected to receive approximately 27% of their claims under a bankruptcy scenario.

This percentage of creditor recovery will vary from the above analysis as the actual payout will be dependent on proven claims accepted by the Trustee (or by the Court) in this process which may be higher or lower than the \$4,846,500 included in this analysis.

If the Company complies with the specific payments required under section 3.4.1, the Proposal will provide a significantly higher recovery (by approximately \$1,000,000) to the General Creditors than they would receive in a bankruptcy scenario. Accordingly, we recommend acceptance of this Proposal.

DATED AT the City of Vancouver, British Columbia this 8th day of April, 2024.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
In the Proposal Proceedings of Lotus Ventures Inc.
and not in its corporate capacity



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

In the Matter of the Lotus Ventures Inc.**Statement of Estimated Realization (rounded)****Bankruptcy vs. Proposal****Schedule "A"**

	Proposal	Bankruptcy
ESTIMATED RECEIPTS		
Cash In Bank	\$ -	\$ -
Accounts Receivable	-	25,000
Inventory - Net Cost of Disposal	-	40,000
Equipment , Furniture and Fixtures	-	20,000
Real Property - Production Facility		1,564,630
Proposal Fund Payments		
Set Payments	2,350,000	-
Trustee Payments	288,750	
Total Estimated Receipts	\$ 2,638,750	\$ 1,569,630
ESTIMATED DISBURSEMENTS		
Trustee's Fees (including those of the Trustee's Legal Counsel)	275,000	200,000
GST on Above	13,750	
Total Estimated Disbursements	\$ 288,750	\$ 200,000
AVAILABLE FOR DISTRIBUTION	\$ 2,350,000	\$ 1,369,630
Preferred Creditors (Note 1)	-	24,000
General Creditors	2,350,000	1,345,630
	\$ 2,350,000	\$ 1,369,630
Claims of General Creditors claiming pro rata share (Note 2)	\$ 4,846,500	\$ 4,894,500
Estimated % Dividend (Note 3)	48%	27%

Notes:

1. There are no expected claims from employees within the Proposal. However, it is assumed that at any specific time wages and vacation pay will be accruing, which may for preferred claims under a bankruptcy scenario.
2. Additional unsecured creditors are assumed under the bankruptcy scenario due to employee severance costs.
3. The estimated dividend does not take into account the 5% levy payable to the Superintendent of Bankruptcy which is payable on all dividends. The levy is payable in either a proposal or bankruptcy.

EXHIBIT “L”

Estate No. 11-3031837
Court No: B240063
Vancouver Registry

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

MINUTES OF THE FIRST MEETING OF CREDITORS

MINUTES OF THE FIRST MEETING OF CREDITORS HELD VIA TELECONFERENCE ON THURSDAY, THE 18TH DAY OF APRIL, 2024 AT TWO O'CLOCK IN THE AFTERNOON, AT THE OFFICE OF THE TRUSTEE, LOCATED AT 1630 – 609 GRANVILLE STREET, VANCOUVER, BRITISH COLUMBIA.

PRESENT:

Greg Ibbott, MNP Ltd., (the “Trustee”), Chair

Seamus Boyle, MNP Ltd.

Michael Tian, MNP Ltd.

Others who noted their presence are on the Attendance Register for Attendees via Conference Call

MEETING:

Seamus Boyle requested all creditors on the conference call to note their presence by announcing their name and creditor they represent for the purposes of noting attendance.

Greg Ibbott called the meeting to order at 2:00 PM PST and announced that he was acting as Chairperson of the meeting under authority of Section 51.3 of the *Bankruptcy and Insolvency Act* (“*BIA*”).

The Chairperson declared the meeting properly called and, a quorum being present, duly constituted.

The Chairperson discussed the purpose of the meeting under Section 102(5) of the *BIA*.

The Chairperson explained the differences in the amount filed and values for voting on proof of claims, and called upon Seamus Boyle to announce the value for voting for each creditor that filed a claim. The Trustee confirmed that further review of the claims may result in changes to the voting rights or participation in dividends moving forward in this process.

Mr. Nesbitt, legal counsel for 5008679 Ontario Limited, requested that the following creditors to be marked as objected to:

- Dale McClanaghan
- Lillian McClanaghan
- William Spratt
- Stephen K. Winters
- Stephen K. Winters Law Corporation
- Donerail Holdings Inc.
- Legacy Holdings Ltd.
- McClanaghan & Associates Consulting Ltd.
- Terra Housing Consultants BC Ltd.
- SDI Holdings Ltd.
- Crezco Construction Inc.

The Chairperson confirmed that the objections were noted, however also that the decision of the Chair was that these claims would be allowed to vote as presented at this meeting.

The Chairperson noted the following documents maintained by the Trustee were available to the creditors should they wish to review:

- Notice of Intention to Make a Proposal;
- Proposal filed March 28, 2024 and as amended April 5, 2024;
- Certificate of Appointment of Trustee;
- Statement of Affairs;
- Proof of Publication in Local Newspaper;
- Notice to Creditors of Proposal and First Meeting of Creditors;
- Affidavit of Mailing;
- Trustee's Report to the Creditors;

The Chairperson advised that the purpose of this meeting was to consider the affairs of the Debtor, to vote on the Debtor's Proposal, and if accepted to appoint Inspectors for the estate.

The Chairperson outlined the method of calculating the votes of creditors at the meeting under section 54 (1) (d) and 115 of the *BIA*.

The Chairperson proceeded to outline the Trustee's Preliminary Report to Creditors (*the "Trustee's Report"*) and asked if there were any questions regarding the affairs of Lotus Ventures Inc. (*the Company*) or the Trustee's Report.

A creditor asked whether the debt payments under the proposal is secured or guaranteed. The Chairperson responded that they are not secured, and that the proposal represents management's expectations on the funding available from the Company going forward, and their best efforts.

The Chairperson was advised on a potential motion to adjourn the meeting to allow for further investigation into the affairs of the Company which may result in an improved Proposal to the

Creditors. The Chairperson discussed the requirements for the adjournment of the First Meeting of Creditors under Section 52 of the *BIA*.

Mr. Nesbitt discussed a proposed transaction where 5008679 Ontario Limited would purchase the Company and the proceeds from the sale would fund the same amount to the creditors although in a shorter period than currently included in the Proposal. A general discussion was held on the potential transaction and impact on the Proposal.

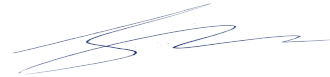
A motion for the adjournment of the meeting was forwarded by 5008679 Ontario Limited to allow time for the company to explore the transaction, and to consider amending its Proposal. Mr. Nesbitt proposed to adjourn the meeting to May 3, 2024, at 2:00 PM.

Dale McClanaghan seconded the motion to adjourn the meeting to May 3, 2024, at 2:00 PM.

The Chairperson called for a vote on the adjournment of the meeting, which was supported unanimously by all creditors.

UPON MOTION IT WAS UNANIMOUSLY RESOLVED THAT: The First Meeting of Creditors is adjourned to May 3, 2024, at 2:00 PM.

There being no further business on the agenda, the meeting was adjourned.



Greg Ibbott, Chairperson



Industry Canada
Office of the Superintendent of
Bankruptcy

Industrie Canada
Bureau du Surintendant
des faillites

ATTENDANCE
LIST

LISTE DES
PRESENCES

Estate Number - N° de Pactif
11-3031837

Debtor and Representatives - Debiteur et Representants

Lotus Ventures Inc.
Per: Dale McClanaghan – Attended Virtually

Trustee and Representatives – Syndic et Representants

MNP Ltd.
Per: Greg Ibbott, Seamus Boyle & Michael Tian

Creditors present or represented - Creanciers presents ou representes

NAME - NOM	REPRESENTING - REPRESENTE	AMOUNT Proven Claim MONTANT Reclamation prouvee
Dale McClanaghan	Dale McClanaghan	\$196,052.21
Dale McClanaghan	McClanaghan & Associates Consulting Ltd.	\$295,080.00
Albert Duwyn & Cindy Phillips	5008679 Ontario Limited	\$1,150,822.75
Carl Corriea	Carl Corriea	\$175,440.25
Abbigail Wong	Canada Revenue Agency	\$759,806.80
Jesse Mighton & Andrew Froh	Kolab Project Inc.	\$1
Stephen Winters	Stephen K. Winters	\$133,526.00
Stephen Winters	Stephen K. Winters Law Corporation	\$234,410.00

EXHIBIT “M”

Estate No. 11-3031837
Court No: B240063
Vancouver Registry

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

MINUTES OF THE FIRST MEETING OF CREDITORS

MINUTES OF THE FIRST MEETING OF CREDITORS HELD VIA TELECONFERENCE ON THURSDAY, THE 3RD DAY OF MAY, 2024 AT TWO O'CLOCK IN THE AFTERNOON, AT THE OFFICE OF THE TRUSTEE, LOCATED AT 1630 – 609 GRANVILLE STREET, VANCOUVER, BRITISH COLUMBIA.

PRESENT:

Greg Ibbott, MNP Ltd., (the “Trustee”), Chair

Seamus Boyle, MNP Ltd.

Michael Tian, MNP Ltd.

Others who noted their presence are on the Attendance Register for Attendees via Conference Call

MEETING:

Seamus Boyle requested all creditors on the conference call to note their presence by announcing their name and creditor they represent for the purposes of attendance.

Greg Ibbott called the meeting to order at 2:00 PM PST and announced that this meeting will continue where the adjourned meeting of the First Meeting of Creditors ended.

The Chairperson provided an update that a Material Adverse Change report was circulated to all proven creditors.

The Chairperson reported that it had continued its review of the proofs of claim filed and that certain values for the purpose of voting at the reconvened meeting of creditors had been amended. Seamus Boyle provided an update regarding the amended values for voting. The Trustee confirmed that further review of the claims may result in changes to the voting rights at subsequent creditors meetings or participation in dividends moving forward in this process.

The Chairperson called upon Mr. Nesbitt, legal counsel for 5008679 Ontario Limited to discuss the updates to the proposed transaction between 5008679 Ontario Limited and Lotus Ventures Inc.

Mr. Nesbitt provided an overview of the subscription agreement between the Lotus Ventures Inc. and 5008679 Ontario Limited (“5008679”) to purchase all outstanding shares of the Company dated May 3, 2024.

Chairperson noted that the Trustee was provided a draft copy of the general agreement, which has been reviewed by the Trustee for reasonability. The Trustee reported that it appears that the proposed transaction would provide for a better recovery to creditors than a bankruptcy.

A creditor asked about the order of events between the preparation of the amended Proposal and the application for the reverse-vesting order. Mr. Nesbitt, legal counsel for 5008679 clarified the order of events.

Albert Duwyn, on behalf of 5008679 put forth the motion to adjourn this creditor’s meeting for Wednesday May 8, 2024, at 11:00 AM to allow for the preparation of the amended proposal.

Dale McClanaghan seconded the motion to adjourn the meeting to May 8, 2024, at 2:00 PM.

The Chairperson called for a vote on the adjournment of the meeting, which was supported unanimously by all creditors.

UPON MOTION IT WAS UNANIMOUSLY RESOLVED THAT: The First Meeting of Creditors is adjourned to May 8, 2024, at 11:00 AM.

There being no further business on the agenda, the meeting was adjourned.



Greg Ibbott, Chairperson



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Office of the Superintendent of
Bankruptcy

Industrie Canada
Bureau du Surintendant
des faillites

ATTENDANCE
LIST

LISTE DES
PRESENCES

Estate Number - N° de Pactif
11-3031837

Debtor and Representatives - Debiteur et Representants

Lotus Ventures Inc.
Per: Dale McClanaghan – Attended Virtually

Trustee and Representatives – Syndic et Representants

MNP Ltd.
Per: Greg Ibbott, Seamus Boyle & Michael Tian

Creditors present or represented - Creanciers presents ou representes

NAME - NOM	REPRESENTING - REPRESENTE	AMOUNT Proven Claim MONTANT Reclamation prouvee
Albert Duwyn & Cindy Phillips & Glen Nesbitt	5008679 Ontario Limited	\$1,150,822.75
Jesse Mighton & Andrew Froh	Kolab Project Inc.	\$1.00
Carl Corriea	Carl Corriea	\$146,518.51
Abigail Wong	Canada Revenue Agency	\$761,268.88
Dale McClanaghan	Dale McClanaghan	\$22,299.66
Dale McClanaghan	McClanaghan & Associates Consulting Ltd.	\$345,080.00
Christine Matthews	Canada Revenue Agency	N/A
Geoffrey Dabbs	Lotus Ventures Inc.	N/A

EXHIBIT “N”

ESTATE NO. 11-3031837
COURT NO. B240063
VANCOUVER REGISTRY

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

FURTHER AMENDED PROPOSAL

OF

LOTUS VENTURES INC.

DATED FOR REFERENCE MAY 7, 2024

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I
DEFINITIONS**

1.1 DEFINITIONS

In this Proposal, unless otherwise stated or the context otherwise requires:

“**Affected Claims**” means all Claims other than Unaffected Claims.

“**Affected Creditors**” means any Creditor having an Affected Claim, but only with respect to, and to the extent of, such Affected Claim.

“**Affected Creditors Class**” means the class consisting of the Affected Creditors established under and for the purposes of this Proposal, including voting in respect thereof.

“**Agreement**” means the Subscription Agreement between the Company and the Purchaser dated May 3, 2024, as such may be amended, supplemented, or modified from time to time in accordance with the terms of that agreement and the Approval and Reverse Vesting Order, a copy of which is attached to this Proposal at Schedule “A”.

“**Approval Order**” means the Order that, among other things, approves and directs the implementation of this Proposal and all actions and transactions set out herein, effective as of the Implementation Date in accordance with the terms of this Proposal.

“**Approval and Reverse Vesting Order**” has the meaning given to it in the Agreement.

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“**Business Day**” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“**Cash Consideration**” has the meaning given to it in the Agreement.

“**Claim**” means any right or claim of any Person against the Company which constitutes a “*claim provable in bankruptcy*” as that term is defined under the BIA, whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such Person, which indebtedness, liability or obligation was in existence at the Filing Date, as well as any interest that may accrue thereon, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which claim is based in whole or in part on facts which existed prior to the Filing Date and, for clarity, includes all Claims of the Crown, including Crown Claims.

“**Claims Bar Date**” has the meaning given to it in Article 4.1 of this Proposal.

“**Closing Date**” has the meaning given to it in the Agreement.

“**Company**” means Lotus Ventures Inc.

“**Conditions Precedent**” means those conditions precedent to the implementation of this Proposal as defined and enumerated in Article 6.1 of this Proposal.

“**Court**” means the Supreme Court of British Columbia in Bankruptcy and Insolvency.

“**Creditor**” means a Person having a Claim.

“**Crown**” means His Majesty the King in right of Canada, or a province.

“**Crown Claim**” means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - i. has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - ii. is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

"Director" means anyone who was, or is deemed to have been, a director of the Company at any time prior to the Implementation Date.

"Filing Date" means January 17, 2024, the date on which the Company filed a Notice of Intention to make a Proposal with the Office of the Superintendent of Bankruptcy Canada.

"Implementation Date" means the date on which all Conditions Precedent have been satisfied.

"Inspectors" has the meaning given to it in Article 5.1 of this Proposal.

"Meeting" means the meeting of the Affected Creditors held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve this Proposal and agreeing to the compromises and arrangements constituted thereby, includes any subsequent reconvened meeting should any meeting be adjourned.

"Notice to Prove Claim" means the notice made pursuant to Section 149 of the BIA to be sent by the Proposal Trustee to all known Persons having a Claim that have not yet filed a Proof of Claim with the Proposal Trustee, advising such Creditors that if their Claims are not proven within 30 days after the sending of such notice (i.e. the Claims Bar Date), the Proposal Trustee will proceed to declare a dividend or final dividend without regard to that Creditor's Claim.

"Officers" means, collectively, all current and former officers of the Company.

"Order" means an order of the Court made in the Proposal Proceedings.

“Person” means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status.

“Post-Filing Claim” means a Claim arising from the supply of goods or services to the Company after the Filing Date or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such Claims. Post-Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date.

“Post-Filing Creditor” means a Creditor having a Post-Filing Claim.

“Proof of Claim” means the form of document prescribed by the BIA to be filed with the Proposal Trustee to prove the Claim of a Creditor.

“Proposal” means this Proposal among the Company and the Affected Creditors, as from time to time amended, modified or supplemented pursuant to an Order, or pursuant to an agreement among the Company and the Affected Creditors as provided for herein, or at any Meeting.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA under Supreme Court of British Columbia Action No. B240063 (Vancouver Registry).

“Proposal Trustee” means MNP Ltd., in its capacity as proposal trustee of the Company.

“Proposal Trustee’s Costs” means all proper fees, expenses, and legal costs of the Proposal Trustee arising in any way in relation to this Proposal.

“Proven Claim” means a Claim which, after delivery of a Proof of Claim to the Proposal Trustee, has been: (a) admitted by the Proposal Trustee in whole or in part; or (b) disallowed by the Proposal Trustee and such disallowance has subsequently been: (i) resolved by agreement among the claimant, the Company and the Proposal Trustee; or (ii) set aside in whole or in part by the Court. Proven Claims shall not include any amounts due to a Post-Filing Creditor in respect of a Post-Filing Claim and shall not include any interest for the period subsequent to the Filing Date.

“Purchaser” means 5008679 Ontario Limited.

“Related Creditor” means any Person who is a “*related person*” as defined under Section 4 of the BIA having a Proven Claim, to the extent of their Proven Claim.

“Released Parties” means those persons released by the Affected Creditors, as defined and enumerated at Article 2.7 of this Proposal.

“**Required Majority**” means a majority in number and two-thirds in value of the Affected Creditors present, personally or by proxy, at the Meeting and voting on this Proposal in accordance with the voting procedures established hereby and under the BIA.

“**ResidualCo**” has the meaning given to it in the Agreement.

“**Secured Claim**” means a Claim that is secured by a Security Interest.

“**Security Interest**” means a mortgage, hypothec, prior claim, pledge, charge, lien or other security interest on or against the assets and property of the Company or any part thereof as security for a debt due or accruing due from the Company, or any negotiable instrument held as collateral security and on which the Company is only indirectly or secondarily liable.

“**Unaffected Claim**” means a Claim of an Unaffected Creditor.

“**Unaffected Creditors**” means: (a) Post-Filing Creditors; (b) Secured Creditors; (c) the Crown (to the extent of any Crown Claims, only); and (d) employees of the Company in respect of accrued but unpaid vacation pay as of the Filing Date.

“**Voting Creditors**” means all Affected Creditors in attendance at the Meeting in person or by proxy and who are entitled to vote at the Meeting. For clarity, this excludes all Related Creditors and Unaffected Creditors (to the extent of their Unaffected Claims).

ARTICLE II

PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THIS PROPOSAL

The purpose of this Proposal is to provide for distributions to be made to the Affected Creditors following the Closing of the Agreement in accordance with its terms and the Approval and Reverse Vesting Order. In this Article, capitalized terms used and not otherwise defined in this Proposal shall have the meanings given to them in the Agreement.

2.2 OVERVIEW OF THIS PROPOSAL

Under the Agreement, the Purchaser shall become the sole shareholder of the Company, and shall, among other things, cause the Cash Consideration to be paid to the Proposal Trustee, on behalf of the Company, in consideration therefor.

Pursuant to the Agreement and the Approval and Reverse Vesting Order, among other things: (a) all Claims shall be transferred from the Company to, and shall vest in, ResidualCo; (b) the Proposal Trustee shall receive and administer the Cash Consideration on behalf of ResidualCo; (c) the Claims shall attach to the Cash Consideration in ResidualCo; and (d) the Proposal Trustee may assign or file a voluntary assignment into bankruptcy of ResidualCo.

Affected Creditors shall receive distributions in accordance with this Proposal in the bankruptcy of ResidualCo, and shall recover to a materially greater extent than they would as compared to the bankruptcy of the Company.

Upon Closing, the Company shall cease to be a party to these Proposal Proceedings and shall be deemed to be released therefrom pursuant to the Approval and Vesting Order. This will allow the Company to carry on business as a going concern, to the benefit of stakeholders.

2.3 PROPOSAL TRUSTEE UNDER THE PROPOSAL

Subject to the provisions of the BIA, the Proposal Trustee shall act as the administrator for certain purposes connected with this Proposal, including administration of the Proof of Claims process and the Meeting, and shall also be empowered to administer the Cash Consideration on behalf of ResidualCo as bankruptcy trustee, all in accordance with this Proposal and the Approval and Reverse Vesting Order.

2.4 PERSONS AFFECTED BY THIS PROPOSAL

This Proposal provides for, among other things, the compromise, discharge and release of all Affected Claims against the Company and the Directors and Officers. Accordingly, on the Implementation Date, this Proposal will become effective and shall be binding on the Company, the Affected Creditors, the Directors and Officers, and all other Persons named or referred to in, or subject to, this Proposal.

2.5 UNAFFECTED CLAIMS

This Proposal does not affect Unaffected Claims. Persons with Unaffected Claims will not be entitled to vote on or receive any distributions under this Proposal in respect of such Claims. Nothing in this Proposal shall affect any of the Company's rights and defences, both legal and equitable, with respect to any Unaffected Claim, including all rights with respect to legal and equitable defences or entitlements to set-offs and recoupments against such Claims.

2.6 EQUITY CLAIMS

Persons having equity claims or equity interests (as those terms are defined in the BIA) shall not be entitled to receive a distribution under this Proposal or otherwise receive anything in respect of their shares or interest.

2.7 RELEASE OF COMPANY, DIRECTORS AND OFFICERS, AND PROPOSAL TRUSTEE BY THE AFFECTED CREDITORS

On the Implementation Date, and subject to the Company meeting its obligations to the Affected Creditors under this Proposal, each Affected Creditor hereby, and without the need for further action, releases:

- (a) the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims;
- (b) Directors and Officers from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the Directors and Officers are, by law, liable in such capacity, provided however that nothing herein shall release any of the Directors or Officers from claims that may not be compromised under a proposal as set out in subsection 50(14) of the BIA; and
- (c) No Affected Creditor shall have any right, remedy or claim against the Proposal Trustee, the Purchaser, or the Company, and each of their respective past and present directors and officers, employees, financial advisors, legal counsel, representatives and agents, (each a “**Released Party**”, and collectively, the “**Released Parties**”) for anything arising in connection with this Proposal or these Proposal Proceedings. The Released Parties shall be fully and irrevocably released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Affected Creditor may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, agreement, guarantee, surety, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Implementation Date that are in any way relating to, arising out of or in connection with the Claims, as applicable, all to the full extent permitted by applicable law, provided that nothing herein shall release or discharge a Released Party for gross negligence, criminal, fraudulent or other wilful misconduct, if any such party is found liable or guilty, as the case may be, for such misconduct by the express terms of a judgment rendered on a final determination on the merits.

For clarity, nothing in this Proposal, including this Article, shall waive, discharge, release, cancel, bar or otherwise impact the claim filed in the Supreme Court of British Columbia on October 19, 2023, under action no. S-237106.

ARTICLE III

TREATMENT OF CREDITORS

3.1 CLASSES OF CREDITORS

For the purposes of considering and voting on this Proposal, there shall be one class of Creditors, being the Affected Creditors Class.

3.2 AFFECTED CREDITORS

As soon as practicable after the Closing Date, the Proposal Trustee, on behalf of the Company, shall be authorized to assign or file a voluntary assignment into bankruptcy in respect of ResidualCo. Thereafter, pursuant to the administration of the bankruptcy of ResidualCo, and in accordance with the Approval and Reverse Vesting Order, distributions of the Cash Consideration will be made to Creditors having Proven Claims, as follows:

- First, to Unaffected Creditors that are not Post-Filing Creditors; and
- Second, the Affected Creditors will be paid an amount in cash equal to such Affected Creditor's *pro rata* share of the remainder of the Cash Consideration after the payment to the Unaffected Creditors (that are not Post-Filing Creditors) as set forth above.

3.3 UNAFFECTED CLAIMS

Unaffected Claims are not included under or are in any way affected by this Proposal. As above, Unaffected Claims that are not Post-Filing Claims will be paid: (a) in priority to the Claims of Affected Creditors in the bankruptcy of ResidualCo; (b) in accordance with existing agreements between the Unaffected Creditors and the Company; or (c) in accordance with alternative arrangements between those parties to be negotiated concurrently with the filing and implementation of this Proposal.

Unaffected Claims that are Post-Filing Claims will be unaffected by this Proposal, and will be paid by the Company in accordance with the Approval and Reverse Vesting Order.

3.4 CROWN CLAIMS AND PRIORITY CLAIMS

Crown Claims that are Proven Claims shall be paid in their entirety, without interest, within six months after the granting of the Approval Order.

Claims of Terminated Employees (as defined in the Agreement) shall be dealt with in accordance with the terms of the Agreement and the Approval and Reverse Vesting Order. Employees who are not Terminated Employees will be paid all wages, salaries, commission or compensation for services rendered from and after the Filing Date up to the date of the Approval Order, as soon as reasonably practicable after the grant thereof.

3.5 PROPOSAL TRUSTEE'S COSTS

The Proposal Trustee's Costs shall be paid by the Company in the ordinary course of business, and in accordance with the terms of the Agreement and the agreements between the Company and the Proposal Trustee. For clarity, the Proposal Trustee's Costs shall be subject to review and taxation by the Court.

3.6 NO OTHER ENTITLEMENTS

Following the implementation of this Proposal in accordance with its terms, no Creditor shall be entitled to any payment on or with respect to their Claims other than as provided herein.

**ARTICLE IV
PROOF OF CLAIMS**

4.1 PROVING CLAIMS

The procedure for dealing with the allowance, disallowance and resolution of Proof of Claims will be as set out in Section 135 of the BIA.

To be eligible to receive a distribution in accordance with this Proposal, Creditors must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA and by no later than the date that is 30 days from the date on which the Proposal Trustee delivers the Notice to Prove Claim (the “**Claims Bar Date**”).

Affected Creditors that fail to file their Proof of Claim with the Proposal Trustee before the Claims Bar Date will NOT be eligible for participation in the proposed distribution under this Proposal and their Claims will be forever extinguished and barred as against the Company.

**ARTICLE V
MEETING OF THE CREDITORS**

5.1 GENERAL

At the Meeting the Voting Creditors may appoint one or more, but no more than five inspectors (the “**Inspectors**”). The Inspectors shall have only the following entitlements and powers:

- (a) the power to extend the date by which anything is to happen under this Proposal, including the Implementation Date;
- (b) the power to waive any default in the performance of any provision of this Proposal;
- (c) the power to approve interim and final statements of receipts and disbursements of the Proposal Trustee, including the power to approve proposed dividends and reasonable fees and disbursements of the Proposal Trustee;
- (d) the power to advise the Proposal Trustee in respect of any such matters as may be referred to the Inspectors by the Proposal Trustee; and

- (e) the power to advise the Proposal Trustee concerning any dispute that may arise as to the validity of a Proof of Claim filed by a Creditor.

The Proposal Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect, by any of them.

5.2 MEETING

The Meeting shall be conducted in accordance with Part III, Division I of the BIA.

5.3 VOTING

Each Voting Creditor will be entitled to vote the full amount of its Proven Claim at the Meeting. Each Voting Creditor shall have one vote for the purposes of determining a majority in number, and each Voting Creditor shall be entitled to one vote for every \$1.00 of its Proven Claim for the purposes of determining a majority in value.

Related Creditors and Unaffected Creditors (to the extent of their Unaffected Claims), shall not be entitled to vote at the Meeting.

Affected Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim package and will be binding upon all Affected Creditors.

5.4 ADJOURNMENT OF MEETING

The Meeting may be adjourned in accordance with Section 52 of the BIA.

ARTICLE VI CONDITIONS PRECEDENT

6.1 CONDITIONS PRECEDENT TO THE IMPLEMENTATION OF THIS PROPOSAL

The implementation of this Proposal by the Company on the Implementation Date is subject to the satisfaction of the following conditions precedent (collectively, the “**Conditions Precedent**”):

- (a) this Proposal shall have been approved by the Required Majority of the Affected Creditors in accordance with the provisions of the BIA;
- (b) the Approval Order sanctioning this Proposal and the Approval and Reverse Vesting Order shall have been made, and the effect of these orders shall not have

been stayed, revised, modified, reversed or amended, and these orders shall, among other things:

- i. declare that (1) this Proposal has been approved by the Required Majority of the Affected Creditors in conformity with the BIA; and (2) this Proposal, the Agreement, and the transactions contemplated thereby are fair and reasonable, and in the best interest of the Company, the Affected Creditors, and other stakeholders;
 - ii. order that this Proposal is sanctioned and approved pursuant to the BIA; and
 - iii. authorize and direct the Company and the Proposal Trustee to execute and deliver the agreements, documents, and instruments contemplated by this Proposal in order to effect all actions contemplated by this Proposal and the Agreement;
- (c) the Agreement shall have completed in accordance with the Closing Sequence and the Closing shall have occurred (as such terms are defined therein, and all in accordance with the provisions of the Agreement);
 - (d) ResidualCo shall have been assigned, or a voluntary assignment into bankruptcy shall have been filed in respect thereof; and
 - (e) all other actions, documents and agreements necessary to implement this Proposal as required herein shall have been effected and executed.

The non-fulfillment or non-satisfaction of any of the Conditions Precedent set forth in Article 8.1(a) through (c), above, shall constitute a default under this Proposal for the purposes of Section 62.1 of the BIA and otherwise under this Proposal.

ARTICLE VII AMENDMENTS AND MODIFICATIONS

7.1 AMENDMENT OF PROPOSAL BEFORE OR AT MEETING

The Company reserves the right, with the consent of the Proposal Trustee, to amend, modify, supplement, or restate this Proposal at any time prior to the Meeting, or at the Meeting, in which case the amended, modified, supplemented or restated proposal will be put before the Affected Creditors for approval at the Meeting.

7.2 MODIFICATION OF PROPOSAL AFTER MEETING

After the Meeting, this Proposal may be modified from time to time:

- (a) by the Company, if the amendment is considered by the Proposal Trustee and the Inspectors (if any) to be non-substantive in nature, and, with the approval of the Proposal Trustee and the majority of the Inspectors (if any); and
- (b) by the Court on application by the Company or the Proposal Trustee, and upon notice to those determined by the applicant to be directly affected by the proposed modification.

7.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Proposal Trustee or by a Creditor if such provision affects only that Creditor.

ARTICLE VIII APPLICATION FOR APPROVAL ORDER

8.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting, if the Proposal has been approved by the Affected Creditors by the Required Majority, the Proposal Trustee shall apply to the Court for the Approval Order. Subject only to the Approval Order being granted and the satisfaction of the Conditions Precedent enumerated in Article 6.1, this Proposal will be implemented by the Company and will be binding upon all Affected Creditors and all other Persons affected by this Proposal in accordance with its terms.

8.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

ARTICLE IX NOTICE, UNDELIVERABLE DISTRIBUTIONS AND THE LEVY

9.1 NOTICES AND PAYMENTS TO AFFECTED CREDITORS

Any notices, correspondence and distributions to Affected Creditors under or in relation to this Proposal shall be delivered to the address provided by each Affected Creditor unless the Company and the Proposal Trustee are notified by an Affected Creditor in writing of an alternative address for delivery.

9.2 UNDELIVERABLE DISTRIBUTIONS

If any distribution, delivery or correspondence to an Affected Creditor under this Proposal is returned to the sender as undeliverable, no further distributions, deliveries or correspondence shall be made to that Affected Creditor unless and until the sender is notified by such Affected Creditor, in writing, of their current address, at which time any missed deliveries, distributions

(without interest) and correspondence shall be delivered to such Affected Creditor. Undeliverable distributions shall be retained by the sender until they are claimed or until six months after the date of such distribution, after which they shall revert to the Company, free of any restrictions or claims thereon.

9.3 WITHHOLDING TAXES AND SUPERINTENDENT’S LEVY

All distributions to the Affected Creditors under this Proposal shall be made net of the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of this Proposal, each Affected Creditor that receives a distribution pursuant to this Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

ARTICLE X GENERAL

10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to “Articles”, “Sections” and “Schedules” are to sections, articles, and schedules to the Proposal.

10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

10.6 INTEREST

Interest shall not accrue or be paid on any Affected Claims after the Filing Date, and no Affected Claims shall be entitled to interest accruing on or after the Filing Date.

10.7 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

10.8 CONFLICTS BETWEEN THIS PROPOSAL AND OTHER AGREEMENTS

From and after the Implementation Date, any conflict between: (a) this Proposal; and (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, purchase order, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Creditors and the Company as at the Implementation Date, will be deemed to be governed by the provisions of this Proposal and the Approval Order, which shall take precedence and priority. For greater certainty, all Affected Creditors shall be deemed to consent to all transactions contemplated in this Proposal.

For clarity, however, any conflict between the terms of this Proposal and the Agreement will be deemed to be governed by the provisions of the Agreement and the Approval and Reverse Vesting Order, which shall take precedence and priority to the extent of any conflict.

10.9 NOTICES

All notices, Proofs of Claim, and other correspondence relating to this Proposal and to be delivered to the Proposal Trustee shall be in writing and shall be delivered either personally, by e-mail, or by regular mail, registered or certified mail, return receipt requested, to the Proposal Trustee at the following address:

c/o MNP Ltd.
Licensed Insolvency Trustee in the Proposal
Proceedings of Lotus Ventures Inc.
Suite 1630 609 Granville Street
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384

Facsimile: (604) 685-8594

E-mail: InsolvencyInfoTBG@mnp.ca / Seamus.Boyle@mnp.ca

10.10 BIA SECTIONS 95 TO 99, AND SECTION 101

It is a term of a term of this Proposal that Sections 95 to 99, and Section 101, inclusive, of the BIA shall not apply with respect to this Proposal and the Company.

10.11 SEVERABILITY

If subsequent to the Implementation Date, any term or provision of this Proposal is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Proposal Trustee, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Proposal shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

10.12 GOVERNING LAW

This Proposal will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

10.13 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Affected Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 7th day of May, 2024.

LOTUS VENTURES INC.

Per: 

Authorized Signatory

SCHEDULE “A”

Agreement

SUBSCRIPTION AGREEMENT

Between

Lotus Ventures Inc.

-and-

5008679 Ontario Limited

May 3, 2024

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION	5
1.1 Definitions	5
1.2 Certain Rules of Interpretation	13
1.3 Entire Agreement	14
1.4 Schedules	14
ARTICLE 2 SUBSCRIPTION PRICE FOR SUBSCRIBED SHARES	15
2.1 Subscription Price	15
ARTICLE 3 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES	17
3.1 Transfer of Excluded Liabilities to ResidualCo	17
3.2 Transfer of Excluded Assets and Excluded Contracts to ResidualCo	17
ARTICLE 4 REPRESENTATIONS AND WARRANTIES	17
4.1 Representations and Warranties of Company	17
4.2 Representations and Warranties of the Purchaser	17
4.3 As is, where is	19
ARTICLE 5 CLOSING	20
5.1 Closing	20
5.2 Closing Sequence	20
5.3 The Purchaser's Closing Deliveries	22
5.4 Company's Closing Deliveries	23
ARTICLE 6 CONDITIONS PRECEDENT	23
6.1 Conditions for the Benefit of Company	23
6.2 Conditions for the Benefit of the Purchaser	24
6.3 Mutual Conditions for the Benefit of Company and the Purchaser	25
6.4 Interim Period	26
6.5 Access During Interim Period	26
6.6 Non-Satisfaction of Conditions	27
ARTICLE 7 COVENANTS OF THE PARTIES	27
7.1 Pre-Closing Covenants of the Purchaser	27
7.2 Pre-Closing Covenants of the Company	27
7.3 Mutual Covenants	28
7.4 Proposal Trustee's Certificate	29
ARTICLE 8 TERMINATION	29

8.1	Grounds for Termination	29
8.2	Effect of Termination.....	30
ARTICLE 9 GENERAL		31
9.1	Proposal Trustee’s Capacity	31
9.2	Expenses	31
9.3	Notices	31
9.4	Time of Essence.....	32
9.5	Successors and Assigns	33
9.6	Assignment	33
9.7	Amendment.....	33
9.8	Waiver.....	33
9.9	Survival.....	33
9.10	Further Assurances	33
9.11	Severability	33
9.12	Governing Law and Jurisdiction.....	34
9.13	Execution and Delivery	34

THIS SUBSCRIPTION AGREEMENT is made as of May 3, 2024,

BETWEEN:

LOTUS VENTURES INC., a corporation incorporated pursuant to
the laws of British Columbia

(the “**Company**”)

- and –

5008679 Ontario Limited, a corporation incorporated pursuant to
the laws of Ontario

(the “**Purchaser**”)

RECITALS:

- A. On January 17, 2024 (the “**Filing Date**”), the Company initiated proceedings under the *Bankruptcy and Insolvency Act* (Canada) the (“**BIA**”) by filing a Notice of Intention to Make a Proposal pursuant to section 50.4(1) of the BIA (the “**NOI Proceedings**”) and MNP Ltd. consented to act as licensed insolvency trustee (in such capacity, the “**Proposal Trustee**”).
- B. On February 15, 2024, the time for filing the Company’s proposal was extended to April 1, 2024, by way of an order granted by the Supreme Court of British Columbia in Bankruptcy and Insolvency (the “**Court**”).
- C. On March 28, 2024, the Company made a proposal to its creditors of even date (the “**Proposal**”).
- D. On April 4, 2024, counsel for the Purchaser provided the Company with a draft binding offer for the Purchaser’s subscription for the Subscribed Shares (the “**Proposed Binding Offer**”), to be completed through a series of transactions between the Company and the Purchaser to proceed by way of reverse vesting order substantially in the form set forth in Schedule “A”, thereto, subject to all necessary approvals of the creditors and the Court and entering into a definitive subscription agreement.
- E. Following completion of the Transactions contemplated by this Subscription Agreement, the Subscribed Shares shall represent all of the existing equity of Company.
- F. The Company wishes to issue to the Purchaser, and the Purchaser has agreed to subscribe for and purchase from the Company, the Subscribed Shares, upon the terms and conditions set forth herein.

G. The Transactions contemplated by this Subscription Agreement are subject to the approval of the Court and will be consummated only pursuant to and in accordance with the approval of the Court pursuant to the Approval and Reverse Vesting Order.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (as defined below) agree as follows:

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Subscription Agreement the following words and terms shall have the meanings set out below:

“**Act**” means the *Cannabis Act*, S.C. 2018, c. 16, as amended;

“**Action**” means any claim, action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity and by or before a Governmental Authority;

“**Affiliate**” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to “control” another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term “controlled” shall have a similar meaning;

“**Agreement Date**” means the date of this Subscription Agreement as set forth on the first page of this Subscription Agreement;

“**Approval and Reverse Vesting Order**” means an order issued by the Court substantially in the form attached hereto as Schedule “A”, or otherwise acceptable to the Purchaser, the Company and the Proposal Trustee, each acting reasonably: (i) approving the Transactions; (ii) transferring out of the Company and vesting in ResidualCo all Excluded Assets, Excluded Contracts and Excluded Liabilities, and discharging all Claims and Encumbrances against the Company; (iii) providing for the Company’s retaining the Retained Assets (free and clear of all Claims and Encumbrances), Retained Contracts, Retained Liabilities, and Permitted Encumbrances; and (iv) vesting in the Purchaser all right, title and interest in and to the Subscribed Shares, free and clear of all Claims and Encumbrances;

“**BIA**” has the meaning set out in the recitals;

“Books and Records” means all books and records of Company and its subsidiaries, including minute books, annual returns filed with the corporate registry, books of account, ledgers, general, financial and accounting records, Tax Returns and other records in the possession and control of Company or its subsidiaries as of the Agreement Date;

“Business” means the business carried on by Company;

“Business Day” means any day, other than a Saturday or Sunday or any day on which banks are generally not open for business in the City of Vancouver, British Columbia;

“Cannabis Licenses” means, collectively, all of the licenses, permits, certificates, permissions or agreements granted by a governmental department, branch or agency, foreign or domestic, in favour of the Company, which authorize and permit the Company to carry on the Business, to cultivate and process cannabis and cannabis products, and to sell cannabis and cannabis products to the public.

“Cash Consideration” has the meaning set out in Section 2.1(b);

“Claims” means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of preemption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, of any nature or kind whatsoever, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“Closing” means the completion of the Transactions pursuant to this Subscription Agreement;

“Closing Date” means the date on which the Closing occurs, which date shall be no later than four (4) Business Days from the date on which all conditions set out in Article 6 (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived, or such other date as may be agreed to in writing by the Parties;

“Closing Sequence” has the meaning set out in Section 5.2;

“Closing Statement” has the meaning set out in Section 2.3(a);.

“Closing Time” means the time on the Closing Date at which Closing occurs, as evidenced by the Proposal Trustee’s Certificate;

“Company” has the meaning set out in preamble to this Subscription Agreement;

“**Company Obligations**” means, collectively, the: (i) Post-Filing Obligations; (ii) Cure Costs; and (iii) Terminated Employee Claims, to the extent existing and unsatisfied at Closing;

“**Company Obligations Amount**” has the meaning set out in Section 2.1(a);

“**Conditions Certificates**” has the meaning set out in Section 7.4.

“**Contracts**” means all contracts, agreements, deeds, licenses, leases, obligations, commitments, promises, undertakings, engagements, understandings or arrangements to which Company is a party, or by which Company is bound, including, without limitation, those under which Company has, or will have at Closing, any right, obligation, or Liability or contingent right, obligation, or Liability (in each case, whether written or oral, express or implied), or under which any Claims or Encumbrances against Company arise, including those which in anyway relate to the Business;

“**Court**” has the meaning set out in the recitals;

“**CTO**” means the cease trade order issued by the British Columbia Securities Commission dated April 8, 2024, relating to, among other issuers, the Company, and any other reciprocal Orders issued by any other securities commission relating to such cease trade order, automatically or otherwise;

“**Cure Costs**” means all monetary defaults in relation to the Retained Contracts as at the Closing Date, other than those arising by reason only of Company’s insolvency, the NOI Proceedings, the appointment of the Proposal Trustee, or the Company’s failure to perform a non-monetary obligation;

“**Discharged**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, including all proceeds thereof, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof;

“**Employees**” means all individuals, and “**Employee**” means any one of them, who, as of Closing Time, are employed by the Company whether on a full-time or part-time basis, including all individuals who are on an approved and unexpired leaves of absence and all individuals who have been placed on temporary lay-off which has not expired, but, for certainty, excludes any Terminated Employees;

“**Encumbrances**” means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“Encumbrances to Be Discharged” means all Encumbrances on the Retained Assets, including without limitation the Encumbrances listed in Schedule “H”, an amended list of which may be delivered by the Purchaser no later than before the Closing Date and excluding only the Permitted Encumbrances;

“Equipment” has the meaning given to it in the PPSA;

“Equipment Assets” means all Equipment owned by the Company, including and in particular all Equipment located on the Lands;

“Equity Interest” means and includes any and all of the following as such relate to the Company: (i) any shares, interests, participations or other equivalents (however designated) of capital stock or share capital or related rights or interests; (ii) any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance securities; (iii) any warrants, options, convertible, exchangeable or exercisable securities, subscriptions, rights (including any pre-emptive or similar rights), calls; (iv) any other rights or interests to purchase or acquire any of the foregoing; and (v) any interest that constitutes an *“equity interest”* as such term is defined in the BIA;

“Estimated Closing Statement” has the meaning set out in Section 2.2(a);

“Excluded Assets” means those assets listed in Schedule “C”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

“Excluded Contracts” those Contracts listed in Schedule “E” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order), as well as: (i) any and all Contracts disclaimed or resiliated by the Company prior to the Closing Date pursuant to section 65.11 of the BIA; and (ii) for clarity, any contracts of employment held by Terminated Employees;

“Excluded Liabilities” means all debts, obligations, Liabilities, Encumbrances (other than Permitted Encumbrances), indebtedness, Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or relating to any Retained Assets, Excluded Assets, or Excluded Contracts, as at the Closing Time, other than Retained Liabilities, including, among others: (i) the non-exhaustive list of those certain Liabilities set forth in Schedule “G” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (ii) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transactions and to which Company may be bound as at the Closing Time; (iii) all Liabilities relating to or under the Excluded Contracts and Excluded Assets; and (iv) all Liabilities to or in respect of Company’s Affiliates;

“Existing Equity Interests” for clarity, does not include the Subscribed Shares, but means and includes any issued and outstanding Equity Interest in the Company in existence prior to Closing;

“Filing Date” has the meaning set out in the recitals;

“Final Order” means the Approval and Reverse Vesting Order that satisfies the following conditions: (i) it is in full force and effect; (ii) it has not been reversed, modified or vacated and is not subject to any stay; and (iii) all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval and Reverse Vesting Order wholly operable;

“Governmental Authority” means any government, regulatory authority, governmental department, agency, agent, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or entity: (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (ii) exercising, or entitled to or purporting to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“Intellectual Property” means: (i) domestic and foreign patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) information, including proprietary business information and non-public business information, inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, biological and genetic strains, sequences, information or materials, and any documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) trade names, business names, corporate names, domain names, website names and world wide web addresses, social media accounts and identifiers, common law trademarks, trademark registrations, trademark applications, trade dress and logos, and the goodwill associated with any of the foregoing (including and in particular any registered, pending, statutory or common law rights in trademarks, business, or trade names related to the Company and the Business, and to the name and use of the “Lotus Ventures Inc.”, and “Lotus Cannabis Co.” brands); and (v) any other intellectual property and industrial property and applications and registrations therefor;

“Interim Period” means the period from the Agreement Date up to and until the Closing Time;

“Inventory” has the meaning given to it in the PPSA;

“Inventory Assets” means all Inventory owned by the Company, including and in particular all Inventory located on the Lands;

“Lands” means PID: 011-546-247, Lot 8, Section 16, Township 7, Osoyoos Division, Yale District, Plan 1558;

“**Laws**” means, with respect to any Person, property, transaction, event or other matter; all laws, statutes, by-laws, rules, regulations, treaties, Orders, ordinances or judgments, guidelines, directives or other requirements having the force of law, whether federal, provincial, state or municipal, relating or applicable to that Person, property, transaction, event or other matter, including without limitation, the Regulations and laws or requirements of stock exchanges and any consent decree or administrative order;

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;

“**NOI Proceedings**” has the meaning set out in the recitals;

“**Notice**” has the meaning set out in Section 9.3;

“**Orders**” means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and includes any orders granted by the Court in the NOI Proceedings;

“**Outside Date**” means June 14, 2024, or such other date as the Parties agree in writing;

“**Parties**” means, collectively, the Company and the Purchaser, and “**Party**” means any one of them;

“**Permits**” means the permits, licenses, authorizations, approvals or other evidence of authority Related to the Business or issued to, granted to, conferred upon, or otherwise created for, Company;

“**Permitted Encumbrances**” means the Encumbrances related to the Retained Assets listed in Schedule “I”, an amended list of which may be agreed to by the Purchaser, Company and the Proposal Trustee prior to the granting of the Approval and Reverse Vesting Order;

“**Person**” means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, corporation, Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

“**Post-Filing Obligations**” means any Claim or Liability of any kind owing by the Company arising out of or relating to the Business and becoming payable after the Filing Date;

“**PPSA**” means the *Personal Property Security Act*, R.S.B.C. 1996, c. 359;

“**Production Facility**” means the 22,500 square foot indoor cannabis production facility, which includes administrative offices, situate on the Lands, along with all other fixtures, structures and out-buildings connected with or related to such facility;

“**Proposal**” has the meaning set out in the recitals;

“**Proposal Trustee**” has the meaning set out in the recitals;

“**Proposal Trustee’s Certificate**” means the certificate, substantially in the form attached as Schedule “D” to the Approval and Reverse Vesting Order, to be delivered by the Proposal Trustee in accordance with Section 7.4, and thereafter filed by the Proposal Trustee with the Court;

“**Proposed Binding Offer**” has the meaning set out in the recitals;

“**Purchase and Sale Transactions**” means the transactions contemplated by this Subscription Agreement, which provide for, among other things: (i) the issuance by Company of the Subscribed Shares to the Purchaser in consideration for the Subscription Price; (ii) the transfer and assignment by the Company to ResidualCo of the Excluded Assets, Excluded Contracts, and the Excluded Liabilities, each on and subject to the terms set forth herein; and (iii) the transfer of: (1) the Company Obligations Amount to the Company in full payment and satisfaction of the Company Obligations; and (2) the Cash Consideration to ResidualCo, in full payment and satisfaction of the Excluded Liabilities, Excluded Assets and Excluded Contracts, all in full satisfaction of the Purchaser’s obligations under this Subscription Agreement;

“**Purchaser**” has the meaning set out in preamble to this Subscription Agreement;

“**Purchaser Release**” has the meaning set out in Section 5.3;

“**Regulations**” means the *Cannabis Regulations*, SOR/2018-144, as amended;

“**Related to the Business**” means primarily: (i) used in; (ii) arising from; or (iii) otherwise related to the Business or any part thereof;

“**Released Parties**” has the meaning set out in Section 5.3(e);

“**Representative**” when used with respect to a Person means each director, officer, employee, consultant, financial adviser, legal counsel, accountant and other agent, adviser or representative of that Person;

“**ResidualCo**” means Lotus Cannabis Alberta Incorporated, a corporation incorporated pursuant to the laws of Alberta, and a wholly owned subsidiary of the Company;

“**Retained Assets**” means all of the assets owned by the Company as at the Agreement Date and any assets acquired by it up to and including Closing, that are not the Excluded Assets, including (without limitation): (i) those assets listed at Schedule “B” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the

Approval and Reverse Vesting Order), and (ii) the Permits, Cannabis Licenses, Books and Records, Lands, Production Facility, Equipment Assets, Inventory Assets, and Intellectual Property;

“**Retained Contracts**” means all contracts held by the Company as at the Closing Date that are not Excluded Contracts, including, without limitation, those Contracts listed at Schedule “D”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

“**Retained Liabilities**” means: (a) Liabilities specifically and expressly designated by the Purchaser as Retained Liabilities in Schedule “F” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (b) the Company Obligations; and (c) the ordinary course obligations under the Retained Contracts, including all obligations in respect of the Employees. For clarity, the Retained Liabilities shall not include: (y) any debts, Liabilities, Claims, Encumbrances, or obligations arising from any breach of any of the Retained Contracts, or any negligence or willful misconduct by the Company arising prior to the Closing Date; or (z) any obligations relating to Terminated Employees that are not the Terminated Employee Claims;

“**Subscribed Shares**” means a number of common shares in the capital of the Company, to be advised by the Purchaser, which will be issued on Closing and which, after the Closing Time, will represent 100% of the Equity Interest in the Company;

“**Subscription Agreement**” means this Subscription Agreement, including all schedules, and all amendments or restatements, as permitted pursuant to the terms hereof, and references to “Article” or “Section” mean the specified Article or Section of this Subscription Agreement;

“**Subscription Price**” has the meaning set out in Section 2.1;

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Tax Liabilities**” means the Liabilities arising from or related to the Transaction Taxes;

“**Tax Returns**” means all returns, reports, declarations, designations, forms, elections, notices, filings, information returns, and statements in respect of Taxes that are filed or required to be filed with any applicable Governmental Authority, including all amendments, schedules, attachments or supplements thereto and whether in tangible or electronic form;

“**Taxes**” or “**Tax**” means, with respect to any Person, all supranational, national, federal, provincial, state, local or other taxes, including income taxes, mining taxes, branch taxes, profits taxes, capital gains taxes, gross receipts taxes, windfall profits taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, franchise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, governmental pension plan premiums and

contributions, social security premiums, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person;

“Terminated Employees” means those individuals employed by the Company whose employment shall be terminated by the Company prior to the Closing Date pursuant to a list to be provided by the Purchaser to the Company prior to the Closing Date;

“Terminated Employee Claims” means claims of Terminated Employees that rank in priority pursuant to sections 81.3 and 81.4 of the BIA, to a maximum of \$2,000 per Terminated Employee;

“Transaction Taxes” means all documentary, stamp, transfer, sales and transfer taxes, registration charges and transfer fees, including HST, use, value added, and excise taxes and all filing and recording fees (and any penalties and interest associated with such taxes and fees) or any other Tax consequences arising from, or relating to, or in respect of the consummation of the Transactions; and

“Transactions” means all of the transactions contemplated by this Subscription Agreement, including the Purchase and Sale Transactions.

1.2 Certain Rules of Interpretation

In this Subscription Agreement:

- (a) Currency – Unless otherwise specified, all references to monetary amounts are to lawful currency of Canada.
- (b) Headings – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Subscription Agreement.
- (c) Including – Where the word “including” or “includes” is used in this Subscription Agreement, it means “including (or includes) without limitation”.
- (d) No Strict Construction – The language used in this Subscription Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (e) Number and Gender – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

- (f) Statutory reference – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (g) Time – Time is of the essence in the performance of the Parties’ respective obligations.
- (h) Time Periods – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.3 Entire Agreement

This Subscription Agreement and the agreements and other documents required to be delivered pursuant to this Subscription Agreement constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Subscription Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise, with respect to the subject matter of this Subscription Agreement, including the Proposed Binding Offer.

1.4 Schedules

The schedules to this Subscription Agreement, listed below, are an integral part of this Subscription Agreement:

Schedule	Description
Schedule “A”	Approval and Reverse Vesting Order
Schedule “B”	Retained Assets
Schedule “C”	Excluded Assets
Schedule “D”	Retained Contracts
Schedule “E”	Excluded Contracts
Schedule “F”	Retained Liabilities
Schedule “G”	Excluded Liabilities
Schedule “H”	Encumbrances to be Discharged
Schedule “I”	Permitted Encumbrances

ARTICLE 2 SUBSCRIPTION PRICE FOR SUBSCRIBED SHARES

2.1 Subscription Price

The subscription price for the Subscribed Shares shall be the aggregate, all-inclusive amount of \$2,538,398.00 (the “**Subscription Price**”), which shall be satisfied as follows:

- (a) by wire transfer of an amount equal to the amount required to pay the Company Obligations (the “**Company Obligations Amount**”) and as set out in the Closing Statement, to the Company, in immediately available funds; and
- (b) by wire transfer of the Subscription Price, less the Company Obligations Amount, to the Proposal Trustee (the “**Cash Consideration**”), in immediately available funds.

The Company Obligations Amount shall be paid to the Company for payment by the Company to those parties entitled to the Company Obligations to satisfy such Company Obligations, including any counterparties under Retained Contracts in accordance with the Closing Sequence.

The Cash Consideration shall subsequently be transferred from the Proposal Trustee to ResidualCo pursuant to the Approval and Reverse Vesting Order, in full and final payment and satisfaction of the Purchaser’s obligations hereunder, on the Closing Date and in accordance with the Closing Sequence.

2.2 Estimated Closing Statement

- (a) At least three (3) Business Days prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the information therein (the “**Estimated Closing Statement**”), and setting forth in reasonable detail, the Company’s good faith estimate of:
 - (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;
 - (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;

- (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
 - (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with the definitions herein.
- (b) Following delivery of the estimated Closing Statement, the Company shall provide the Purchaser (including its Representatives) with reasonable access to (and copies of) all Books and Records of the Business related to the Company Obligations as well as access to personnel of the Company, to enable the Purchaser to evaluate the accuracy of the Estimated Closing Statement. In the event that the Purchaser disputes one or more of the items to be contained in the Estimated Closing Statement, then the Purchaser shall notify the Company and the Parties shall attempt to resolve the dispute to the mutual satisfaction of the Parties. Upon resolution of such dispute, the Estimated Closing Statement shall be amended to reflect such resolution.

2.3 Closing Statement

- (a) At least one (1) Business Day prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the information therein (the “**Closing Statement**”), which shall be the same in all material respects to the Estimated Closing Statement, as amended pursuant to Section 2.2(b) or unless otherwise approved by the Purchaser, setting forth in reasonable detail:
- (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;
 - (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;
 - (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
 - (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with its definitions herein,

which, for greater certainty, shall be in a form approved by the Purchaser, in its sole and absolute discretion, acting reasonably.

ARTICLE 3 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

3.1 Transfer of Excluded Liabilities to ResidualCo

On the Closing Date, in accordance with the Closing Sequence and pursuant to the Approval and Reverse Vesting Order, the Excluded Liabilities shall be transferred to and assumed by ResidualCo. All of the Excluded Liabilities shall be discharged from the Company as of the Closing, pursuant to the Approval and Reverse Vesting Order.

3.2 Transfer of Excluded Assets and Excluded Contracts to ResidualCo

On the Closing Date, Company shall retain, free and clear of any and all Encumbrances, Claims, and Liabilities, other than Permitted Encumbrances, the Retained Assets and the Retained Contracts. For greater certainty, the Retained Assets shall not include the Excluded Assets or the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Closing Sequence, on the Closing Date, and same shall be vested in ResidualCo pursuant to the Approval and Reverse Vesting Order. For greater certainty, the Company (and not ResidualCo) shall be solely liable for all Tax Liabilities and Transaction Taxes, if any, arising in connection with or as a result of the transfer of the Excluded Assets and Excluded Contracts to ResidualCo.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Company

The Company represents and warrants as of the Agreement Date and the Closing Date the following to the Purchaser and acknowledges that the Purchaser is relying upon these representations and warranties in connection with the Transactions:

- (a) subject to the granting and terms of the Approval and Reverse Vesting Order, this Subscription Agreement is a legal, valid and binding obligation of Company, enforceable against it in accordance with its terms; and
- (b) Company is not a non-resident of Canada within the meaning of the Tax Act.

4.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants as of the Agreement Date and the Closing Date the following to the Company and acknowledges that the Company is relying upon the representations and warranties in connection with the Transactions:

- (a) the Purchaser is a corporation incorporated and existing under the Laws of its jurisdiction of incorporation and has the corporate power to enter into and perform its obligations under this Subscription Agreement;

- (b) the execution and delivery of and performance by the Purchaser of this Subscription Agreement has been authorized by all necessary corporate action on the part of the Purchaser;
- (c) the execution and delivery of and performance by the Purchaser of this Subscription Agreement:
 - (i) does not constitute or result in a violation or breach of, or conflict with, any of the terms or provisions of its constating documents or bylaws; and
 - (ii) does not result in the violation of any Laws;
- (d) no filing with, notice to or authorization of, any Governmental Authority is required on the part of the Purchaser as a condition to the lawful completion of the Transactions;
- (e) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms, subject only to any limitation under Laws relating to: (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar Laws of general application affecting creditors' rights; and (ii) the discretion that a court may exercise in the granting of equitable remedies including specific performance and injunction;
- (f) the Purchaser acknowledges that it has been encouraged to and should obtain independent legal, tax and investment advice with respect to its subscription for the Subscribed Shares, including, the applicable resale and transfer restrictions, and accordingly, has been independently advised, or has waived such independent advice, as to the meanings of all terms contained herein relevant to the Purchaser for purposes of giving representations, warranties and covenants under this Subscription Agreement;
- (g) the Purchaser is an informed and sophisticated buyer, has engaged expert advisors and is experienced in the evaluation and purchase of property and assets and assumption of liabilities such as the Subscribed Shares as contemplated hereunder, and has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Subscription Agreement;
- (h) the Purchaser acknowledges that investment in the Subscribed Shares involves risk, and represents that it is able, without materially impairing its financial condition, to hold the Subscribed Shares for an indefinite period of time and to suffer a complete loss of its investment;
- (i) the Purchaser understands that the Subscribed Shares are being issued to it under an exemption from the prospectus requirements applicable under Canadian

securities Laws and that there are restrictions imposed on the Purchaser and the Subscribed Shares which limit the Purchaser's ability to resell the Subscribed Shares in Canada. The Purchaser further acknowledges that if an exemption from resale restrictions is available, it may be conditioned on various requirements including the time and manner of sale, the holding period for the Subscribed Shares, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy;

- (j) it is an "accredited investor", as such term is defined in National Instrument 45-106 - Prospectus Exemptions; and
- (k) the Purchaser understands that the investment in, or holding, acquisition or disposition of, the Subscribed Shares may have material tax consequences under Laws, and that it is the sole responsibility of the Purchaser to determine and assess such tax consequences as may apply to their particular circumstances.

4.3 As is, where is

Notwithstanding any other provision of this Subscription Agreement, the Purchaser acknowledges, agrees and confirms that:

- (a) except for the representations and warranties of Company set forth in Section 4.1, it is entering into this Subscription Agreement and acquiring its Subscribed Shares on an "as is, where is" basis as they exist as of the Closing Time;
- (b) it has conducted to its satisfaction and has relied on such independent searches, investigations, reviews and inspections of the Company and the Subscribed Shares as it deemed appropriate, and based thereon, has determined to proceed with the Transactions;
- (c) except as expressly stated in Section 4.1, the Company is not making, and the Purchaser is not relying on, any written or oral representations, warranties, statements, information, promises or guarantees, express or implied, statutory or otherwise, concerning the Transactions, Company, the Business, or the Subscribed Shares, including the right, title or interest of the Company in and to any assets relating to the Business, and any and all conditions, warranties or representations expressed or implied pursuant to any Laws in any jurisdiction, which the Purchaser confirms does not apply to this Subscription Agreement, are hereby waived in their entirety by the Purchaser;
- (d) the Company has not made any representation or warranty as to any regulatory approvals, permits, licenses, consents, registrations, filings or authorizations that may be needed to complete the Transactions or to obtain the benefit of the Subscribed Shares or any portion thereof, and the Purchaser is relying entirely on its own investigation, due diligence and inquiries in connection with such matters;

- (e) the obligations of the Purchaser under this Subscription Agreement are not conditional upon any additional due diligence;
- (f) except for the representations and warranties of Company set forth in Section 4.1, any information regarding or describing the Subscribed Shares, or in any other agreement or instrument contemplated hereby, is for identification purposes only, is not relied upon by the Purchaser, and no representation, warranty or condition, express or implied, has or will be given by the Company concerning the completeness or accuracy of such information or descriptions; and
- (g) except as otherwise expressly provided in this Subscription Agreement, and except for fraud on the part of the Company, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or claims the Purchaser might have against Company pursuant to any warranty, express or implied, legal or conventional, of any kind or type, other than those representations and warranties of the Company expressly set forth in Section 4.1. Except as set out above in this Subsection (g), such waiver is absolute, unlimited, and includes, but is not limited to, waiver of express warranties, completeness of warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not discoverable or latent, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights; and the provisions of Section 4.3 shall survive and not merge on Closing.

ARTICLE 5 CLOSING

5.1 Closing

The Closing shall take place virtually by exchange of documents in PDF format on the Closing Date, in accordance with the Closing Sequence, and shall be subject to such escrow document release arrangements as the Parties may agree.

5.2 Closing Sequence

On the Closing Date, Closing shall take place in the following sequence (the “**Closing Sequence**”):

- (a) First, the Purchaser shall pay: (i) the Company Obligations Amount to the Company; and (ii) the Cash Consideration to the Proposal Trustee, to be held in escrow, and the entire Subscription Price shall be dealt with in accordance with this Closing Sequence;
- (b) Second, the Company shall transfer to and cause ResidualCo to assume the Excluded Assets, the Excluded Contracts, and the Excluded Liabilities, and all Claims and Encumbrances, other than the Permitted Encumbrances, shall be

Discharged from and against the Company, all in accordance with the Approval and Reverse Vesting Order;

- (c) Third, all of the Company's right title and interest in and to the Excluded Liabilities, all Claims and Encumbrances (but specifically excluding the Retained Liabilities and Permitted Encumbrances), shall be channeled to, assumed by and vest absolutely and exclusively in ResidualCo and: (i) such Excluded Liabilities, Claims, and Encumbrances shall continue to attach to the Excluded Assets, the Excluded Contracts, and all other property and assets of ResidualCo, with the same nature and priority as they had immediately prior to the Closing Date; (ii) such Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances shall be transferred to and assumed by ResidualCo in consideration for the Cash Consideration (as and in the manner contemplated by this Section 5.2), such that the Excluded Liabilities, Excluded Contracts, and all Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances) shall become obligations of ResidualCo, which shall be deemed to have been party to the Contracts giving rise thereto and which shall stand in place and stead of the Company in respect of all such Liabilities or obligations, all of which shall no longer be Liabilities or obligations of the Company, and the Company shall be and is hereby forever released and discharged from such Excluded Liabilities, Excluded Contracts, Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances);
- (d) Fourth, all Existing Equity Interests shall be surrendered and cancelled and shall be of no further force or effect, and the obligations of the Company thereunder or in any way related thereto shall be satisfied and discharged, with no compensation or participation being provided or payable therefor, or in connection therewith, and any and all agreements, plans, indentures, deeds, certificates, subscription rights, conversion rights, pre-emption rights or other documents or instruments governing and/ or having been created, or granted in connection with the Existing Equity Interests, shall be deemed terminated and cancelled and shall be null and void in accordance with and pursuant to the Approval and Reverse Vesting Order;
- (e) Fifth, the Retained Assets and the Retained Contracts shall be retained by the Company free and clear of all Encumbrances and Claims, save and except Permitted Encumbrances and the Retained Liabilities;
- (f) Sixth, the Company shall issue the Subscribed Shares and the Purchaser shall subscribe for and purchase the Subscribed Shares free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;
- (g) Seventh, all of the right, title and interest in and to the Subscribed Shares issued by the Company to the Purchaser shall vest absolutely in the Purchaser free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;

- (h) Eighth, the Purchaser Release shall be released from escrow and shall become effective;
- (i) Ninth, notwithstanding any other provision in this paragraph, the Cash Consideration shall vest in ResidualCo, and all Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances (save and except the Permitted Encumbrances and Retained Liabilities) shall attach to the Cash Consideration, in accordance with the Approval and Reverse Vesting Order;
- (j) Tenth, the Company shall pay, assume, or otherwise satisfy the Company Obligations in accordance with the terms of this Subscription Agreement and in the fashion contemplated by the Approval and Reverse Vesting Order; and
- (k) Eleventh, the Company shall cease to be a party to the NOI Proceedings and the Company shall be deemed to be released from the NOI Proceedings, save and except for the Approval and Reverse Vesting Order the provisions of which (as they relate to Company) shall continue to apply in all respects.

The Purchaser with the prior consent of Company and the Proposal Trustee, acting reasonably, may amend the Closing Sequence provided that such amendments to the Closing Sequence do not materially alter or impact the Transactions or the consideration which the Company or its stakeholders will benefit from, as part of the Transactions.

5.3 The Purchaser's Closing Deliveries

At or before the Closing (as applicable), the Purchaser shall deliver or cause to be delivered to Company (or to the Proposal Trustee, if so indicated below), the following:

- (a) a certificate dated as of the Closing Date and executed by the executive officer of the Purchaser confirming and certifying that each condition in Sections 6.1(a) and 6.1(b) has been satisfied;
- (b) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser issued by an appropriate Governmental Authority;
- (c) the Subscription Price in accordance with Section 2.1;
- (d) a list of Terminated Employees;
- (e) an irrevocable release (the “**Purchaser Release**”) by the Purchaser in favour of:
 - (i) Company's current and former directors, officers, employees, agents, representatives, and all of their respective advisors, including financial advisors and legal counsel; and
 - (ii) the Proposal Trustee and its current and former Affiliates, directors, officers and employees and all of their respective advisors, legal counsel and agents (such persons in (i) and (ii) above being collectively referred to herein as the “**Released Parties**”) from any and all rights, actions, causes of action, suits, demands, debts, covenants, or claims of any nature whatsoever, whether contractual, extra-contractual, in law or in equity or

otherwise, past, present or future, direct or indirect, whether known or unknown (collectively, the “**Purchaser Released Claims**”) against any of the Released Parties, including in their capacity as equity holders of Company, as applicable; save and except: (1) for any and all Purchaser Released Claims arising out of or in connection with any gross negligence, fraud or willful misconduct, on the part of the Released Parties; and (2) for any claims related to, connected with, or arising from the claim filed in the Supreme Court of British Columbia on October 19, 2023 under Action No. S-237106; and

- (f) such other agreements, documents and instruments as may be reasonably required by Company to complete the Transactions provided for in this Subscription Agreement, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

5.4 Company’s Closing Deliveries

At or before the Closing (as applicable), Company shall deliver or cause to be delivered to the Purchaser, the following:

- (a) a copy of the Approval and Reverse Vesting Order;
- (b) share certificates representing the Subscribed Shares;
- (c) a certificate dated as of the Closing Date and executed by an executive officer of the Company confirming and certifying that each of the conditions in Section 6.2(a) has been satisfied; and
- (d) the Closing Statement.

ARTICLE 6 CONDITIONS PRECEDENT

6.1 Conditions for the Benefit of Company

The obligation of the Company to complete the Transactions is subject to fulfilment of each of the following conditions on the date stated for fulfilment thereof, and if not so stated on or before the Closing Time, each of which is acknowledged to be for the exclusive benefit of Company and may be waived by Company in whole or in part:

- (a) Representations and Warranties. The representations, warranties and agreements of the Purchaser in Section 4.2 and 4.3 shall be true and accurate in all material respects as at the Closing Time with the same force and effect as if made at and as of such time, and the Purchaser shall have executed and delivered a certificate to that effect;
- (b) Fulfilment of Purchaser’s Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed by the Purchaser at or before the Closing Time shall have been complied with or

performed in all material respects and the Purchaser shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement; and

- (c) Delivery. The Purchaser shall have paid the Subscription Price and delivered the documents and other items referred to in 5.3.

6.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions is subject to fulfilment of each of the following conditions on or before the Closing Time, each of which is included for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part:

- (a) Fulfilment of Company's Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed, by the Company at or before the Closing Time shall have been complied with or performed in all material respects and the Company shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement.
- (b) Terminated Employees. The Company shall have terminated the employment of the Terminated Employees, as requested by the Purchaser, in its sole discretion, and all liabilities owing to any such Terminated Employees in respect of such terminations (except for the Terminated Employees Claims), including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be and constitute Excluded Liabilities which, pursuant to the Approval and Reverse Vesting Order and the Closing Sequence, shall be discharged as against the Company and transferred to ResidualCo.
- (c) Delivery. The Proposal Trustee or the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing the documents and other items referred to in Section 5.4.
- (d) Cannabis Licenses. The Purchaser, in its sole and absolute discretion, shall have confirmed to its satisfaction that: (i) the Company has maintained and has in place all required Cannabis Licenses, and has maintained the employment of all Employees or other individuals required pursuant to the Act and Regulations to maintain the Cannabis Licenses; and (ii) it shall have no indication that the Cannabis Licenses shall not remain in full force and effect following the completion of the Transaction.
- (e) Closing Statement. The Purchaser, in its sole and absolute discretion, acting reasonably, shall have confirmed to its satisfaction that the Closing Statement accurately details the Company Obligations.
- (f) No Material Adverse Change. No material adverse change shall have occurred in regard to the Business, operations, assets, liabilities, or financial condition of the

Company between the date of the Purchaser's signing of this Subscription Agreement and the Closing Date, except as required in connection with the completion of the Transaction.

- (g) No Actions. No Actions shall be pending or, to the knowledge of the Company, be threatened wherein an unfavourable judgment, order, decree, stipulation or injunction would: (i) prevent completion of the Transactions (or any part thereof); or (ii) cause any part of the Transactions to be rescinded following completion.
- (h) No Inquiries. No inquiry or investigation in relation to the Transactions or the Company's directors, members, managers, or officers, as applicable, shall have been commenced or, to the knowledge of the Company, threatened by the Canadian Securities Exchange, any relevant securities commissions or other federal, state, provincial or local regulatory body having jurisdiction, such that the outcome of such inquiry or investigation would have a material adverse effect on the Purchaser.
- (i) Approvals. The Purchaser, in its sole and absolute discretion, shall have confirmed its or the Company's receipt of all required approval and consents in respect of the Transaction and all related matters.
- (j) CTO. The CTO shall be lifted, rescinded or revoked or shall otherwise, in the sole and absolute discretion of the Purchaser, not have: (i) the effect of making any of the Transactions illegal; or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement.
- (k) Cease to be a Reporting Issuer. The Purchaser, in its sole and absolute discretion, shall have confirmed that the Company is not required to take any actions, other than filing an ordinary course application with each applicable securities commission in Canada, to obtain an order to cease to be a "reporting issuer" under applicable securities Laws in each applicable Canadian jurisdiction following the completion of the Transactions.

6.3 Mutual Conditions for the Benefit of Company and the Purchaser

The obligation of each of the Company and the Purchaser to complete the Transactions is subject to the fulfillment of each of the following conditions or before the Closing Time, each of which is included for the benefit of Company and the Purchaser and may be waived in whole or in part upon the mutual agreement of the Parties:

- (a) No Violation of Orders or Law. Prior to Closing, no Governmental Authority shall have enacted, issued or promulgated any final or non-appealable Order or Law which has: (i) the effect of making any of the Transactions illegal, or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement;

- (b) No Bankruptcy. The Company shall not be deemed to have made an assignment, or become bankrupt within the meaning of the BIA;
- (c) No Default. The acquisition of the Subscribed Shares by the Purchaser shall not result in a default occurring under any Retained Contract or Cannabis License.
- (d) Approval and Reverse Vesting Order. The Approval and Reverse Vesting Order, in form and substance satisfactory to each of the Parties acting reasonably, shall have been issued and shall have become a Final Order.

6.4 Interim Period

- (a) During the Interim Period, except: (i) as contemplated or permitted by this Subscription Agreement; (ii) as necessary in connection with the NOI Proceedings; or (iii) as consented to by the Purchaser and the Company, such consent not to be unreasonably withheld, conditioned or delayed: (1) the Company shall continue to maintain its Business and operations in substantially the same manner as conducted on the date of this Subscription Agreement, including preserving, renewing and keeping in full force its corporate existence; and (2) the Company shall not transport, remove or dispose of, any of its assets out of its current locations outside of its ordinary course of Business.
- (b) During the Interim Period, except as contemplated or permitted by this Subscription Agreement, the Company shall not enter into any non-arms' length transactions involving the Company or its assets or the Business without the prior approval of the Purchaser.

6.5 Access During Interim Period

During the Interim Period, the Company shall give, or cause to be given, to the Purchaser, and its Representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such non-intrusive and non-destructive investigations of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize itself with the Business and the Retained Assets. Without limiting the generality of the foregoing, the Purchaser and its Representatives shall be: (a) permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Subscription Agreement and to the Employees; and (b) permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities, and the Company's customers and contractual counterparties. Such investigations shall be carried out at the Purchaser's sole and exclusive risk and cost, and without undue interference with the Company's operations and the Company shall co-operate reasonably in facilitating such investigations and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

6.6 Non-Satisfaction of Conditions

If any condition set out in Section 6.1, 6.2, or 6.3 is not satisfied or performed prior to the Outside Date, the Party for whose benefit the condition is inserted may:

- (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other Party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect to terminate this Subscription Agreement, in which case neither of the Parties shall be under any further obligation to the other to complete the Transactions, except that if this Subscription Agreement is terminated by a Party because of a breach of this Subscription Agreement by the other Party or because a condition for the benefit of the terminating Party has not been satisfied because the other Party has failed to perform any of its obligations or covenants under this Subscription Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 7 COVENANTS OF THE PARTIES

7.1 Pre-Closing Covenants of the Purchaser

The Purchaser covenants to the Company that, during the Interim Period or the earlier termination of this Subscription Agreement, the Purchaser shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible the Transactions, provided that the foregoing shall not be construed as a requirement that the Purchaser waive any Closing condition set out in Sections 6.2 or 6.3 hereof;
- (b) take such actions as may be reasonably requested by Company to assist Company in obtaining the Court's entry of the Approval and Reverse Vesting Order and any other Order reasonably necessary to consummate the Transactions; and
- (c) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions, and make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any Laws.

7.2 Pre-Closing Covenants of the Company

The Company covenants to the Purchaser that, during the Interim Period or the earlier termination of this Subscription Agreement, the Company shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible, the Transactions, provided that the foregoing shall not be construed as a requirement that the Company waive any Closing condition set out in Section 6.1 or 6.3.
- (b) use commercially reasonable efforts to maintain its Inventory Assets, Equipment Assets and other assets, and shall not dispose of any of the foregoing outside of the ordinary course of business;
- (c) use commercially reasonable efforts, in consultation with the Purchaser, to ensure that all current existing Cannabis Licenses and Permits as are required to continue the Business of the Company are maintained and preserved;
- (d) carry on its Business, in the ordinary course, substantially as presently conducted and substantially consistent with past practice and taking into account ordinary practices in the industry in which the Company operates its Business;
- (e) use all reasonable commercial efforts to preserve intact its Business and to preserve and maintain the assets of the Business; the Company shall not sell, transfer, lease, sublease, surrender or forfeit or otherwise dispose of any assets of the Business other than in the ordinary course of business consistent with past practice;
- (f) furnish the Purchaser with access to the Books and Records any financial and operating data and other information with respect to the Company or the Business as the Purchaser will reasonably request; and permit the Purchaser to make such reasonable inspections and copies thereof as the Purchaser may require;
- (g) answer reasonable questions from the Purchaser concerning operational matters relating to the Business and the Company's assets; and
- (h) subject to any Orders, comply in all material respects with any applicable Law.

7.3 Mutual Covenants

- (a) Each of the Parties shall use commercially reasonable efforts to: (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any applicable Law or otherwise to consummate and make effective the Transactions; (ii) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions; and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any applicable Law.

- (b) The Parties shall use reasonable efforts to cooperate and consult with each other in connection with the making of any such filings and notices, including providing copies of all such documents to the non-filing Party and its advisors within a reasonable period of time prior to filing or the giving of notice. Each Party shall pay for its own filing fees and other charges arising out of the actions taken under this Section 7.3.
- (c) The Parties shall cause their respective Affiliates to, promptly provide all information, documents and data to Governmental Authorities as may be requested, required or ordered pursuant to statutory or non-statutory requests for information, supplemental information requests and any court orders in connection with the approvals and consents outlined in this Section 7.2.
- (d) The Parties hereto acknowledge and agree that, both prior to and after the Closing Date, the Company shall have sole and exclusive use of the Intellectual Property. Prior to the Closing Date, the Company shall instruct any and all third parties then using, or who may in the future wish to use the Intellectual Property, to immediately cease using same unless authorized in writing by the Purchaser.

7.4 Proposal Trustee's Certificate

When the conditions to Closing set out in Sections 6.1, 6.2 and 6.3 of this Subscription Agreement have been satisfied or waived by the Company or the Purchaser, as applicable, the Company and the Purchaser (or their respective counsel) shall each deliver to the Proposal Trustee confirmation in writing that such conditions of Closing, as applicable, have been satisfied or waived and that the Parties are prepared for the Closing Sequence to commence (the “**Conditions Certificates**”).

Upon receipt of the Conditions Certificates and the Cash Consideration, the Proposal Trustee shall: (i) issue forthwith its Proposal Trustee's Certificate concurrently to the Company, and the Purchaser, at which time the Closing Sequence will be deemed to commence and be completed in the order set out in the Closing Sequence, and Closing will be deemed to have occurred; and (ii) file as soon as practicable a copy of the Proposal Trustee's Certificate with the Court (and shall provide a true copy of such filed certificate to the Company and the Purchaser). In the case of (i) and (ii) above, the Proposal Trustee will be relying exclusively on the Conditions Certificates without any obligation whatsoever to verify or inquire into the satisfaction or waiver of the applicable conditions, and the Proposal Trustee will have no liability to the Company or the Purchaser as a result of filing the Proposal Trustee's Certificate.

ARTICLE 8 TERMINATION

8.1 Grounds for Termination

- (a) This Subscription Agreement is irrevocable until the occurrence of any event contemplated under Section 8.1(b) below.

- (b) This Subscription Agreement may be terminated on or prior to the Closing Date:
- (i) by the mutual agreement of the Company and the Purchaser;
 - (ii) by the Purchaser or the Company upon notice to the other Party if the Court declines at any time to grant the Approval and Reverse Vesting Order, provided that the reason for the Approval and Reverse Vesting Order not being approved by the Court is not due to any act, omission, or breach of this Subscription Agreement by the Party proposing to terminate this Subscription Agreement;
 - (iii) by the Purchaser or the Company at any time following the Outside Date, if Closing has not occurred on or prior to 11:59 p.m. (Vancouver time) on the Outside Date, provided that the reason for the Closing not having occurred is not due to any act or omission, or breach of this Subscription Agreement, by the Party proposing to terminate this Subscription Agreement;
 - (iv) by the Company, if there has been a material violation or breach by the Purchaser of any agreement, covenant, representation or warranty of the Purchaser in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.21, as applicable, by the Outside Date and such violation or breach has not been waived by the Company or cured by the Purchaser within five (5) Business Days of the Company providing notice to the Purchaser of such breach, unless the Company is itself in material breach of its own obligations under this Subscription Agreement at such time; or
 - (v) by the Purchaser, if there has been a material violation or breach by the Company of any agreement, covenant, representation or warranty of the Company in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.12, as applicable, by the Outside Date and such violation or breach has not been waived by the Purchaser or cured by the Company within five (5) Business Days of the Purchaser providing notice to the Company of such breach, unless the Purchaser are themselves in material breach of their own obligations under this Subscription Agreement at such time.
- (c) Prior to the Company agreeing or electing to any termination pursuant to Section 8.1, the Company shall first obtain the prior written consent of the Proposal Trustee.

8.2 Effect of Termination.

If this Subscription Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Subscription Agreement will terminate and no Party will have any Liability or further obligations hereunder, except as contemplated in Sections 9.1 (Proposal Trustee's

Capacity), 9.2 (Expenses), 9.3 (Indemnity), 9.3 (Notices) 9.5 (Successors and Assigns), 9.6 (Assignment), 9.7 (Amendment), 9.8 (Waiver), 9.9 (Survival), 9.11 (Severability), and 9.12 (Governing Law), which shall survive such termination.

ARTICLE 9 GENERAL

9.1 Proposal Trustee's Capacity

The Purchaser acknowledges and agrees that the Proposal Trustee will have no liability whatsoever in connection with this Subscription Agreement or the Transactions, whether in its capacity as Proposal Trustee, in administering ResidualCo, in its personal capacity or otherwise, and that the representations, covenants, obligations and agreements of Company pursuant to this Subscription Agreement and any related or ancillary document shall be those of Company exclusively and shall not constitute, or be deemed to constitute, representations, covenants, obligations or agreements of the Proposal Trustee.

9.2 Expenses

Each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred by them in connection with this Subscription Agreement and the Transactions, including in connection with the review, negotiation, preparation, execution and performance of this Subscription Agreement, except as otherwise contemplated in this Subscription Agreement.

9.3 Notices

Any notice, direction, approval, consent or other communication given regarding the matters contemplated by this Subscription Agreement (each a “**Notice**”) shall be in writing and shall be sufficiently given if delivered by courier service, personal delivery or electronic mail:

- (a) in the case of a Notice to Company, to:

Lotus Ventures Inc.

[●]

Attention: Dale McClanaghan

Email: dalemccclanaghan@gmail.com

with a copy to:

Gehlen Dabbs Cash LLP

Attention: Geoffrey Dabbs

E-mail: gd@gdlaw.ca

- (b) in the case of a Notice to the Purchaser, to:

5008679 Ontario Inc.
1662 Valley Close, Burlington, Ontario, L7P 4W4

Attention: Albert Duwyn
E-mail: albertduwyn@gmail.com

with a copy to:

Fasken Martineau DuMoulin LLP
Suite 2900, 550 Burrard Street
Vancouver, BC V6C 0A3

Attention: Glen Nesbitt/ Gavin Cameron
E-mail: gneskitt@fasken.com/ gcameron@fasken.com

(c) in the case of a Notice to the Proposal Trustee, to:

MNP Ltd.

Attention: Greg Ibbott/ Seamus Boyle
Email: greg.ibbott@mnp.ca/ seamus.boyle@mnp.ca

with a copy to:

DLA Piper (Canada)
Suite 2700, 1133 Melville Street, Vancouver, BC V6E 4E5

Attention: Jeffrey Bradshaw
E-mail: Jeffrey.bradshaw@dlapiper.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this Section 9.3.

9.4 Time of Essence

Time shall be of the essence of this Subscription Agreement in all respects.

9.5 Successors and Assigns

This Subscription Agreement shall become effective only when executed by each of the Parties and shall thereafter be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns.

9.6 Assignment

Neither this Subscription Agreement nor any of the rights or obligations under this Subscription Agreement may be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Party.

9.7 Amendment

This Subscription Agreement may only be amended, supplemented or otherwise modified by written agreement by the Parties.

9.8 Waiver

No waiver of any of the provision of this Subscription Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Subscription Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

9.9 Survival

Other than those representations, warranties, covenants or other agreements which by their terms contemplate performance after Closing or unless otherwise expressly provided in this Subscription Agreement (including Section 4.3), the representations, warranties, covenants and other agreements contained in this Subscription Agreement shall not survive Closing.

9.10 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the Transactions, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Subscription Agreement and carry out its provisions, whether before or after the Closing provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

9.11 Severability

If any covenant or other provision of this Subscription Agreement is invalid, illegal or incapable of being enforced by reason of any rule of Law or public policy, then such covenant or other

provision will be severed from and will not affect any other provision of this Subscription Agreement and this Subscription Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in this Subscription Agreement. All other covenants and provisions of this Subscription Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

9.12 Governing Law and Jurisdiction

This Subscription Agreement, the rights and obligations of the Parties hereunder, and any claim based upon or arising out of this Subscription Agreement or the Transactions shall be governed by and interpreted and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each Party irrevocably attorns and submits to the exclusive jurisdiction of the Court in any action, application, reference or other proceeding arising out of or relating to this Subscription Agreement or the Transactions and consents to all claims in respect of any such action, application, reference or other proceeding being heard and determined in the Court.

9.13 Execution and Delivery

This Subscription Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by email or other electronic means is as effective as a manually executed counterpart of this Subscription Agreement.

[Remainder of page intentionally left blank. Signature page follows.]

OF WHICH 5. Domicile have consented to the Subscription Agreement as a Director

LOTUS VENTURES INC.

Per: [Signature]

Dale McCray, Jr.
Director - CEO

[Signature]
President

Schedule "A"

Approval and Reverse Vesting Order

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
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.

ORDER MADE AFTER APPLICATION
(APPROVAL AND REVERSE VESTING ORDER)

BEFORE THE HONOURABLE)
[●]) May [●], 2024
)

ON THE APPLICATION of Lotus Ventures Inc. (the “**Applicant**”, or the “**Company**”) coming on for hearing at Vancouver, British Columbia on this [●] day of May, 2024; AND ON HEARING Geoffrey Dabbs, counsel for the Company, and those other counsel listed at Schedule “A[●]” hereto; AND UPON READING the material filed, including the Affidavit #1 of Dale McClanaghan, made May [●], 2024; and the Second Trustee’s Report to Creditors filed May [●], 2024 (the “**Second Report**”), by MNP Ltd. in its capacity as proposal trustee of the Company (in such capacity, the “**Proposal Trustee**”); AND PURSUANT TO the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), the British Columbia *Supreme Court Civil Rules*, BC Reg 168/2009, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

SERVICE

1. The time for service of the notice of application and supporting materials for this Order is hereby abridged and deemed good and sufficient, such that the Notice of Application is properly returnable today, and service thereof upon any interested party other than those listed at Schedule “B[●]” to this Order is hereby dispensed with.

DEFINITIONS

2. Capitalized terms used and not otherwise defined in this Order shall have the meanings given to them in the Subscription Agreement dated April [●], 2024, between the Company and 5008679 Ontario Limited (the “**Purchaser**”) a copy of which is attached as Schedule “C[●]” to this Order (and as such may be amended, supplemented or modified from time to time in accordance with the terms of that agreement and this Order, the “**Agreement**”).

APPROVAL AND VESTING

3. The Agreement be and is hereby approved and is declared to be commercially reasonable. The Company and ResidualCo (together, the “**NOI Parties**”) are hereby authorized and directed to enter into the Agreement and to take such additional steps and to execute such additional documents as may be necessary or desirable for the completion of the pre-closing reorganization transactions (the “**Pre-Closing Reorganization**”), and the purchase and sale and other transactions contemplated therein (the “**Purchase and Sale Transactions**”, and together with the Pre-Closing Reorganization, the “**Transactions**”).

4. This Order shall constitute the only authorization required by the NOI Parties to proceed with the Transactions, and no shareholder or regulatory approval, if applicable, shall be required in connection therewith.

5. In completing the Transactions contemplated by the Agreement, the Transactions shall occur and shall be deemed to have occurred in the sequence set out therein.

6. Upon the issuance by the Proposal Trustee to the Purchaser of a certificate substantially in the form attached as Schedule “D[●]” hereto (the “**Proposal Trustee’s Certificate**”) confirming that the Proposal Trustee has received written confirmation from the Company and the Purchaser, or their respective counsel, that all conditions precedent to the Agreement have been satisfied or waived, all right, title and interest in and to the Subscribed Shares shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and

whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing, all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act*, R.S.B.C. 1996, c. 359, as amended (the “**PPSA**”) of British Columbia or any other personal property registry system (all of which are collectively referred to as the “**Encumbrances**”), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Subscribed Shares are hereby expunged and discharged as against the Subscribed Shares.

7. The Proposal Trustee shall file with the Court a copy of the Proposal Trustee’s Certificate forthwith after issuance and delivery thereof in connection with the Transactions. The Proposal Trustee may rely on written notice from the Company and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Agreement, and shall have no liability with respect to issuance and delivery of the Proposal Trustee’s Certificate.

8. Upon the issuance of the Proposal Trustee’s Certificate and in accordance with the terms of the Agreement:

- (a) all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, Claims, and undertakings of any kind or nature whatsoever of the Company, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise (collectively, “**Obligations**”) other than the Retained Liabilities (as defined in the Agreement, and all such Obligations that are not expressly identified in the Agreement as Retained Liabilities shall be referred to as “**Excluded Liabilities**”) shall be transferred to, assumed by and vest absolutely and exclusively in, ResidualCo, such that, at the time provided for in the Pre-Closing Reorganization and before the Closing Date, the Excluded Liabilities shall be novated and become obligations of ResidualCo and not obligations of the Company, and the Company shall be forever released and discharged from such Excluded Liabilities, and all Encumbrances securing Excluded Liabilities shall, subject to paragraph 8(e) [redacted] hereof, be forever released and discharged, it being understood that nothing in this Order shall be

deemed to cancel any of the Permitted Encumbrances, as applicable to the Company;

- (b) the nature and priority of the Excluded Liabilities, including, without limitation, their amount and their unsecured or unsecured status, shall not be affected or altered as a result of their transfer to and assumption by ResidualCo;
- (c) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise of any demands, Claims, actions, counterclaims, suits, judgements, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action against the Company in respect of the Excluded Liabilities shall be permanently enjoined;
- (d) any person that, prior to the Closing Date, had a valid right or Claim against the Company in respect of the Excluded Liabilities, shall no longer have such Claim against the Company, but shall have an equivalent Claim against ResidualCo in respect of the Excluded Liabilities from and after the Closing Date in its place and stead, and, nothing in this Order limits, lessens or extinguishes the Excluded Liabilities or the Claim of any person as against ResidualCo, in accordance with their legal priorities;
- (e) all Excluded Assets and Excluded Contracts shall be transferred to, assumed by and vest absolutely and exclusively in ResidualCo in accordance with the Agreement; and
- (f) the nature of the Retained Liabilities including, without limitation, their amount and their secured and unsecured status, shall not be affected or altered as a result of the Agreement, the Transactions, or the steps and actions taken in accordance with the terms thereof.

9. The designation of any Claim as Retained Liability is without prejudice to the Company's right to dispute the existence, validity, or quantum of any such Retained Liability, and nothing in this Order or the Agreement shall affect or waive the Company's rights and defences, both legal

and equitable, with respect to any Retained Liability, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments as against such Retained Liability.

10. For the purposes of determining the nature and priority of Claims, from and after the delivery of the Proposal Trustee's Certificate, all Claims and Encumbrances shall attach to the Excluded Assets and the Excluded Contracts (including, for greater certainty, the Cash Consideration), with the same priority as they had with respect to the Retained Assets and the Retained Contracts immediately prior to the Transactions, as if the Excluded Assets, the Excluded Contracts and the Excluded Liabilities had not been transferred to ResidualCo, as applicable, and remained liabilities of the Company immediately prior to the foregoing transfer.

11. Upon the issuance of the Proposal Trustee's Certificate, the Existing Equity Interests, together with any agreement, plan, indenture, deed, certificate, subscription right, conversion rights, pre-emption rights or other document or instrument governing and/ or having been created, or granted in connection with the Existing Equity Interests, shall be deemed to be cancelled and shall be of no further force or effect.

12. Upon presentation of the required form, along with a true copy of this Order and the Proposal Trustee's Certificate, the Registrars appointed under the PPSA shall be and are hereby directed to strike the PPSA registrations against the Company listed in Schedule "H[●]" of the Agreement.¹

13. Pursuant to Section 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Company or the Proposal Trustee, as the case may be, is hereby authorized, permitted, and directed to disclose to the Purchaser all human resources and payroll information in the Company's records pertaining to the Company's past and current employees, including personal information of those employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Company.

¹ [●] [NTD: To be confirmed that the Company holds no assets outside of BC].

14. Upon the issuance of the Proposal Trustee's Certificate, and without limiting the provisions of paragraph 8[●] of this Order, the Purchaser and the Company shall both be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent) or obligations with respect to any taxes (including penalties and interest thereon) of, or that relate to, the Company, including without limiting the generality of the foregoing, all taxes that could be assessed against the Company or the Purchaser (including its affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act* (Canada), or any provincial equivalent, in connection with the Company, provided, as it relates to the Company, such release shall not apply to: (a) taxes arising from the Transactions; or (b) taxes in respect of the business and operations of the Company conducted after the Closing Date.

15. Upon the issuance of the Proposal Trustee's Certificate, all persons shall be deemed to have waived any and all defaults of the Company then existing or previously committed by the Company, or caused by the Company, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contact, credit agreement, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such person and the Company arising from the filing by the Company under the BIA of these proceedings (the "**NOI Proceedings**"), including the Notice of Intention to Make a Proposal dated January 17, 2024, or the completion of the Transactions, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

16. Except to the extent expressly contemplated by the Agreement, or otherwise agreed by the Purchaser: (a) all Retained Contracts to which the Company is a party upon issuance of the Proposal Trustee's Certificate shall be and remain in full force and effect; and (b) upon the issuance of the Proposal Trustee's Certificate, no counterparty under any Retained Contract, nor any other person shall make or pursue any demand, claim, action or suit, or exercise any right or remedy under any Retained Contract relating to:

- (a) the Company having sought or obtained relief under the BIA; or
- (b) the Company having been insolvent prior to the Closing Date,

and all such counterparties and persons shall be forever barred and estopped from taking such action.

17. The implementation of the Transactions shall be deemed not to constitute a change in ownership or change in control under any financial instrument, loan, or financing agreement, executory contract or unexpired lease, contract, or agreement in existence on the Closing Date to which the Company is a party.

18. The Company, with the consent of the Purchaser and the Proposal Trustee, shall be at liberty to extend the Closing Date and the Outside Date under the Agreement to such later dates as those parties may agree without the necessity of a further Order of this Court.

PRE-CLOSING REORGANIZATION

19. In completing the transactions contemplated in the Pre-Closing Reorganization, the NOI Parties be and are hereby authorized:

- (a) to execute and deliver any documents and assurances governing or giving effect to the Pre-Closing Reorganization as the NOI Parties, in their discretion, may deem reasonably necessary or advisable to conclude the Pre-Closing Reorganization, including the execution of such deeds, contracts or documents, as may be contemplated in the Agreement and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and
- (b) to take such steps as are, in the opinion of the NOI Parties, necessary or incidental to the implementation of the Pre-Closing Reorganization.

20. The NOI Parties be and are hereby permitted to execute and file articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Pre-Closing Reorganization and such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective notwithstanding any requirement under federal or provincial law to obtain director or shareholder approval with respect to such actions or to deliver any statutory declarations that may otherwise be required under corporate law to effect the Pre-Closing Reorganization.

21. This Order shall constitute the only authorization required by the NOI Parties to proceed with the Pre-Closing Reorganization and no director, shareholder or regulatory approval shall be required in connection with any of the steps contemplated pursuant to the Pre-Closing Reorganization save for those authorizations contemplated in the Agreement.

22. The Directors appointed pursuant to the *Business Corporations Act* (British Columbia) and the *Business Corporations Act* (Alberta) shall be and are hereby authorized and directed to accept and receive any articles of amendment, amalgamation, continuance or reorganization, or such other documents or instruments as may be required to permit or enable and effect the Pre-Closing Reorganization contemplated in the Agreement, as the same are filed by either the Company or ResidualCo, as the case may be.

PROPOSAL TRUSTEE

23. The Proposal Trustee is authorized to undertake and perform such activities and obligations as are contemplated to be undertaken or performed by the Proposal Trustee pursuant to this Order, the Agreement, or any ancillary agreements or documents related thereto, and shall incur no liability in connection therewith, save and except for liability arising from the gross negligence or willful misconduct of the Proposal Trustee.

24. In addition to its prescribed rights and obligations under the BIA, the Proposal Trustee is authorized, entitled, and empowered to:

- (a) receive and administer on behalf of ResidualCo such funds as may be payable to the Proposal Trustee in accordance with the Agreement (the “**Purchaser Funds**”), including to pay such obligations of ResidualCo as the Proposal Trustee deems appropriate, provided that the Proposal Trustee shall at all times reserve from the Purchaser Funds sufficient funds to pay up to \$25,000[●] to fund any bankruptcy trustee (the “**Trustee**”) appointed in the event of the bankruptcy of ResidualCo; and
- (b) at any time after the Closing Date, assign or file a voluntary assignment into bankruptcy in respect of ResidualCo, and, in that regard, sign such documents and do such things in the name of ResidualCo, and to take all such steps necessary to

make the assignments into bankruptcy. For greater certainty, no resolutions or other authorizations from directors, officers, or shareholders of ResidualCo will be required to commence bankruptcy proceedings in respect of ResidualCo, and MNP Ltd. shall be entitled but not obligated to act as trustee in bankruptcy of ResidualCo.

25. Upon satisfaction of the obligations of ResidualCo, if any, and payment to the Trustee, if ResidualCo becomes bankrupt, ResidualCo shall pay any balance of the Purchaser Funds remaining in its possession to the Purchaser.

26. The Proposal Trustee, and its employees and representatives, shall incur no liability as a result of acting in accordance with this Order, including by administering ResidualCo, other than any liability arising out of or in connection with the gross negligence or willful misconduct of the Proposal Trustee. No action lies against the Proposal Trustee by reason of this Order, or the performance of any act authorized by this Order, except by leave of the Court following a motion brought on not less than fifteen (15) days' notice to the Proposal Trustee and its legal counsel. The entities related or affiliated with the Proposal Trustee or belonging to the same group as the Proposal Trustee (including, without limitation, any agents, employees, legal counsel or other advisors retained or employed by the Proposal Trustee) shall benefit from the protection granted to the Proposal Trustee under this paragraph.

27. The Proposal Trustee shall not, as a result of this Order or any matter contemplated hereby: (a) be deemed to have taken part in the management or supervision of the management of the NOI Parties, or to have taken or maintained possession or control of the business or property of the NOI Parties, or any part thereof; or (b) be deemed to be in possession of any property of the NOI Parties within the meaning of any applicable environmental legislation or otherwise.

RELEASES

28. Effective upon the delivery of the Proposal Trustee's Certificate: (a) all present and former directors, officers, employees, legal counsel and advisors of the Company; (b) the Proposal Trustee and its legal counsel, and their respective present and former directors, officers, partners, employees and advisors; and (c) the Purchaser, its directors, officers, employees, legal counsel and advisors (the Persons listed in (a), (b) and (c) being collectively, the "**Released Parties**") shall be

deemed to be forever irrevocably released and discharged from any and all present and future claims whatsoever (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part and in connection with the Transactions, and in respect of the NOI Parties or these NOI Proceedings (collectively, the “**Released Claims**”), which Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, and are not vested nor transferred to ResidualCo or to any other entity and are extinguished, provided that nothing in this paragraph shall waive, discharge, release, cancel or bar any claim for gross negligence, fraud or wilful misconduct or any claim that is not permitted to be released pursuant to section 50(14) of the BIA.

29. Nothing in paragraph 28[●] of this Order shall waive, discharge, release, cancel, bar or otherwise impact the claim filed in the Supreme Court of British Columbia on October 19, 2023 under Action No. S-237106, provided however that the defendants in that action shall have no recourse against the NOI Parties or their assets as of and after the Closing Date (including, without limitation, in respect of claims for contribution and indemnity), but shall be bound by paragraph 28[●] of this Order.

30. Notwithstanding: (a) the pendency of these NOI Proceedings; (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the NOI Parties and any bankruptcy order issued pursuant to any such applications; and (c) any assignment in bankruptcy made in respect of the NOI Parties; the implementation of the Pre-Closing Reorganization (including the transfer of the Excluded Liabilities to ResidualCo) and the implementation of the Purchase and Sale Transactions under and pursuant to the Agreement: (i) shall be binding on any trustee in bankruptcy that may be appointed in respect of the NOI Parties and shall not be void or voidable by creditors of the Company, or ResidualCo, as applicable; (ii) shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA or any other

applicable federal or provincial legislation; and (iii) shall not constitute nor be deemed to be oppressive or unfairly prejudicial conduct by the NOI Parties or the Released Parties pursuant to any applicable federal or provincial legislation.

COMPANY OBLIGATIONS

31. All Company Obligations payable in accordance with the Agreement shall be paid by or on behalf of the Company to the relevant counterparty on or before the Closing Date, or such later date as may be agreed to by the Company and the relevant counterparty.

RESIDUAL CO

32. As of the Closing Date:

- (a) Lotus Cannabis Alberta Incorporated (“**ResidualCo**”) shall be added in place of the Company as the insolvent person in respect of which these NOI Proceedings are made, and the style of cause in these NOI Proceedings shall be changed by deleting reference to the Company and adding reference to ResidualCo;
- (b) all references in any Order of this Court in respect of these NOI Proceedings to “Lotus Ventures Inc.” shall refer to and include ResidualCo, *mutatis mutandis*; and
- (c) the Company shall cease to be the insolvent person in respect of which these NOI Proceedings were made and shall be deemed to be released from the purview of all Orders of this Court granted in these proceedings and from the NOI Proceedings, generally, save and except for this Order, the provisions of which (as they relate to the Company) shall continue to apply in all respects.

33. The administration of ResidualCo shall remain subject to the Court’s oversight and these proceedings.

34. ResidualCo shall be deemed to be the former employer of any former employees of the Company who were terminated between January 17, 2024, and the Closing Date whose claims against the Company (save and except for the Terminated Employee Claims) are transferred to ResidualCo pursuant to this Order, provided that such deeming: (a) shall be effective immediately

after the Closing Date; and (b) shall be solely for the purposes of termination and severance pay pursuant to the Wage Earner Protection Program.

GENERAL

35. Following the Closing Date, the Purchaser and the NOI Parties shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the Subscribed Shares, the Retained Assets, and the Retained Contracts.

36. This Order shall have full force and effect in all provinces and territories in Canada.

37. The NOI Parties shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States or elsewhere, for orders which aid and complement this Order. All courts and administrative bodies of all such jurisdictions are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee as may be deemed necessary or appropriate for that purpose.

38. This Court shall retain exclusive jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Order, the Agreement and all amendments thereto, in connection with any dispute involving the Company or ResidualCo, and to adjudicate, if necessary, any dispute concerning the Company or ResidualCo related in any way to the Transactions.

39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wheresoever located, to give effect to this Order and to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

40. Endorsement of this Order by counsel appearing on this application, other than counsel for the Applicant is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Geoffrey Dabbs

Lawyer for the Applicant

BY THE COURT

REGISTRAR IN BANKRUPTCY

SCHEDULE "A" TO APPROVAL AND REVERSE VESTING ORDER

Schedule of Counsel Appearing

Jeffrey Bradshaw	Counsel for MNP Ltd., in its capacity as proposal trustee of Lotus Ventures Inc.
Glen Nesbitt	Counsel for 5008679 Ontario Limited

SCHEDULE "B" TO APPROVAL AND REVERSE VESTING ORDER

Notice Parties

1. [●]. [TBC].

SCHEDULE "C" TO APPROVAL AND REVERSE VESTING ORDER

Agreement

SCHEDULE "D" TO APPROVAL AND VESTING ORDER

Form of Proposal Trustee's Certificate

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
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.

PROPOSAL TRUSTEE'S CERTIFICATE

- A. Pursuant to the Notice of Intention to Make a Proposal of Lotus Ventures Inc. (the “**Company**”) dated and filed by the Company on January 17, 2024, pursuant to section 50.4(1) the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3 as amended (the “**BIA**”), MNP Ltd. was appointed licensed insolvency trustee (in such capacity, the “**Proposal Trustee**”) of the Company.
- B. Pursuant to an Order of the Court dated May [●], 2024 (the “**Approval and Reverse Vesting Order**”), the Court approved the Subscription Agreement between 5008679 Ontario Limited (the “**Purchaser**”) and the Company dated April [●], 2024 (the “**Agreement**”). Capitalized terms used and not otherwise defined herein have the meanings given to them in the Approval and Reverse Vesting Order.

THE PROPOSAL TRUSTEE CERTIFIES that:

1. The Purchaser has paid the Subscription Price (as defined in the Agreement) in accordance with the Agreement; and
2. It has been advised by the Company and the Purchaser that: (a) the conditions precedent to the closing of the Transactions as set out in the Agreement have been satisfied or waived by the Company and the Purchaser, as applicable; and (b) the Transactions contemplated in the Agreement have now closed.

This Certificate was delivered by the Proposal Trustee at _____ [TIME] on _____ [DATE].

**MNP Ltd. in its capacity as Proposal
Trustee of Lotus Ventures Inc. and not in its
personal or corporate capacity**

Per: _____
Name:
Title:

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
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.

**ORDER MADE AFTER APPLICATION
(APPROVAL AND REVERSE VESTING ORDER)**

Schedule "B"

Retained Assets

1.

Schedule "C"

Excluded Assets

1. Cash Consideration.

Schedule "D"

Retained Contracts

1.

Schedule “E”

Excluded Contracts

1. Any and all employment agreements with Terminated Employees.
2. Any and all Contracts with the following Persons or their Affiliates:
 - (a) Auxly Cannabis Group Inc.;
 - (b) Kolab Project Inc.;
 - (c) Dale McClanaghan;
 - (d) Lillian McClanaghan;
 - (e) McClanaghan & Associates Ltd.;
 - (f) SDI Holdings Ltd.;
 - (g) Stephen K. Winters;
 - (h) Stephen K. Winters Law Corp.;
 - (i) Terra Housing Consultants Ltd.,
 - (j) Doneraile Holdings Inc.;
 - (k) Legacy Holdings Ltd.;
 - (l) Crezo Construction Inc.;
 - (m) Stephen Phillips; and
 - (n) William Spratt.

Schedule “F”

Retained Liabilities

1. Liabilities which relate to the Business under the Retained Contracts, Permits and Cannabis Licenses (in each case, to the extent forming part of the Retained Assets).

Schedule "G"

Excluded Liabilities

1.

Schedule “H”

Encumbrances to Be Discharged

All financial charges and Encumbrances in respect of the Company, including (without limitation), the following charges registered in the B.C. Personal Property Registry, identified by their base registration numbers:

1. 982184K registered August 24, 2018, in favour of the Bank of Montreal;
2. 008502L registered on September 6, 2018, in favour of Kolab Project Inc.;
3. 487229N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;
4. 487233N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;
and
5. 788742P registered on September 14, 2023, in favour of 5008679 Ontario Limited.

Schedule "I"

Permitted Encumbrances

1. None.

EXHIBIT “O”

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

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

TRUSTEE'S SECOND REPORT TO CREDITORS

BACKGROUND

1. Lotus Ventures Inc. ("**Lotus**", the "**Company**") is a British Columbia based licensed cannabis producer and was formed in British Columbia in November 2014 as a result of an amalgamation. The Company's Directors are Mr. Carl Correia, Mr. Maurice Creagh, Mr. Simon Davie, and Mr. Dale McClanaghan (also President and CEO) based on a search of the BC Companies Registry as of January 10, 2024. Lotus was incorporated for the purpose of growing premium cannabis which is carried in retail locations across BC and Ontario and sold through export markets. The Company operates from a production facility (the "**Production Facility**") located in Spallumcheen, British Columbia. The Production Facility is not subject to any encumbrances or mortgages and is wholly owned by the Company.
2. The Trustee's Report to Creditors was provided on April 8, 2024 (the "**First Report**"), which included that Management filed a Notice of Intention to Make a Proposal ("**NOI**") on January 17, 2024, and MNP Ltd. consented to act as Licensed Insolvency Trustee ("**Trustee**") in the proposal proceedings. Further, after obtaining an extension, the Company filed its Proposal on March 28, 2024, which was amended on April 5, 2024.
3. This is the Trustee's Second Report to Creditors (the "**Second Report**") and should be read in conjunction with the First Report.
4. In preparing this Second Report and making the comments herein, the Trustee has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, the Company's books and records, discussions with employees and management and information from other third-party sources (collectively, the "**Information**"). Except as described in this Report, the Trustee

- has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards or other standards established by the Chartered Professional Accountants of Canada.
5. Capitalized terms used in the Report are the same as those referenced in the Proposal. Unless otherwise stated herein, all references to currency are to Canadian currency.

UPDATE TO THE CREDITORS

6. The First Meeting of Creditors to consider the Company's Proposal (the "FMOC") was held on April 18, 2024. The meeting was adjourned pursuant to Section 52 of the Bankruptcy and Insolvency Act (the "BIA") to allow for the Company to investigate a potential transaction (the "Transaction") which may allow for an amended Proposal with beneficial terms to the creditors.
7. The Trustee filed a Material Adverse Change Report on May 1, 2024, and circulated same to the creditors, in which the Trustee confirmed that unfavorable cash flow variances had occurred, along with a build up in past due post NOI debts.
8. The reconvened FMOC was held on May 3, 2024 where it was confirmed that the Company had entered into the Transaction, which is expected to provide for a payment to creditors in a fairly short period after the approval of the Proposal and will pay outstanding post NOI debts.
9. The FMOC was again adjourned to allow for the Company to file the Further Amended Proposal (the "Proposal") to reflect the Transaction, and then to be put before the creditors. The Second Report was drafted as the Proposal was being finalized. Any further amendments or updates will be provided at the FMOC.
10. The reconvened FMOC is to be held at 11 am on May 8, 2024.

SUMMARY OF THE FURTHER AMENDED PROPOSAL

11. The Company filed its Further Amended Proposal on May 7, 2024.
12. An overview of the Proposal is included in section 2.2. A summary and major terms of the Proposal are as follows:

- a. The Company entered into the Transaction in which 5008679 Ontario Limited (the "**Purchaser**") will acquire all of the issued and outstanding shares of the Company in exchange for a payment to the Trustee defined as the Cash Consideration in the Subscription Agreement (the "**Agreement**", attached as Appendix A to the Proposal).
 - b. Upon approval of the Proposal by the creditors, the Company and Purchaser will jointly seek to obtain court approval of the Proposal in conjunction with a reverse vesting order (the "**RVO**") which will vest all of the NOI Secured, Preferred, and Affected Creditors (as defined in the Agreement) to a shell company defined as ResidualCo.
 - c. The amount of the Cash Consideration payment will be determined as \$2,538,398, less Company Obligations Amount (as defined in the Agreement). The Company Obligations Amount includes, among other amounts, payment of post NOI debts.
 - d. ResidualCo. will be assigned into bankruptcy by the Trustee facilitating a claims and dividend process.
 - e. The Cash Consideration within the bankruptcy of ResidualCo. is to be paid as follows:
 - i. Canada Revenue Agency ("**CRA**") will be paid in full within 6 months of Court Approval of the Proposal, for unremitted payroll source deductions;
 - ii. Payment of Property Taxes owing to the municipality of Spallumcheen, British Columbia, in priority to other creditors based on their Secured Claim status;
 - iii. Up to \$25,000 for the ResidualCo. Bankruptcy Trustee fees and costs; and
 - iv. The balance is for the benefit of the Affected Creditors in the bankruptcy of ResidualCo.
 - f. There will be one class of creditors for the purpose of considering and voting on the Proposal, made up of Affected Creditors;
13. The Proposal Trustee's fees and expenses, and legal costs of the Trustee arising out of the Proposal shall be paid as part of the Company Obligations.

14. The Proposal contains a provision that claims against the Company's Directors are compromised after the approval of the Proposal by the Court.
15. The Proposal contains a provision that sections 95 to 99, and Section 101, of the BIA shall not apply with respect to this Proposal and the Company.

ASSETS

16. The Trustee has assumed the same values for the Company assets as outlined within the First Report.

LIABILITIES

Secured Creditors

17. The only secured claim confirmed against the Company is the outstanding property taxes of approximately \$175,000 owed against the Production Facility location in Spallumcheen, British Columbia. The terms of the RVO would vest this liability to ResidualCo. retaining its secured status. Accordingly, the Property Taxes are to be paid in priority to all other creditors from the Cash Consideration funds.

Preferred Creditors

Employees

18. Employees are preferred creditors pursuant to Section 136 of the *Bankruptcy and Insolvency Act*, and as such, their preferred claims must be paid in full before any payments are made to the general unsecured creditors. Each employee's preferred claim may not exceed \$2,000, relating to wages and vacation pay during the six-month period immediately preceding the initial date of filing. Amounts owing in excess of the threshold or relate to a period more than six months prior to the Notice of Intention, are general unsecured claims. Any claims relating to severance or termination pay are general unsecured claims. Further, there is a termination clause in the Proposal that may result in additional severance costs under the Proposal.
19. The Trustee has accepted two employee claims which form \$4,000 in preferred amounts with regards to the Proposal, and has assumed potential severance of up to \$200,000.
20. In a bankruptcy scenario, preferred claims of employees (wages/vacation pay) become a secured charge over current assets, and takes priority over other secured

creditors, with the exception of the claim of CRA pertaining to unremitted payroll withholdings. Claims for outstanding termination pay rank as general unsecured claims in a bankruptcy or proposal scenario.

21. Under a bankruptcy scenario it is expected that there would be accrued wages and vacation pay, along with severance obligations owing. For the purposes of this report we have assumed each employee would be owed a preferred claim of \$1,000, and have used \$248,000 to estimate total severance claims in a bankruptcy scenario.

Unsecured Creditors

22. The Company's Statement of Affairs indicates unsecured creditors of approximately \$4,846,500. Ultimately the amount owing to creditors will be based upon the proven claims filed in the Proposal proceeding with creditors being able to prove their claims up to the time of the payout of the funds to creditors.

23. Under a bankruptcy scenario we have assumed additional unsecured claim amounts:

Employees Severance costs	\$248,000
Company Obligations / Post NOI Debt	\$275,000

24. The voting rights or rights to participate in the Proposal Funds may be impaired if any claim is determined to be a Related Party Claim or a Non-Arm's Length Claim as defined within the BIA, or related legislation and regulations.

CONDUCT OF THE DEBTOR

25. Since the 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.
26. The Trustee has not identified material preferential transactions or transactions at under value that would likely be challenged by a Trustee in Bankruptcy pursuant to the provisions of the BIA.
27. The Trustee reported above with regards to the issuance of a Material Adverse Change Report. The Company has negotiated the Transaction and developed its Proposal in a manner that is expected to deal with the issues outlined in that report.

REMUNERATION OF THE TRUSTEE

28. The costs of administration pertaining to the Proposal Trustee's fees and disbursements and legal costs incurred in relation to the Proposal are a preferred claim and will be paid as part of the Company Obligations under the Agreement, and will be subject to taxation by Court and approval of the Inspectors, if appointed, or the creditors should no Inspectors be appointed. The estimated Proposal Trustee fees and costs are included in the Statement of Estimated Realization.
29. The Proposal and RVO include the assignment of ResidualCo. into bankruptcy. The ResidualCo. bankruptcy Trustee Fees are shown at \$25,000.
30. The Trustee holds a third party retainer of \$75,000 related to this matter.

CONSEQUENCES OF NON-APPROVAL OF THE PROPOSAL

31. If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date. The Lotus bankruptcy Trustee Fees and costs are included in the Statement of Estimated Realization.

ESTIMATED REALIZATION – BANKRUPTCY vs. PROPOSAL

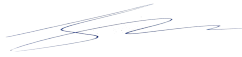
32. The Trustee has prepared a Statement of Estimated Realization (the "Statement") which is attached as Schedule "A" to this Report and compares the estimated net realization in a bankruptcy versus proposal scenario. If the Proposal is not accepted by the creditors, the Company will be deemed to have made an assignment in bankruptcy on that date.
33. The Proposal will provide \$2,538,398 less the Company Obligations which are not finalized until the Closing Date of the Transaction after the FMOC. The Company has estimated the Company Obligations to be approximately \$275,000 plus Proposal Trustee Fees and costs. The estimated Cash Consideration payment to the Proposal Trustee is shown at approximately \$2,035,000 on the Statement.
34. After payment of the Property Tax claim and ResidualCo. bankruptcy Trustee fees, there is expected to be approximately \$1,840,000 available to the Affected Creditors under the Proposal (or approximately 36% of their claims).

35. In a bankruptcy scenario, funds available will be primarily dependent on the asset realizations. While the Trustee has presented our reasonable expectations regarding these realizations in this Report, actual realizations may vary materially from these estimates. The timing on the payout to creditors under the bankruptcy is expected to be between six months and one year, as the primary Company asset is real estate. The Affected Creditors are expected to receive approximately 21% of their claims under a bankruptcy scenario.
36. This percentage of creditor recovery will vary from the above analysis as the actual payout will be dependent on proven claims accepted by the Trustee (or by the Court) in this process which may be higher or lower than the amounts included in this analysis.
37. If the Cash Consideration is approximately \$2,036,000, the Proposal will provide a significantly higher recovery (by approximately \$700,000) to the Affected Creditors than they would receive in a bankruptcy scenario. Accordingly, we recommend acceptance of this Proposal.

DATED AT the City of Vancouver, British Columbia this 7th day of May, 2024.

MNP Ltd.

In its capacity as Licensed Insolvency Trustee
In the Proposal Proceedings of Lotus Ventures Inc.
and not in its corporate capacity



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

In the Matter of the Lotus Ventures Inc.

**Statement of Estimated Realization (rounded)
Bankruptcy vs. Proposal**

	Proposal	Schedule "A" Bankruptcy
ESTIMATED RECEIPTS		
Payments from Company	\$ 30,000	
Accounts Receivable		25,000
Inventory - Net Cost of Disposal		(40,000)
Equipment , Furniture and Fixtures		20,000
Real Property - Production Facility		1,564,630
Proposal Fund Payments		
Subscription Price	\$ 2,538,398	
Less: Company Obligations (Note 1)	\$ (275,000)	
Estimated Proposal Trustee Fees and Legal Fees	\$ (288,750)	
Total Estimated Cash Consideration	\$ 2,004,648	
Total Estimated Receipts		\$ 1,569,630

ESTIMATED DISBURSEMENTS

Property Taxes	170,000	
Bankruptcy Trustee Fees - ResidualCo.	25,000	
Estimated Proposal Trustee Fees and Legal Fees - Lotus		210,000
Bankruptcy Trustee Fees - Lotus		200,000
Total Estimated Disbursements	\$ 195,000	\$ 410,000

AVAILABLE FOR DISTRIBUTION

Preferred Creditors (Note 2)	4,000	24,000
General Creditors	1,805,648	1,135,630
\$ 1,809,648	\$ 1,809,648	\$ 1,159,630

**Claims of General Creditors claiming pro rata share (Note 3)
Estimated % Dividend (Note 4)**

\$ 5,046,500	\$ 5,369,500
36%	21%

Notes:

1. Post NOI Obligations as defined within the Agreement. The Company has estimated the final Closing amount at \$275,000 as of May 6, 2024.
2. There are two claims from employees within the Proposal that form Preferred Claims. However, it is assumed that at any specific time wages and vacation pay will be accruing, which may form preferred claims under a bankruptcy scenario.
3. Total unsecured creditor claims are assumed under the Proposal and bankruptcy scenarios as outlined in the Trustee's Report.
4. The estimated dividend does not take into account the 5% levy payable to the Superintendent of Bankruptcy which is payable on all dividends. The levy is payable in either a proposal or bankruptcy.

EXHIBIT “P”

Estate No. 11-3031837
Court No: B240063
Vancouver Registry

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

MINUTES OF THE SECOND RECONVENED FIRST MEETING OF CREDITORS

MINUTES OF THE SECOND RECONVENED FIRST MEETING OF CREDITORS HELD VIA TELECONFERENCE ON THURSDAY, THE 8TH DAY OF MAY, 2024 AT ELEVEN O'CLOCK IN THE MORNING, AT THE OFFICE OF THE TRUSTEE, LOCATED AT 1630 – 609 GRANVILLE STREET, VANCOUVER, BRITISH COLUMBIA.

PRESENT:

Greg Ibbott, MNP Ltd., (the “Trustee”), Chairperson

Seamus Boyle, MNP Ltd.

Michael Tian, MNP Ltd.

Others who noted their presence are on the Attendance Register for Attendees via Conference Call

MEETING:

Seamus Boyle requested all creditors on the conference call to note their presence by announcing their name and creditor they represent for the purposes of attendance.

The Chairperson called the meeting to order at 11:00 AM PST and announced that this meeting will continue where the adjourned meeting of the reconvened First Meeting of Creditors on May 3rd, 2024 was adjourned.

The Chairperson noted that the Trustee reviewed the amended proposal and held a general discussion over the key terms of the amended proposal. The Chairperson noted that closing adjustments with regards to the Company’s post filing obligations are not yet finalized, and explained how this will affect the final dividends to creditors. The Chairperson also noted the differences in recovery between accepting and rejecting the proposal.

The Chairperson called upon Mr. Nesbitt, legal counsel for 5008679 Ontario Limited (“5008679”) to discuss the finalized transaction between 5008679 and Lotus Ventures Inc. Mr. Nesbitt provided an overview of the subscription agreement, reverse vesting order, and other issues resulting from the purchase of all outstanding shares of the Company.

A creditor asked about the outstanding post-NOI filing obligations to the Canada Revenue Agency (“CRA”). Dale McClanaghan, a director of the Company, stated that the Company is in correspondence with the CRA regarding this issue and expects to complete all outstanding filings in short order.

The Chairperson noted the importance of compliance with regard to post-NOI filings, and informed the Company’s directors that compliance is compulsory. Carl Corriea, a director of the Company, provided an update on why the filings were not completed. The Chairperson directed Carl to follow up with the CRA as to the outstanding returns, and to ensure full compliance.

The Chairperson called upon Seamus Boyle to provide an update on amended claims for voting.

The Chairperson proceeded to call for a motion to vote on the Proposal under Section 54(1)(d). The motion was forwarded by Dale McClanaghan, representing himself as a creditor. The motion was seconded by Carl Corriea, representing himself as a creditor.

All creditors voted in favour of the Proposal. No creditors voted against the Proposal or abstained from voting.

UPON MOTION IT WAS UNANIMOUSLY RESOLVED THAT: The Proposal is accepted.

-CARRIED-

The Chairperson proceeded to call for a motion to vote to affirm the appointment of MNP Ltd. as Trustee. The motion was forwarded by Albert Duwyn, of 5008679. The motion was seconded by Carl Corriea, representing himself as a creditor.

All creditors voted in favour of affirming the appointment of MNP Ltd. as Trustee. No creditors voted against or abstained from voting.

UPON MOTION IT WAS UNANIMOUSLY RESOLVED THAT: MNP Ltd. is affirmed in its appointment as Trustee.

-CARRIED-

The Chairperson outlined the requirement and roles of an Inspector to the bankruptcy. A discussion was held regarding who can act as an Inspector. The Chairperson called for nominations for Inspectors to assist with the duties as set out in the BIA.

Albert Duwyn and Jason Brown volunteered to be Inspectors, with Rasul Hajoit being nominated by Dale McClanaghan, representing himself as a creditor.

The Chairperson proceeded to call for a vote appointing Albert Duwyn, Rasul Hajoit, and Jason Brown, the roles of Inspectors of the Estate.

All creditors voted in favour of appointing Albert Duwyn, Rasul Hajoti, and Jason Brown to act as Inspectors of the Estate. No creditors voted against or abstained from voting.

UPON MOTION IT WAS UNANIMOUSLY RESOLVED THAT: Albert Duwyn, Rasul Hajoti, and Jason Brown are Inspectors of the Estate.

-CARRIED-

There being no further business on the agenda, the meeting was adjourned at 11:46 AM PST.



Greg Ibbott, Chairperson

EXHIBIT “Q”

Creditor Mailing List

Exhibit "Q"

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

Creditor Type	Name	Attention	Address
Director	Dale McClanaghan		708 - 1445 Marpole Avenue Vancouver BC V6H 1S5 dalemcclanaghan@gmail.com
Official Receiver	Vancouver OSB		2000 - 300 West Georgia Street Vancouver BC V6B 6E1
Unsecured	5008679 Ontario Ltd. (Albert Dwyne)		2900 - 550 Burrard St Vancouver BC V6C 0A3 gcameron@fasken.com
	Addo Consulting Ltd.		415 Oakview Road Kelowna BC V1W 4K2 email@gavindew.com
	Auxly Cannabis Group Inc.	Ronald Fichter	777 Richmond St. W – 002 Toronto ON M6J 0C2 ron@auxly.com
	Carl Corriea		6880 Bryden Rd, Vernon BC V1B 3T3
	Chapman Mechanical Ltd.		901 Waddington Dr., Vernon BC V1T 9E2
	Chroma Global Technologies Ltd.		Unit #207 - 2906 West Broadway Vancouver BC V6K 2G9 rdavidmgt@gmail.com
	CRA - Tax - Pacific		Surrey National Verification and Collection Centre 9755 King George Blvd Surrey BC V3T 5E1 Fax: (833) 697-2389
	Crezo Construction Inc.		P.O. Box 531 Armstrong BC V0E 1B0 jeff@crezoconstruction.com
	Donevaile Holding Inc.		1371 Marina Way Nanose Bay BC V9P 9B8 mcreagh@ventanaconstruction.com
	High North Laboratories		241 Hanlan Rd Unit 7 Woodbridge ON L4L 3R7
	Jason Brown		1527 40th St. Vernon BC V1T 8J6
	Katie Correia		6880 Bryden Rd Vernon BC V1B 3T3 carl@lotusventures.ca
	Kris Walton (Spectrum)		1480 Springhill Rd Parksville BC V9P 2T2
	Legacy Holdings Ltd.		2750 Rupert Street Vancouver BC V5M 3T7 stuart@terrahousing.ca
	Lillian McClanaghan		lmccclanaghan@gmail.com
	Norton Rose Fulbright		1800-510 West Georgia Street Vancouver BC V6B 0M3 nrreceivables@nortonrosefulbright.com
	SBD Management Ltd.		402 - 905 Pender Street Vancouver BC V5N 4A5 wnichols@devissergray.com

Creditor Mailing List

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

Creditor Type	Name	Attention	Address
Unsecured	Stephen K Winters Law Corp.		2750 Rupert Street Vancouver BC V5M 3T7 skwlaw6@gmail.com
	Terra Housing Consultants		2750 Rupert Street Vancouver BC V5M 3T7 rasoul@terrahousing.ca
	Township of Spallumcheen		4144 Spallumcheen Way Spallumcheen BC V0E 1B6 mail@spallumcheentwp.bc.ca
	Troy Fire and Safety	Vanessa Gardner	1042 2nd Avenue East Owen Sound BC N4K 2H7 vanessa.gardner@troylfs.com
	William Spratt		3203 East 6th Ave. vancouver BC V5M 1S6 sprattvan@gmail.com

EXHIBIT “R”

MNP Ltd.

Exhibit "R"

Claims Register

In the Matter of the Proposal of
Lotus Ventures Inc.

of the Municipality of Spallumcheen, in the Province of British Columbia

Insolvency Date: 17-Jan-2024

Estate Number: 11-3031837

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>
Unsecured creditors					
1. 5008679 Ontario Ltd. (Albert Dwyinn)	Yes	Admitted		1,150,867.00	1,150,822.75
2. Addo Consulting Ltd.	Yes	Admitted		27,500.00	25,200.00
3. Air Liquide Canada Inc.-Western Region Attn: Dana Dumitrescu	No	Not proved		11,509.20	
4. Auxly Cannabis Group Inc. Attn: Ronald Fichter	Yes			1.00	
5. BC Hydro & Power Authority Attn: Credit Admin	No	Not proved		121,250.20	
6. Carl Corriea	Yes	Admitted		89,688.00	146,518.51
7. Carl Corriea	Yes	Admitted		28,869.42	28,921.74
8. Chapman Mechanical Ltd.	Yes	Admitted		29,842.94	29,842.94
9. Chrimson Opportunities Inc.	No	Not proved		18,342.00	
10. Chroma Global Technologies Ltd.	Yes	Admitted		27,900.00	27,562.50
11. Connect First Credit Union formerly Mountain View C.U.	No	Not proved		1.00	
12. Courtfield Group Holdings Limited	Yes	Admitted		52,500.00	52,500.00
13. CRA - Tax - Pacific GST	Yes	Admitted		667,329.00	804,389.51
14. Crezo Construction Inc.	Yes	Admitted		184,631.64	145,729.86
15. Dale McClanaghan	Yes	Admitted		180,106.48	196,052.21
16. Donevaile Holding Inc.	Yes	Admitted		79,926.53	80,072.56
17. FCC / FAC Farm Credit Canada - BC Attn: Zita Monaghan	No	Not proved		1.00	
18. Fortis BC Energy Inc. - Natural Gas Attn: Collection Department	No	Not proved		262.75	
19. Health Canada	No	Not proved		27,998.71	
20. High North Laboratories	No	Not proved		9,876.00	
21. Jason Brown	Yes	Admitted		141,400.00	141,100.00
22. Katie Correia	Yes	Admitted		31,495.68	31,554.15
23. Kolab Project Inc. Attn: Jesse Mighton, Andrew Frow, Michael Torgov	Yes	Disallowed			1,333,333.00
24. Kris Walton (Spectrum)	Yes	Admitted		47,478.91	47,565.00
25. Legacy Holdings Ltd.	Yes	Admitted		35,604.51	35,664.34
26. Lillian McClanaghan	Yes	Admitted		473,518.15	474,390.34
27. Marsh Canada	No	Not proved		83,041.28	
28. McClanaghan & Associates	Yes	Admitted		257,301.00	295,080.00
29. Miller Thomson Lawyers	No	Not proved		10,548.91	

MNP Ltd.**Claims Register**In the Matter of the Proposal of
Lotus Ventures Inc.

of the Municipality of Spallumcheen, in the Province of British Columbia

Insolvency Date: 17-Jan-2024

Estate Number: 11-3031837

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>
30. Norton Rose Fulbright	Yes	Admitted		3,670.00	7,187.18
31. Olympia Trust Company Attn: Client Services	Yes	Admitted			1,004.85
32. Orbis Express	No	Not proved		11,206.12	
33. Pathogenia Laboratories	No	Not proved		1,238.00	
34. SBD Management Ltd.	Yes	Admitted		90,865.17	90,865.17
35. SDI Holdings Ltd.	Yes	Admitted		223,538.58	223,920.69
36. Sidel Transport Ltd.	Yes	Not proved		14,567.00	14,567.00
37. Stellar Wholesale Inc.	No	Not proved		3,042.14	
38. Stephen K Winters Law Corp.	Yes	Admitted		341,637.00	235,410.00
39. Stephen Winters	Yes	Admitted			133,526.00
40. Sterigenics Radiation Technologies Canada	No	Not proved		19,543.04	
41. Steve Phillips	No	Not proved		30,280.29	
42. Terra Housing Consultants	Yes	Admitted		56,556.61	59,799.66
43. Township of Spallumcheen	No	Not proved		169,422.76	
44. Troy Fire and Safety Attn: Vanessa Gardner	Yes	Admitted		3,556.00	1,183.46
45. Valo Mechanical	No	Not proved		4,500.00	
46. Wade Simpson	No	Not proved		28,000.00	
47. William Spratt	Yes	Admitted		35,533.90	35,852.94
48. WorkSafeBC - Collections Department	No	Not proved		21,000.00	
	Total	Unsecured creditors		4,846,947.92	5,849,616.36
			Grand Total:	4,846,947.92	5,849,616.36

MNP Ltd.

Claims Register

In the Matter of the Proposal of
Lotus Ventures Inc.

of the Municipality of Spallumcheen, in the Province of British Columbia

Insolvency Date: 17-Jan-2024

Estate Number: 11-3031837

<i>Creditor Name</i>	<i>Proof of Claim?</i>	<i>Claim Status</i>	<i>Rank / Class</i>	<i>SOA Amount</i>	<i>Amount Filed</i>
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