Kariana Resources Inc.
(to be renamed Lifestyle Delivery Systems Inc.)

CSE FORM 2A
LISTING STATEMENT

April 24, 2015

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FORWARD LOOKING STATEMENTS

This Listing Statement contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “estimates”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer or Resulting Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: (A) the intention to complete the construction of the Facility and to commence production; (B) expectations regarding the Resulting Issuer’s ability to raise capital and (C) the intention to grow the business and operations of the Resulting Issuer. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Listing Statement. Such forward-looking statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to: the ability of the Resulting Issuer to obtain necessary financing; satisfy the requirements of the CSE with respect to the Acquisition; the economy generally; obtaining requisite licenses or governmental approvals to conduct business; the yield from the Resulting Issuer’s proposed marijuana growing operations if licenses or approvals are obtained; consumer interest in the products of the Resulting Issuer; competition; and anticipated and unanticipated costs. These forward-looking statements should not be relied upon as representing the Resulting Issuer’s views as of any date subsequent to the date of this Listing Statement. Although the Resulting Issuer has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The factors identified above are not intended to represent a complete list of the factors that could affect the Resulting Issuer. Additional factors are noted under “Risk Factors” in this Listing Statement. The forward-looking statements contained in this Listing Statement are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Listing Statement are made as of the date of this Listing Statement and neither Kariana nor the Resulting Issuer undertakes an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

GENERAL MATTERS

Any market data or industry forecasts used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although the Resulting Issuer believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

Statistical information included in this Listing Statement and other data relating to the industry in which the Resulting Issuer intends to operate is derived from recognized industry reports published by industry analysts, industry associations and independent consulting and data compilation organizations.

GLOSSARY

“**Acquisition**” means the acquisition by Kariana of all the issued and outstanding shares of the Target from the Target Shareholders pursuant to the Acquisition Agreement;

“**Acquisition Agreement**” means the share exchange agreement dated March 20, 2015 made between Kariana and the Target;

“**Affiliate**” means a company that is affiliated with another company as described below. A company is an “**Affiliate**” of another company if (a) one of them is the subsidiary of the other, or (b) each of them is controlled by the same Person. A company is "controlled" by a Person if (a) voting securities of a company are held, other than by way of security only, by or for the benefit of that Person, and (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of a company. A Person beneficially owns securities that are beneficially owned by (a) a company controlled by that Person, or (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person;

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

"**Business Day**" means any day other than a Saturday, Sunday, or a statutory or civic holiday in the City of Vancouver, British Columbia;

"**Closing**" means the closing of the Acquisition;

"**Closing Date**" means the date of closing of the Acquisition;

"**company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

"**Computershare**" means Computershare Investor Services Inc.;

"**CSE**" means the Canadian Securities Exchange;

"**CSE Listing**" means the listing of the Resulting Issuer Shares on the CSE;

"**Escrow Agent**" means Computershare, in its capacity as escrow agent for the common shares held in escrow under the New Escrow Agreement to be entered into prior to Closing;

"**IFRS**" means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board, effective January 1, 2011;

"**Initial Financing**" means the non-brokered private placement of up to 5,168,757 Units at a price of $0.15 per Unit for minimum gross proceeds of up to $775,314 completed concurrent with the Acquisition;

"**Kariana**" means Kariana Resources Inc.;

"**Kariana Financial Statements**" means the Statement of financial position as at December 31, 2014 and 2013 and the statements of comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, which are attached to this Listing Statement as Schedule A;

"**Kariana MD&A**" means Kariana's MD&A for the year ended December 31, 2014 , which are attached to this Filing statement as Schedule B;

"**Kariana Shares**" means the common shares of Kariana;

"**Listing Date**" means the date of the CSE Listing;

"**Listing Statement**" means this listing statement;

"**MD&A**" means management's discussion and analysis;

"**New Escrow Agreement**" means the escrow agreement to be entered into between the Escrow Agent, the Resulting Issuer and the Target Shareholders prior to Closing;

"**Performance Shares**" means the aggregate 7,800,000 Kariana Shares issued to the Target Shareholders in connection with the Acquisition;

"**Person**" means a Company or individual;

"**Pro-Forma Financial Statements**" means the unaudited pro forma statement of financial position for the Resulting Issuer as at December 31, 2014 to give effect to the Transactions as if they had taken place as of December 31, 2014, which is attached to this Listing Statement as Schedule "C" ;

"**Resulting Issuer**" means Kariana after giving effect to the Acquisition;

"**Resulting Issuer Shares**" means the common shares of Kariana after the Acquisition;

"**Target**" means Canna Delivery Systems Inc.;

"**Target Shareholders**" means the shareholders of Canna Delivery Systems Inc.;

"**Transaction**" means the completion of the (i) Acquisition and (ii) Initial Financing; and

"**Units**" means the units of Kariana issued at a price of $0.15 per unit consisting of one Kariana common share and one half of one common share purchase warrant.

CORPORATE STRUCTURE

Kariana

The head office of Kariana Resources Inc. ("**Kariana**") is located at 1980 – 1075 West Georgia Street, Vancouver, BC V6E 3C9 and its registered office address is Suite 1500 Royal Centre, PO Box 11117, 1055 West Georgia Street, Vancouver, BC V6E 4N7.

Kariana was incorporated on September 14, 2010 under the *Business Corporations Act* (British Columbia). Prior to the Acquisition, Kariana's principal business activity was the exploration of mineral properties. Kariana currently does not have any exploration and evaluation assets. Kariana has been listed for trading on the CSE since August 17, 2011 under the trading symbol "KAA".

Kariana has two wholly-owned subsidiaries, 0994537 B.C. Ltd. and 0994540 B.C. Ltd.

The Resulting Issuer

Kariana is requalifying following the Acquisition, which is a Fundamental Change (as defined in CSE policies).

The head office and the registered and records office of the Resulting Issuer is located at 1980 – 1075 West Georgia Street, Vancouver, BC V6E 3C9. The Resulting Issuer intends to change its name to "Lifestyle Delivery Systems."

GENERAL DEVELOPMENT OF THE BUSINESS

Kariana

Prior to the Closing of the Acquisition, Kariana was a junior mineral exploration company engaged in the acquisition and exploration of strategic mineral properties. During the three most recently completed financial years, Kariana engaged in evaluating mineral properties that may have the potential for further examination and development, however, Kariana currently does not have any exploration and evaluation assets.

The Transaction

On March 20, 2015, Kariana entered into a share exchange agreement (the "**Acquisition Agreement**") with Canna Delivery Systems Inc. (the "**Target**") and the shareholders of Target (the "**Target Shareholders**"), pursuant to which Kariana agreed to purchase and the Target Shareholders agreed to sell all the issued and outstanding shares of the Target (the "**Acquisition**"). As consideration for the Acquisition, Kariana will issue to the Target Shareholders, pro rata, up to an aggregate of 7,800,000 shares of the Resulting Issuer (the "**Performance Shares**") at a deemed price of $0.15 per share. The Performance Shares will be issued in escrow on the Closing Date and will be released into escrow upon the Resulting Issuer achieving certain financial milestones over a period of 24 months from the Closing Date as follows:

(i) Milestone 1 – 1,500,000 Performance Shares released upon the Resulting Issuer generating cumulative gross revenues of US$50,000;

(ii) Milestone 2 – an additional 2,100,000 Performance Shares released upon the Resulting Issuer generating cumulative gross revenues of US$200,000;

(iii) Milestone 3 **–** an additional 2,100,000 Performance Shares released upon the Resulting Issuer generating cumulative gross revenues of US$600,000; and

(iv) Milestone 4 – an additional 2,100,000 Performance Shares released upon the Resulting Issuer generating cumulative gross revenues of US$1,000,000.

In the event that the milestones cannot be achieved within 24 months from the Closing Date, any Performance Shares remaining in escrow will be returned to the treasury of the Resulting Issuer for cancellation. The Closing Date of the Transaction is expected to be on or about April 29, 2015.

In connection with Acquisition and the Transaction, Kariana has agreed to pay a finder's fee by issuing common shares of the Resulting Issuer (the "**Finder's Fee Shares**"), pursuant to the rules and policies of the CSE, 83,333 Finder's Fee Shares within fourteen days of CSE approval of the Transaction and up to and additional 565,000 Finder's Fee Shares upon the satisfaction of the release conditions detailed above. The Finder's Fee Shares will be issued at a deemed price of $0.15 per Finder's Fee Share, or such other deemed price as required by the CSE.

In connection with the Acquisition, Kariana has completed a concurrent financing (the "**Initial Financing**") by way of a non-brokered private placement of 5,168,757 subscription receipts (the "**Subscription Receipts**") at a price of $0.15 per Subscription Receipt for gross proceeds of $775,314. Each Subscription Receipt shall be automatically converted, without payment of any additional consideration, into one unit of Kariana (a "**Unit**") upon the satisfaction of certain escrow release conditions, including, the completion of the Acquisition (the "**Escrow Release Date**"). Each Unit is comprised of one Kariana Share and one half of one common share purchase warrant (each, a "**Warrant**"). Each whole Warrant will entitle the holder to purchase one additional Kariana Share at a price of $0.30 for the first year and $0.45 for the second year from the Escrow Release Date. The Warrants expire two years from the Escrow Release Date.

In connection with the Initial Financing, upon completion of the Initial Financing and the Transaction and subject to the approval of the CSE, Kariana intends to pay a finder's fee equal to 8% of the number of Subscription Receipts purchased by purchasers under the Initial Financing by the issuance of units (the "**Finder's Fee Unit**") that consists of one Kariana Share and one half of one common share purchase warrant (each, a "**Finder's Fee Warrant**") that will entitle the finder to purchase one additional Kariana Share at a price of $0.30 for the first year and $0.45 for the second year from the closing of the Initial Financing. The deemed price of each Finder's Fee Unit is equal to $0.15 and the Finder's Fee Warrants are non-transferable.

Kariana has advanced a loan of US$150,000 to the Target as an unsecured loan. This loan is repayable within 90 days from termination of the Acquisition Agreement without the Acquisition being completed. The loan is unsecured and will bear no interest. On April 2, 2015, Kariana entered into an unsecured, non-convertible promissory note with the Target pursuant to which Kariana advanced a loan of US$75,000 to the Target. The loan is repayable within three days from termination of the Acquisition Agreement without the Acquisition being completed and bears no interest.

Certain creditors of Kariana have agreed to settle debt with Kariana whereby the creditors will convert debt payable to them by Kariana into Resulting Issuer shares at a conversion price of $0.15 per share. This debt settlement is expected to take place concurrently with the completion of the Transaction. It is expected that an aggregate of $177,450 debt will be extinguished, including $130,200 owing to a company with a common director as Kariana, and a total of 1,183,000 Resulting Issuer shares will be issued as follows:

Kariana Creditor	Debt to be Converted to Shares	Conversion Price	Resulting Issuer Shares
Baron Global Financial Canada Ltd. (1)	$130,200	$0.15	868,000
Transmax Investing	$47,250	$0.15	315,000
TOTAL	**$177,450**		**1,183,000**

Notes: (1) Baron Global Financial Canada Ltd. is a non-arm's length party and is related by way of a common director of Kariana.

<u>Conditions to Closing the Transaction and Required Approvals</u>

The Acquisition is subject to a number of approvals and conditions prior to its implementation, including, but not limited to the following:

(a) the acceptance of the acquisition for filing by the CSE;

(b) the completion of the Initial Financing;

(c) the approval of a majority of the shareholders of Kariana of the Acquisition;

(d) the election and appointment of certain directors and officers of the Resulting Issuer;

(e) all conditions precedent set forth in the Acquisition Agreement, having been satisfied or waived by the appropriate party; and

(f) the receipt of all necessary corporate, regulatory and third party approvals including the approval of CSE, and compliance with all applicable regulatory requirements and conditions in connection with the Acquisition.

As of April 6, 2015, Kariana had 8,670,250 common shares issued and outstanding prior to the Closing. Upon the completion of the Transaction and the shares for debt settlement, the Resulting Issuer will have 23,160,108 common shares issued and outstanding.

All of the 7,800,000 Performance Shares held by the Target Shareholders will be subject to the terms of the New Escrow Agreement. See "Escrowed Securities – Resulting Issuer" under the heading "Escrowed Securities".

The board of directors of the Resulting Issuer will be reconstituted in conjunction with the Closing of the Transaction. The board of directors of Kariana currently consists of three members. Upon completion of the Transaction, the board of directors of the Resulting Issuer will be comprised of four members being David Velisek, Herrick Lau, Savio Chiu and Brad Eckenweiler. Upon completion of the Transaction, it is anticipated that the Resulting Issuer's management will consist of David Velisek as the Chief Executive Officer and Denise Lok as the Chief Financial Officer. See "Directors and Officers".

Additional information pertaining to Kariana, including financial information, is contained in the various disclosure documents of Kariana filed with applicable securities commissions and made available through the Internet on the SEDAR website at www.sedar.com.

Other than the Acquisition, Kariana has not completed any significant acquisitions or dispositions during the most recently completed financial year or the current financial year.

Approval of the Acquisition by written consent of Kariana's shareholders holding a majority of the issued and outstanding shares of Kariana is required.

NARRATIVE DESCRIPTION OF THE BUSINESS

The Resulting Issuer develops and licenses a smokeless alternative option to medical and recreational users of cannabis that has been created over the past three years called CannaStrips. The Resulting Issuer's technology produces infused strips (similar to breath strips) that are a safe and healthy option to smoking that also accurately meters the dosage and assures the purity of the product. CannaStrips are the world's most advanced edible cannabis film-strip delivery technology, formulated by pharmaceutical professionals, complying with the most stringent regulations, and using the highest grade of medicinal and pharmaceutical ingredients. Years of cannabis research combined with the latest manufacturing technology results in a healthier delivery system with consistent purity and dosage in multiple flavours. Every CannaStrip contains a concentrated and controlled amount of pure cannabis. Every CannaStrip delivers a consistent dose of active cannabinoids that deliver reliable results whether the user is seeking relief from pain, insomnia, nausea and other medical conditions or for recreation use. Edible CannaStrips utilize the body's oral mucosa for delivery of the active ingredients, which means that the cannabis enters the body more efficiently than other edible marijuana products. The CannaStrips production process tests for quality and composition of all ingredients used in each and every CannaStrip, resulting in a delivery system that is safe, consistent and effective.

The equipment to produce CannaStrips is currently a single proprietary proto type, which can be manufactured by a number of companies in North America. The equipment is scalable and, though unique in its design, is fairly simple to reproduce. It has packaging and metering ancillary equipment, which is "off the shelf technology" and can easily be incorporated into the production line. The Resulting Issuer is developing an equipment patent application in Canada to submit in the third quarter 2015.

CannaStrips will be manufactured and distributed by the licensees and the Resulting Issuer will be leasing the proprietary equipment and methods of production to those licensees. The licensees will be responsible for sourcing the cannabis component and testing its purity prior to becoming an ingredient in CannaStrips and will be required to purchase all the necessary packaging and formulated non-cannabis ingredients from the Resulting Issuer exclusively. The licensees will also be required to lease from the Resulting Issuer testing equipment designed specifically for the production of CannaStrips to ensure quality control. The licensees will be bound by a single method use agreement for the proprietary equipment being leased to the licensees from the Resulting Issuer and the licensees will be required to sign a non-disclosure and five-year non-compete agreement.

The Resulting Issuer is in the process of applying for a Trade Mark for the name CannaStrips and a process patent for the CannaStrips manufacturing process and the CannaStrips formulation recipe.

Business Objectives and Milestones

Business Objectives

The Resulting Issuer intends to license the CannaStrips technology to established cannabis producers and retailers in the United States where State laws allow for the sale and use of cannabis products. The Resulting Issuer does not currently have any plans to license the CannaStrips technology or to distribute CannaStrips in Canada. The business objectives the Resulting Issuer expects to accomplish in the next 12-month period are to (1) meet certain revenue targets, and (2) to expand its licensee base in Western United States.

The Company commercializes its marijuana technologies by controlling and licensing its intellectual property and technical production knowledge of the CannaStrips product to licensees in those States and jurisdictions where the use of marijuana has been legalized.

Licensees will lease proprietary equipment and production methods exclusively from Canna Delivery Systems Inc. and be bound by a single method use agreement on both equipment and methods, which will not allow for any deviation from specified methods, ingredients and formulas and be bound by a non-disclosure and non-compete agreement

The Company's distribution chain is its licensees. The licenses will be granted to qualified retailers with specific geographic territories and quotas consistent with the corresponding population demographics. The license will require that licensees maintain sufficient production inventory to efficiently meet the market demand in each geographic territory.

Licensees will purchase all non-cannabis ingredients, materials and packaging exclusively from Canna Delivery Systems Inc. However, licensees will be responsible for sourcing the cannabis component and verifying quality and purity before including it in the production process.

Milestones

	DESCRIPTION	TIMEFRAME
Phase 1	CannaStrips Licensee Distribution Centers in California	1-2 Months from closing of Transaction
Phase 2	CannaStrips Licensee Distribution Centers in Washington	4 Months from closing of Transaction
Phase 3	CannaStrips Licensee Distribution Centers in Colorado	7 Months from closing of Transaction
Phase 4	CannaStrips Licensee Distribution Centers in Oregon	24 Months from closing of Transaction

CannaStrips plans to have future Licensee Distribution Centers in all areas of the United States, Europe, and other countries where Cannabis use is legalized.

Use Of Proceeds

Funds Available

The net proceeds received by Kariana from the Initial Financing was $775,314. After adding the current working capital of Kariana to the proceeds of approximately $82,000, the Resulting Issuer will have available funds of approximately $857,314.

Principal Purposes

The available funds will be used to fund, in order of priority, the estimated expenditures during the next 12 months of operations, which the Resulting Issuer has budgeted for as follows:

Expenditure	**($)**
Business Development	295,000
Estimated Expenses from the Transaction	60,000
General and Administrative costs for 12 months	180,000
Unallocated working capital	322,314
TOTAL	**$857,314**

Overview of the Industry

The cannabis industry is a fragmented, disjointed $45 billion industry. Exponential growth is forecasted over the next five years but there is no regional or national presence by any company. The cannibus industry is not currently subject to any quality control standards or other regulatory standards regarding the purity, strength, origin and health disclaimers. The first company to establish dependable quality standards and implement them consistently with accurate information will not only set the bar for the industry but will likely eliminate all of the competitors that are unable to reach the standard. The Resulting Issuer is currently the only company capable of delivering the quality standard and assurances for their products consistent with the Federal and Drug Administration requirements for all other non-cannabis products.

The Market

The United States cannabis industry is currently estimated to be valued at $45 billion. The market value of the cannabis industry is anticipated to be greater than $100 billion over the next two years. As a result of its infantile stage, the $45 billion industry is extremely fragmented with an absence of any regional or national player capitalizing on the growth potential. The marijuana market is in the midst of a rapid transition. Over the past several years, twenty three states have legalized medicinal use and another ten states are currently considering legalization. The Federal government has recently made several important changes with respect to the prosecution and enforcement of possession that are favourable to the cannabis industry. In February 2014, Federal regulators announced that banks could provide financial services to marijuana-related businesses that are legal under state laws as long as they as they make regular reports to the Treasury Department and watch for suspicious activity. These regulatory changes have paved the way for wide-ranging entrepreneurship in the cannabis industry. As the value of the market has grown, so has demand. It is estimated that one million patients have already registered as medicinal marijuana users, and as other states legalize medicinal use, it is estimated that number could grow to 4.14 million patients.

With respect to recreational use, Washington state, Colorado, Oregon and Washington, D.C. recently made recreational use legal, and it is anticipated that two new states, including large markets such as California, Florida and New York, will have full legalization proposals either on the ballot or passed by 2016.

Market Plans and Strategies

The Resulting Issuer's business model is based on licensing its technical production knowledge of CannaStrips to licensees in the United States in states where the medicinal or recreational use of marijuana is legalized. The current licensees will initially expand from the market territory of Southern California to Northern California, with additional licensees continuing the expansion to include Washington states, Colorado, Oregon and Alaska. The logistical benefits support a west coast expansion as the Resulting Issuer's first growth target, allowing the Resulting Issuer to more easily train, manage and support the CannaStrips licensees. The Resulting Issuer has chosen to license its technology at an arms length approach to the commercialization of its smokeless marijuana technologies. This approach will limit the Resulting Issuer's legal exposure to the uncertain application of conflicting Federal and State marijuana laws. The Resulting Issuer will continue to develop new smokeless products primarily for the marijuana industry and the production methods, protocols and equipment required to commercialize and support the new products. The Resulting Issuer is currently developing new products including a sleep aid strip (Cannaquil), an energy aid strip (Cannaburst), and a CBD strip that will give any patient the benefits of cannabis as a medication without the "high" that comes with THC cannabis. The Resulting Issuer intends on expanding its market base with these new products.

The business model of the Resulting Issuer consists of three objectives:

1. Develop technologies with high margins in the marijuana sector;

2. Control the technologies the Resulting Issuer develops and ensure the products produced with the technologies are of a high quality; and

3. Create multiple revenue streams from the technologies developed where the Resulting Issuer is not directly involved with the manufacturing, transporting or any sale transaction involving marijuana or products derived from marijuana.

The licensees of the Resulting Issuer will be bound by a Licensee Agreement that require the licensees to lease the testing, metering and production equipment necessary to produce CannaStrips as well as to purchase the non-cannabis ingredients and packaging materials from the Resulting Issuer. The terms of the Licensee Agreement will include a single-method use clause for the proprietary equipment being leased to the licensees which will not allow for any deviation from the Resulting Issuer's methods or formulas. The licensees will also be required to sign a non-disclosure and five year non-compete agreement. The licensee approach will allow the Resulting Issuer to generate revenue from its technologies without the concern of direct contact with marijuana products and without the additional obligations of staffing, product manufacturing, distribution and sales.

The Resulting Issuer will generate revenue by leasing the manufacturing equipment and ancillary equipment to the licensees. The equipment leases will have hourly use rates relative to production and a base interest lease contract. The Resulting Issuer will add a markup to the price of packaging for sale to the licensees above the net cost of manufacturing the packaging and the Resulting Issuer will buy raw non-cannabis ingredients in bulk at a discount and sell to the licensees at a margin. The equipment leases and the sale of packaging and non-cannabis ingredients to the licensees are continuous sources of revenue.

The Resulting Issuer's distribution chain is its licensees. The license will be granted to qualified retailers with specific geographic territories and quotas consistent with the corresponding population demographics. The license will require that the licensees maintain sufficient production inventory to efficiently meet the market demand in each geographic territory. The distribution territories will be only in those states where the sale of medicinal or recreational marijuana use is legal and to those licensees that are in compliance with the applicable state regulations regarding the sale and manufacturing of marijuana and products derived from marijuana.

The promotion of the Resulting Issuer's products will be a mix of marketing strategies. Individual licensees will be expected to advertise in their respective territories. The Resulting Issuer will advertise generally and geo-specifically to licensee territories on Weedmaps.com. The Resulting Issuer has a superior working history with most of the industry media which it will use to place articles and advertising for their readers and viewers. The Resulting Issuer will continue its involvement in charitable functions, where legal, and offer donations of CannaStrips where beneficial to medical patients who do not have the means to purchase the products and sponsor medical marijuana research products.

The Resulting Issuer believes that its success in this market will be achieved by offering a broad range of quality under a well identified brand.

Competition

The competition in the smokeless marijuana sector of the industry is primarily based on smokeless inhalation products and edibles.

The smokeless inhalation products similar to the smokeless tobacco paraphernalia still omits some odors and alters the cannabinoids, which reduces some of the medical benefits of marijuana. These products do not provide any accurate dosing capabilities. These products are also an additional piece of equipment that has to be carried with the user in anticipation of the marijuana use which is more cumbersome and less discreet than CannaStrips.

Edibles are products which can be made with marijuana flour or marijuana oil extract to produce baked goods. These products are smokeless and have little or no marijuana odor, but the delivery of the product is through the intestine, which, for many, can cause stomach irritation. Edibles do not provide any accurate dosing capabilities and are bulky to store and transport and have a limited shelf life.

The Resulting Issuer is aware that there have been attempts by other parties to replicate CannaStrips but to date those initial products have been unsuccessful. CannaStrips have the advantage over its competitors of being a product that is smokeless and inoffensive, is of an exact dosage that is efficiently ingested through the body's oral mucosa, and highly portable and discrete.

The Resulting Issuer has chosen to position itself in the fastest growing market segment anywhere in the world. Beyond the expected 100% market growth over the next two years, the Resulting Issuer's initial product, CannaStrips, is the only brand name product in the sector. The Resulting Issuer believes that with its first to market advantage and being the only company with brand name recognition, it will dominate the sector with its smokeless, non-offensive products. CannaStrips will play a dominant role in the positive marijuana socialization process simply by the fact that it will have removed the stigma of smoking and the odor of marijuana products. The ability of CannaStrips to be easily portable and discreetly available to the consumer at anytime in a pure and accurate dosage anywhere positions CannaStrips as a first choice option well in front of alternative delivery methods currently available from competitors.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

Annual Information – Kariana

The following table is a summary of selected financial information for Kariana for the financial years ended December 31, 2014, December 31, 2013, and December 31, 2012, Refer to Schedule "A" for the complete set of the Kariana Financial Statements.

	Year Ended December 31, 2014 (audited)	**Year ended December 31, 2013 (audited)**	**Year ended December 31, 2012 (audited)**
Revenue	Nil	Nil	Nil
Net Loss	(428,103)	(441,800)	(459,229)
Other income	2,065	50,272	109
Basic and diluted loss per share	(0.13)	(0.15)	(0.15)
Total Assets	391,946	70,023	533,612
Total non-current liabilities	160,125	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Annual Information – Resulting Issuer

See attached Schedule "C" for the pro forma consolidated statement of financial position of the Resulting Issuer as at December 31, 2014.

Quarterly Information – Kariana

See Schedule "B" – Management's Discussion and Analysis – Kariana

MANAGEMENT'S DISCUSSION AND ANALYSIS

Kariana's annual MD&A for the year ended December 31, 2014 are attached to this Listing Statement as Schedule "B".

MARKET FOR SECURITIES

Kariana's securities are presently listed on the CSE under the stock symbol "KAA".

The Resulting Issuer has applied to list the Resulting Issuer Shares on the CSE. Listing will be subject to the Resulting Issuer fulfilling all of the requirements of the CSE.

CONSOLIDATED CAPITALIZATION

Consolidated Capitalization – Kariana

Since the date of the last comparative financial statements for Kariana's most recently completed financial year, being December 31, 2013, Kariana has completed a consolidation of shares. On January 21, 2014, the common shares of Kariana were consolidated at a ratio of one (1) post-consolidated common share for every four (4) pre-consolidated common shares. Prior to the consolidation, Kariana had 12,025,000 common shares issued and outstanding and upon completion of the consolidation, Kariana had 3,006,250 common shares issued and outstanding.

On May 22, 2014, Kariana completed a non-brokered private placement of $250,000 aggregate principal amount of unsecured convertible debentures (the "**Debentures**"). The Debentures bear no interest, mature on November 22, 2015 and are convertible at any time after November 22, 2014 into units of Kariana at a price of $0.05 per unit, with each unit consisting of one common share of Kariana and one common share purchase warrant entitling the holder to acquire an additional share at a price of $0.10 until May 22, 2017. As of the date of this Listing Statement, all Debentures have been converted into units. See "*Description of the Resulting Issuer's Securities – Prior Sales of Kariana Shares*" and "*Capitalization – Convertible Securities*."

The following table sets out the consolidated share capital of the Resulting Issuer following the completion of the Transaction:

Transaction	**Number of Common Shares**
Kariana common shares issued and outstanding as April 6, 2015	8,670,250
Shares issuable pursuant to the Initial Financing Subscription Receipt Unit at Closing	5,168,757
Shares issuable pursuant to the Initial Financing Finder's Fee Unit at Closing	254,768

Shares issuable pursuant to the shares for debt settlement with Kariana creditors	1,183,000
Performance Shares issuable (in escrow) pursuant to the Acquisition at Closing	7,800,000
Finder's Fee Shares issuable pursuant to the Acquisition at Closing	83,333[(1)]
Total Resulting Issuer Common Shares	**23,160,108**

Note:

(1) 83,333 Finder's Fee Shares are issuable within fourteen days of CSE approval of the Transaction and up to an additional 565,000 Finder's Fee Shares are issuable upon the release of Performance Shares by the Resulting Issuer upon satisfaction of the miletones. See "*General Development of the Business – The Transaction*".

OPTIONS TO PURCHASE SECURITIES

As at March 31, 2015, Kariana had the following options outstanding:

Optionee	Number of Options Holding	Exercise Price	Market Value on Date of Grant	Expiry Date
Officers	50,000	$0.80	$0.80	August 15, 2021
Director	25,000	$0.80	$0.80	August 15, 2021
Consultant	57,500	$1.00	$1.00	September 1, 2016
	132,500			

DESCRIPTION OF THE RESULTING ISSUER'S SECURITIES

Common Shares

The Resulting Issuer is authorized to issue an unlimited number of common shares. The holders of the common shares are entitled to dividends as and when declared by the directors, to receive notice of, and to receive one vote per share, at meetings of shareholders of the Resulting Issuer and to receive upon liquidation such assets of the Resulting Issuer as are distributable to the holders of the common shares.

Prior Sales of Kariana Shares

The following table summarizes the issuances of securities of Kariana within 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Common Shares	Price per Share	Total Issue Price
March 31, 2015	Convertible debenture conversion	200,000[(3)]	$0.05 per unit[(2)]	$10,000
February 12, 2015	Issued in connection with the finder's fee for the promissory loan	24,000[(3)]	$0.10 (deemed)	$2,400

Date of Issue	Description	Number of Common Shares	Price per Share	Total Issue Price
January 8, 2015	Issued as partial payment for a promissory loan	240,000(3)	$0.10 (deemed)	$24,000
December 17, 2014	Convertible debenture conversion	4,800,000	$0.05 per unit(2)	$240,000
May 22, 2014	Issued in connection with the finder's fee for the convertible debenture offering	400,000	$0.05 (deemed)	$20,000
Total:		**5,664,000**		

(1) Each unit consists of one common share of Kariana and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional share at a price of $0.30 for the first year and $0.45 for the second year from the closing of the Initial Financing.

(2) Each unit consists of one common share of Kariana and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of Kariana for a period of 36 months from the closing date at a price of $0.10 per warrant, subject to acceleration provisions.

(3) These shares are subject to a four month hold period from the date of issuance.

Stock Exchange Price – Kariana

The Kariana Shares are listed on the CSE as of the date of this Listing Statement under the symbol "KAA". The following table sets out the high and low trading price and volume of trading of Kariana Shares on the CSE during the periods indicated.

Period	High ($)	Low ($)	Volume
January 1, 2015 – Present(1)	N/A	N/A	N/A
December 2014(1)	0.200	0.060	9,000
November 2014	0.140	0.100	11,000
October 2014	0.120	0.070	108,000
July - September 2014	0.150	0.100	65,500
April - June 2014	0.140	0.060	134,175
January – March 2014	0.240	0.060	504,750
October - December 2013	0.055	0.005	2,503,000
July - September 2013	0.045	0.020	142,000
April - June 2013	0.055	0.025	257,500
January – March 2013	0.260	0.140	14,750

(1) The shares of Kariana were halted on December 16, 2014 at the request of Kariana in connection with the announcement of the Acquisition.

ESCROWED SECURITIES

Escrowed Securities – Kariana

Prior to the Closing Date, there were no shares of Kariana held in escrow.

Escrowed Securities – Resulting Issuer

Pursuant to the policies of the CSE, an escrow agreement will be entered into prior to the closing of the Acquistion among Computershare, the Resulting Issuer, and the Target Shareholders (the "**New Escrow Agreement**"). The following table shows the Resulting Issuer Shares that are subject to escrow:

Designation of class	Number of Resulting Issuer Shares held in escrow	Percentage of class
Common Shares	7,800,000	33.68%

The escrow provisions of the New Escrow Agreement will be in addition to the escrow, financial milestone and release provisions set forth in the Acquisition Agreement. When released upon satisfaction of the applicable milestones set forth in the Acquisition Agreement (see "*General Development of the Business – The Transaction*"), the Performance Shares shall be subject to the terms of the New Escrow Agreement, which form of agreement shall be in accordance with Form 46-201F1 – *Escrow Agreement* of the Canadian Securities Administrators, and subject to the escrow release schedule set out therein.

PRINCIPAL SHAREHOLDERS

As of the date of this Listing Statement, there is no principal shareholder who owns more than 10% of the issued shares of Kariana. Upon completion of the Transaction, the following shareholders will, beneficially and of record, own more than 10% of the issued common shares of the Resulting Issuer:

Name	Number of Resulting Issuer Shares Held	Percentage of Issued Common Shares
Brad Eckenweiler	2,730,000	11.79%
Joao da Costa	2,730,000	11.79%
Brent Inzer	2,340,000	10.10%

DIRECTORS AND OFFICERS OF THE RESULTING ISSUER

Directors and Officers

Upon completion of the Acquisition, the board of directors of the Resulting Issuer is expected to be composed of four members, as set out below.

The name, municipality of residence, position or office held with the Resulting Issuer and principal occupation of each proposed director and executive officer of the Resulting Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, following the successful completion of the Acquisition, excluding common shares issued on the exercise of convertible securities, are as follows:

Name, place of the residence and position with Issuer	**Principal occupation during the last five years**	**Date of appointment as director or officer**	**Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction(1)**
David Velisek(2) Chief Executive Officer and Director Vancouver	Manager, Corporate Development at Baron Global Financial Canada Ltd. from 2009 to present; Equities Trader and Investment Advisor at Bolder Investment Partners, Ltd. from 2006 to 2008.	Director: September 14, 2010 CEO: December 13, 2013	10,000 (0.04 %)
Herrick Lau(2) Director Vancouver	Managing Director of Baron Global Financial Canada Ltd. from August 2007 to present.	Director: September 14, 2010 CEO: February 4, 2011 to February 28, 2012	62,500 (0.27 %)
Savio Chiu Director Vancouver	Senior Manager, Corporate Finance at Baron Global Financial Canada Ltd. from June 2009 to present; Associate of TD Commercial Bank from November 2008 to May 2009; Senior Associate of Deloitte & Touche LLP from September 2005 to October 2008.	December 13, 2013	6,250 (0.03 %)
Denise Lok Chief Financial Officer and Corporate Secretary Vancouver	Senior Manager, Corporate Finance at Baron Global Financial Canada Ltd. from May 2009 to present; Senior Associate of PricewaterhouseCoopers from October 2005 to February 2009.	September 14, 2010	6,250 (0.03 %)
Brad Eckenweiler Director Bellevue, WA USA	CEO of PolyShield Technologies Inc. from September 2013 to May 2014; self-employed consultant from January 2010 to September 2013; CEO of MidasTrade.com Inc. from June 2001 to January 2010.	April 29, 2015	2,730,000 (11.79%)

Notes:

(1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Resulting Issuer and has been furnished by the respective individuals.

(2) Proposed Member of the Audit Committee.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed herein, no proposed director or officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;

(b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

Other than as disclosed herein, no proposed director or executive officer of the Resulting Issuer, or a shareholder holding a sufficient number of the Resulting Issuer's securities to affect materially the control of the Resulting Issuer, has been subject to:

(a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

Except as disclosed herein, no proposed director or executive officer of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer , or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Conflicts of interest may arise as a result of the proposed directors and officers of the Resulting Issuer also holding positions as directors and/or officers of other companies and situations may arise where the directors and officers will be in direct competition with the Resulting Issuer. See "Risk Factors".

Management Details

The following sets out details respecting the management of the Resulting Issuer:

David Velisek, Chief Executive Officer and Director

David Velisek, age 43, has been involved in the capital markets for 11 years in investor relations, as a trader of equities, options and futures as well as an investment advisor. He is currently employed with Baron Global Financial Canada Ltd. as Manager, Corporate Development. He was previously a director of Finore Mining Inc. (CSE: FIN), and Novo Resources Ltd. (CSE: NVO). Mr. Velisek is not a party to any employment, non-competition or confidentiality agreement with the Resulting Issuer. It is expected that he will devote 30% of his time to the business of the Issuer to effectively fulfill his duties as a director.

Denise Lok, Chief Financial Officer and Corporate Secretary

Denise Lok, age 31, is a Chartered Accountant and holds a Bachelor of Commerce degree in Accounting and Transportation Logistics from the University of British Columbia. Ms. Lok is currently the Senior Manager, Corporate Finance of Baron Global Financial Canada Ltd. Previously, she was a senior associate with PricewaterhouseCoopers where she gained experience leading large teams for audits under IFRS. Ms. Lok is not a party to any employment, non-competition or confidentiality agreement with the Issuer. It is expected that Ms. Lok will devote approximately 20% of her time to the business of the Resulting Issuer to effectively fulfill her duties as an officer.

Herrick Lau, Director

Herrick Lau, age 48, is currently the Managing Director of Baron Global Financial Canada Ltd. Mr. Lau previously held similar positions in Global Maxfin Capital Inc. and Graydon Elliott Capital Corp. He is currently the Chief Financial Officer of Jayden Resources Inc. (TSXV: JDN), the Chief Financial Officer and a director of Novo Resources Ltd. (CSE: NVO), and the Chief Financial Officer and Corporate Secretary of First Growth Holdings Ltd. (TSXV: FGH). Mr. Lau obtained his masters degree in Economics from Simon Fraser University and has over 10 years of experience in investment research and corporate finance. Mr. Lau is also a charter holder of the Chartered Financial Analyst designation. Mr. Lau is not a party to any employment, non-competition or confidentiality agreement with the Issuer. It is expected that Mr. Lau will devote approximately 20% of his time to the business of the Resulting Issuer to effectively fulfill his duties as an officer and director.

Savio Chiu, Director

Savio Chiu, age 32, is a Chartered Account and holds a Bachelor of Commerce degree in Accounting from the University of British Columbia. He is currently the Senior Manager, Corporate Finance of Baron Global Financial Canada Ltd. Previously, he was a senior associate with Deloitte & Touche LLP where he gained experience leading large teams for audits under IFRS. He is currently an officer of Confederation Minerals Ltd. (TSXV: CFM), and a director of Helius Medical Technologies. (CSE: HSE). Mr. Chiu has previously held various management and directorship positions with other public companies. Mr. Chiu is not a party to any employment, non-competition or confidentiality agreement with the Issuer. It is expected that Mr. Chiu will devote approximately 20% of his time to the business of the Resulting Issuer to effectively fulfill his duties as a director.

Brad Eckenweiler

Mr. Eckenweiler, age 61, is an executive with worldwide business experience in operations, corporate finance, multi-border negotiations and global securities markets. From September 9, 2013 to May 16, 2014, Mr. Eckenweiler acted as the Chief Executive Officer, and as a member of the Board of Directors of Triton Emission Solutions Inc. a company reporting under the Exchange Act and engaged in the business of emission abatement and control technologies for the marine industry. From 2001 to 2010, Mr. Eckenweiler acted as Chief Executive Officer, Chairman and as a director of Midastrade.com Inc. a company that formerly traded on the OTC Markets Pink Sheets that provided securities trading services. Mr. Eckenweiler if currently Director and Chief Executive Officer of Canna Delivery Systems Inc., a private company incorporated in the state of Nevada.

CAPITALIZATION

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	23,160,108	32,603,872	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	7,885,000	0	34.05%	0%
Total Public Float (A-B)	15,275,108	32,603,872	65.95%	100%
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	7,800,000	7,800,000	33.68%	23.92%
Total Tradeable Float (A-C)	15,360,108	24,803,872	66.32%	76.08%

Public Securityholders (Registered)

Class of Security

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil

Size of Holding	**Number of holders**	**Total number of securities**
5,000 or more securities	48	23,160,108
TOTAL	48	23,160,108

Public Securityholders (Beneficial)

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	1	1
100 – 499 securities	11	1,875
500 – 999 securities	68	42,625
1,000 – 1,999 securities	14	17,750
2,000 – 2,999 securities	39	97,750
3,000 – 3,999 securities	35	108,750
4,000 – 4,999 securities	21	84,000
5,000 or more securities	80	6,117,374
TOTAL	269	6,470,125

Non-Public Securityholders (Registered)

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	Nil	0
100 – 499 securities	Nil	0
500 – 999 securities	Nil	0
1,000 – 1,999 securities	Nil	0
2,000 – 2,999 securities	Nil	0
3,000 – 3,999 securities	Nil	0
4,000 – 4,999 securities	Nil	0
5,000 or more securities	7	7,885,000
TOTAL	7	7,885,000

Convertible Securities

The following are details for any securities convertible or exchangeable into common shares of the Issuer:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			Number of convertible/exchangeable securities outstanding	Number of listed securities issuable upon conversion/exercise
Exercise Price	**Expiry Date**	**Type of Security**		
$0.30[(2)]	April 29, 2017	Finder's Fee Warrant	127,385	127,385
$0.30[(2)]	April 29, 2017	Subscription Receipt unit warrant	2,584,379	2,584,379
$0.80	August 15, 2021	Option	75,000	75,000
$1.00	September 1, 2016	Option	57,700	57,000
$0.10	May 22, 2017	Convertible debenture unit warrant	5,000,000	5,000,000
$0.10	May 22, 2017	Finder's warrant	400,000	400,000
$0.10	December 15, 2015	Convertible Promissory Note	120,000[1]	1,200,000

Notes: (1) The convertible promissory note is comprised of $120,000 promissory note which converts at a deemed price $0.10 for the every dollar loaned. Therefore, this 120,000 represents the dollar amount.

(2) The Finder's Fee Warrant and the Subscription Receipt unit warrant are convertible at $0.30 for the first year and $0.45 for the second year.

EXECUTIVE COMPENSATION

Kariana

During the financial year ended December 31, 2014, Kariana employed two Executive Officers. "Executive Officer" means the chairman and any vice-chairman of the board of directors who perform the functions of that office on a full-time basis, the president of Kariana or any vice-president in charge of a principal unit of Kariana and any officer of Kariana or its subsidiary who performs a policy making function in respect of Kariana.

Name and Principal Position	Year	Salary ($)	Share-based awards ($)	Option-based awards ($)	Non-Equity incentive plan compensation ($)		Pension Value ($)	All other compensation ($)	Total compensation ($)
Denise Lok[(1)] CFO	2014		Nil	Nil	Nil	Nil	Nil	120,000	120,000
	2013		Nil	Nil	Nil	Nil	Nil	120,000	120,000
	2012		Nil	Nil	Nil	Nil	Nil	180,000	180,000

David Velisek CEO	2014 2013 2012		Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil
Nicholas Miller Former CEO	2014 2013 2012		Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil 35,000 Nil	Nil 35,000 Nil
Joel Dumaresq Former CEO	2014 2013 2012		Nil Nil Nil	Nil Nil 97,500	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil 22,500 75,000	Nil 22,5000 172,500
Herrick Lau Former CEO	2014 2013 2012		Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil	Nil Nil Nil

Notes: (1) Compensation is paid to Baron Global Financial Canada Ltd. for corporate advisory services.

Resulting Issuer

Compensation Discussion and Analysis

The objectives, criteria and analysis of the compensation of the executive officers of the Resulting Issuer will be substantially, if not, identical to how Kariana currently compensates its executive officers. See "*Executive Compensation – Kariana*".

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of Kariana or person who acted in such capacity in the last financial year of Kariana, or proposed director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of Kariana, indebted to Kariana nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Kariana.

RISK FACTORS

The following are certain risk factors relating to the business to be carried on by the Resulting Issuer which prospective investors should carefully consider before deciding whether to purchase Resulting Issuer Shares. The risks presented below may not be all of the risks that the Resulting Issuer and the Resulting Issuer may face. The Resulting Issuer will face a number of challenges in the development of its business. Due to the nature of the Issuer's business and present stage of the business, the Issuer may be subject to significant risks. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below.

Regulatory Risks

The activities of the Resulting Issuer will be subject to intense regulation by governmental authorities. Achievement of the Resulting Issuer's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Resulting Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Change in Laws, Regulations and Guidelines

The Resulting Issuer's operations will be subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana and marijuana-related products but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Resulting Issuer may cause adverse effects to the Resulting Issuer's operations.

As of the date of this Listing Statement, twenty-two states and the District of Columbia allow the use of cannabis. In recent elections, there were additional states that had proposals to legalize cannabis use which were defeated. While the Resulting Issuer believes that the number of states legalizing the use of cannabis will increase, there is no assurance of the trend. There is no assurance that the twenty-two existing states or the District of Columbia will not reverse their position on marijuana and revoke the legal use of marijuana. These changes will materially impact the growth of the Resulting Issuer's business and the Resulting Issuer may experience declining revenues as the market for its product and services decline.

Even in areas where the recreational and/or medicinal use of cannabis is legal under state law, there are local laws and regulations that affect the Resulting Issuer's licensees. In some municipalities, a retail cannabis dispensary is prohibited from being located within a certain distance from schools or churches. These local laws and regulations may cause some of the licensee's customers to close, which will impact the revenue of the Resulting Issuer and have a material effect on the Resulting Issuer's business and operations. The enforcement of identical rules or regulations with respect to cannabis may vary from municipality to municipality or city to city.

While the impact of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Resulting Issuer's operations that is materially different than the effect on similar-sized companies in the same business as the Resulting Issuer.

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The assets of the Resulting Issuer include several domain names, specifically www.cannastrips.com, which provide information about the Resulting Issuer's business and products. The Resulting Issuer may face legal action from a state or other jurisdiction for engaging in activity that is illegal in that state or jurisdiction by way of its website.

Risks Related to Conflicting Federal and State Laws

The cannabis industry is currently conducted in twenty-two states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis remains illegal. The Federal, and, in some cases, State law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or physician office is a customer of the Resulting Issuer's licensee, it will affect the Resulting Issuer's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Resulting Issuer's business and operations.

Risks Related to the Licensing Model

Under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis is illegal. The Resulting Issuer provides services to its licensees who in turn supply goods and/or services to their customers. Both the licensee and their customers are engaged in the possession, use, cultivation and transfer of cannabis. As a result, law enforcement authorities may seek to bring an action or actions against the Resulting Issuer, on the basis of, but not limited to, a claim of aiding and abetting another criminal's activities. The Resulting Issuer will vigorously defend all such actions but such actions would have a material effect on the Resulting Issuer's business and operations.

Lack of Operating History

The Resulting Issuer has only recently started to carry on its business. The Resulting Issuer is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Resulting Issuer to meet any of these conditions could have a materially adverse effect on the Resulting Issuer and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Resulting Issuer will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Resulting Issuer may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Resulting Issuer fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Resulting Issuer accomplishes these objectives, the Resulting Issuer may not generate the anticipated positive cash flows or profits. No assurance can be given that the Resulting Issuer can or will ever be successful in its operations and operate profitably.

Reliance on Management and Key Personnel

The success of the Resulting Issuer is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Resulting Issuer attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Resulting Issuer's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Resulting Issuer's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Resulting Issuer's business, operating results or financial condition.

Additional Financing

The Resulting Issuer's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Resulting Issuer's business model requires spending money (primarily on advertising and marketing) in order to generate revenue. Based on the Resulting Issuer's current financial situation, the Resulting Issuer may have difficulty continuing operations at the current level, or at all, if it does not raise additional financing in the near future.

In order to execute the Resulting Issuer's business plan, the Resulting Issuer will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Resulting Issuer's operations and may have a material adverse effect upon future profitability. The Resulting Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Resulting Issuer may be required to reduce, curtail, or discontinue operations. There is no assurance that the Resulting Issuer's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Resulting Issuer will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Resulting Issuer. See "Narrative Description of the Business - Competition" for further details about the competition faced and to be faced by the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Because of early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in the United States increases, the demand for products will increase and the Resulting Issuer expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Growth and Consolidation in the Industry

The cannabis industry is undergoing rapid growth and substantial change, which has resulting in increasing consolidation and formation of strategic relationships. The Resulting Issuer expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Resulting Issuer. The Resulting Issuer could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Resulting Issuer to lose access to distribution, content and other resources. The relationships between the Resulting Issuer and its strategic partners may deteriorate and cause an adverse effect on the business. The Resulting Issuer could lose customers if competitors or user of competing technology consolidate with the Resulting Issuer's current or potential customers. Furthermore, the Resulting Issuer's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Resulting Issuer at a competitive disadvantage, which could cause the Resulting Issuer to lose customers, revenue, and market share. Consolidation in the industry could also force the Resulting Issuer to divert greater resources to meet new or additional competitive threats, which could harm the Resulting Issuer's operating results.

Intellectual Property Risks

The Resulting Issuer`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Resulting Issuer will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Resulting Issuer's intellectual property. The Resulting Issuer's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Resulting Issuer with any competitive advantages. The Resulting Issuer's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Resulting Issuer develops. There is a risk that another party may obtain a blocking patent and the Resulting Issuer would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

Risks Inherent in an Agricultural Business

The Resulting Issuer's business will indirectly rely on the growing of marijuana, an agricultural product. As a result, the business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Unfavourable Publicity or Consumer Perception

The Resulting Issuer believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the product. Consumer perception of the Resulting Issuer's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Resulting Issuer's products and the business, results of operations, financial condition and cash flows of the Resulting Issuer. The Resulting Issuer's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Resulting Issuer, the demand for the Resulting Issuer's products, and the business, results of operations, financial condition and cash flows of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or the Resulting Issuer's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Resulting Issuer will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Resulting Issuer's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Resulting Issuer's products alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the Resulting Issuer's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Resulting Issuer's products are recalled due to an alleged product defect or for any other reason, the Resulting Issuer could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Resulting Issuer may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Resulting Issuer will have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's significant brands were subject to recall, the image of that brand and the Resulting Issuer could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Resulting Issuer's products and could have a material adverse effect on the results of operations and financial condition of the Resulting Issuer. Additionally, product recalls may lead to increased scrutiny of the Resulting Issuer's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

The Resulting Issuer's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Resulting Issuer and the Resulting Issuer. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Resulting Issuer might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Resulting Issuer in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Resulting Issuer.

Dependence on Suppliers and Skilled Labour

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Difficulty to Forecast

The Resulting Issuer will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the marijuana industry in the United States. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Operating Risk and Insurance Coverage

The Resulting Issuer will obtain and maintain insurance to protect its assets, operations and employees. However, insurance that is otherwise readily available, such as workers compensation, general liability, and directors and officers insurance, ma be more difficult for the Resulting Issuer to obtain and more costly because the Resulting Issuer is engaged in the marijuana industry. As of the date of this Listing Statement, the Resulting Issuer has been successful in finding such policies, but at a cost higher than other businesses. There are no guarantees that the Resulting Issuer will be able to find such insurance coverage in the future or that the cost will be affordable to the Resulting Issuer. While the Resulting Issuer believes its insurance coverage will address all material risks to which it is exposed and will be adequate and customary in its current state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Resulting Issuer is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Resulting Issuer's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Resulting Issuer were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Resulting Issuer were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

The Resulting Issuer has, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its products and services. The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies.

Litigation

The Resulting Issuer may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Resulting Issuer which may affect the operations and business of the Resulting Issuer. Furthermore, because the content of most of the Resulting Issuer's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, the Resulting Issuer may face additional difficulties in depending its intellectual property rights.

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for Resulting Issuer Shares and could use significant resources. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant company resources.

The market price of Resulting Issuer Shares may be subject to wide price fluctuations

The market price of Resulting Issuer Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Resulting Issuer, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Resulting Issuer, general economic conditions, legislative changes, and other events and factors outside of the Resulting Issuer's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Resulting Issuer Shares.

Limited Market for Securities

Upon completion of the Acquisition, Resulting Issuer Shares will be listed on the CSE, however, there can be no assurance that an active and liquid market for the Resulting Issuer Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

Environmental and Employee Health and Safety Regulations

The Resulting Issuer's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Resulting Issuer will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

PROMOTERS

This is not applicable to the Resulting Issuer.

LEGAL PROCEEDINGS

Kariana

There are no legal proceedings to which Kariana is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of Kariana, there are no such proceedings contemplated.

Resulting Issuer

There are no legal proceedings to which the Resulting Issuer is, or has been, a party or of which any of its property is, or has been, the subject matter. Additionally, to the reasonable knowledge of the management of the Resulting Issuer, there are no such proceedings contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out below and elsewhere in this Listing Statement, none of the directors or executive officers of the Kariana, principal shareholders, or any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any material transaction within the three years before the date of this Listing Statement or in any proposed transaction that has materially affected or may affect the Resulting Issuer.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Services provided by:	Twelve Months Ended December 31, 2014	2013	2012
Baron Global Financial Canada Ltd. (1)	$142,500	$120,270	$180,855
Pashleth Investment Ltd.(2)	-	$22,500	$75,000
Compensation to key management (3)	-	$35,000	-
Littlehampton Capital Corp. (4)	-	$35,000	-

Notes:

(1) On April 1, 2014, Kariana entered into an agreement with Baron Global Financial Canada Ltd. ("**Baron**") that is related by way of a common director of Kariana. Baron provided corporate advisory services to Kariana. Upon the completion of the

Transaction, pursuant to a debt settlement agreement, Baron has agreed to convert $130,200 of the debt payable to them by Kariana into Resulting Issuer shares at a conversion price of $0.15 per share for a total of 868,000 Resulting Issuer shares. Please see "*General Development of the Business – The Transaction.*"

(2) Pashleth Investment Ltd. ("**Pashleth**") is owned by the former CEO and director of Kariana. On December 31, 2013, the former CEO and director forgave amounts owing of $45,000 which was recorded as a cost recovery.

(3) On July 1, 2013, Kariana entered into a consulting agreement with a former director of Kariana for strategic planning services. The agreement began on July 1, 2013 and was determined on December 9, 2013 when the director resigned as a director of Kariana. The fee was $5,000 per month for 6 months. Kariana also paid $5,000 to the former director as a signing bonus.

(4) On July 1, 2013, Kariana entered into a consulting agreement with Littlehampton Capital Corp. ("**Littlehampton**"), a company owned by the former CEO and director of Kariana for strategic planning services. The agreement began on July 1, 2013 and was determined on December 3, 2013 when the CEO and director resigned as the CEO and director of Kariana. The fee was $5,000 per month for 6 months. Kariana also paid $5,000 to Littlehampton as a signing bonus.

Related Party Payable

	Twelve Months Ended December 31, 2014	**2013**	**2012**
Baron Global Financial Canada Ltd. (1)	$160,125	-	-
Pashleth Investment Ltd.	-	-	$22,500

Notes:

(1) Upon the completion of the Transaction, Baron has agreed to convert $130,200 of the debt payable to them by Kariana into Resulting Issuer shares at a conversion price of $0.15 per share for a total of 868,000 Resulting Issuer shares. Please see "*General Development of the Business – The Transaction.*"

AUDITORS, TRANSFER AGENTS AND REGISTRARS

The auditors of Kariana, Davidson & Company LLP, located at 1200 – 609 Granville Street, P.O. Box 10372, Vancouver, BC V7Y 1G6, will be the auditors of the Resulting Issuer. Kariana's registrar and transfer agent, Computershare, located at 510 Burrard Street, 3rd Floor, Vancouver, BC V6C 3B9, will be the registrar and transfer agent of the Resulting Issuer.

MATERIAL CONTRACTS

Except for contracts entered into by Kariana in the ordinary course of business, the only material contracts entered into by Kariana in the previous two years are the following:

On April 1, 2014, Kariana entered into an engagement letter with Baron Global Financial Canada Ltd. ("Baron") for corporate advisory services. The term of the agreement is from April 1, 2014 to March 31, 2015, which term is automatically renewed unless thirty days notice is given for termination. Kariana is responsible for all reasonable out-of-pocket expenses, including legal fees, incurred related to Baron's corporate advisory services.

On July 1, 2013, Kariana entered into a consulting agreement with Littlehampton Capital Corp. ("Littlehampton"), a company owned by Nicholas Miller, a former CEO and director of Kariana, for providing strategic planning and executive management services. The agreement began on July 1, 2013, and was terminated on December 3, 2013.

Kariana paid $5,000 per month plus applicable taxes for six (6) months. Kariana also paid $5,000 to Littlehampton as a signing bonus.

On July 1, 2013, Kariana entered into a consulting agreement with a former director of Kariana for strategic planning and executive management services. The agreement began on July 1, 2013, and was terminated on December 9, 2013. Kariana paid $5,000 per month plus applicable taxes for six (6) months. Kariana also paid $5,000 to the director as a signing bonus.

INTEREST OF EXPERTS

The auditor of Kariana, Davidson & Company LLP, audited the Kariana Financial Statements and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia. Based on information provided by Davidson & Company LLP, Davidson & Company LLP has not received nor will receive the direct or indirect interests in the property of Kariana or the Resulting Issuer. Davidson & Company LLP nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of Kariana or the Resulting Issuer or its associates and affiliates.

OTHER MATERIAL FACTS

Neither Kariana nor the Resulting Issuer are aware of any other material facts relating to Kariana or the Resulting Issuer or to the Acquisition that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to Kariana and the Resulting Issuer, other than those set forth herein.

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to Kariana Resources Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 24th day of April, 2015.

"*David Velisek*"	"*Denise Lok*"
David Velisek Chief Executive Officer	Denise Lok Chief Financial Officer
"*Herrick Lau*"	"*Savio Chiu*"
Herrick Lau Director	Savio Chiu Director

CERTIFICATE OF THE TARGET

The foregoing contains full, true and plain disclosure of all material information relating to Canna Delivery Systems Inc. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 24th day of April, 2015.

"Brad Eckenweiler"	*"Brent Inzer"*
Brad Eckenweiler Chief Executive Officer	Name: Brent Inzer Chief Financial Officer
"Brad Eckenweiler"	*"Brent Inzer"*
Name: Brad Eckenweiler Director	Name: Brent Inzer Director

SCHEDULE "A" – FINANCIAL STATEMENTS

Please see attached.

KARIANA RESOURCES INC.

(An Exploration Stage Enterprise)

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2014

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Kariana Resources Inc.

We have audited the accompanying consolidated financial statements of Kariana Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2014 and 2013 and the consolidated statements of comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Kariana Resources Inc. as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Kariana Resources Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

March 19, 2015

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2014 $	December 31, 2013 $
ASSETS			
Current Assets			
Cash		189,928	1,140
Short-term investment		11,500	54,500
Receivables		15,618	14,383
Loan receivable	4	174,900	-
Total Current Assets		391,946	70,023
TOTAL ASSETS		391,946	70,023
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		137,539	1,707
Convertible debentures	5	103,925	-
Total Current Liabilities		241,464	1,707
Long-term liabilities	9	160,125	-
TOTAL LIABILITIES		401,589	1,707
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	6	1,338,336	1,022,791
Equity portion of convertible debentures	5	19,891	-
Reserves		102,140	102,314
Deficit		(1,470,010)	(1,056,789)
Total Shareholders' Equity (Deficiency)		(9,643)	68,316
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		391,946	70,023

Subsequent events (Note 12)

These consolidated financial statements are authorized for issue by the Board of Directors on March 19, 2015. They are signed on the Company’s behalf by:

"Herrick Lau"	Director	*"David Velisek"*	Director
Herrick Lau		David Velisek	

The accompanying notes are an integral part of these consolidated financial statements.

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Notes	Year Ended December 31, 2014 $	Year Ended December 31, 2013 $
EXPENSES			
Accounting fees		12,200	12,720
Consulting fees		201,613	161,471
Advertising and promotion		15,000	-
Accretion expense	5	110,470	-
Legal fees		60,271	16,903
Management fees		-	92,500
Meals and travel expenses		5,326	15,673
Office and general		3,341	9,159
Project investigation		-	15,825
Transfer agent and filing fees		21,947	19,828
Write off of mineral property	3	-	147,993
Loss before undernoted income (expenses)		(430,168)	(492,072)
Cost recoveries		-	47,698
Interest income		2,065	2,574
Loss and comprehensive loss for the year		(428,103)	(441,800)
Basic and diluted loss per share		($0.13)	($0.15)
Weighted average number of common shares outstanding - basic and diluted		3,408,442	3,006,250

The accompanying notes are an integral part of these consolidated financial statements.

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

	Number of Shares	Common Shares $	Equity Portion of Convertible Debenture $	Reserves $	Deficit $	Shareholders' Equity (Deficiency) $
Balance – December 31, 2012	3,006,250	1,022,791	-	214,485	(727,160)	510,116
Reclassification of reserves on expired options and warrants	-	-	-	(112,171)	112,171	-
Loss for the year	-	-	-	-	(441,800)	(441,800)
Balance – December 31, 2013	3,006,250	1,022,791	-	102,314	(1,056,789)	68,316
Reclassification of reserves on expired options	-	-	-	(14,882)	14,882	-
Convertible debenture issuance cost for warrants	-	-	(2,788)	14,708	-	11,920
Convertible debenture issuance cost for shares	400,000	40,000	(7,584)	-	-	32,416
Equity portion of convertible debenture	-	-	65,808	-	-	65,808
Conversion of convertible debenture	4,800,000	275,545	(35,545)	-	-	240,000
Loss for the year	-	-	-	-	(428,103)	(428,103)
Balance – December 31, 2014	8,206,250	1,338,336	19,891	102,140	(1,470,010)	(9,643)

The accompanying notes are an integral part of these consolidated financial statements.

KARIANA RESOURCES INC.
(Expressed in Canadian Dollars, unless stated otherwise)
(An Exploration Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year Ended December 31, 2014 $	Year Ended December 31, 2013 $
Cash provided by (used in):			
Operating activities			
Loss for the year		(428,103)	(441,800)
Adjustment for items not involving cash:			
Non-cash interest accretion on convertible debenture	5	110,470	-
Write-off of mineral properties		-	147,993
Changes in non-cash operating working capital:			
Receivables		(1,235)	21,377
Accounts payable and accrued liabilities		109,431	(21,789)
Long-term liabilities		160,125	-
Net change in operating activities		(49,312)	(294,219)
Investing activities			
Loan receivable		(174,900)	-
Short-term investments		43,000	(43,000)
Deferred exploration expenditures		-	(9,600)
Net change in financing activities		(131,900)	(52,600)
Financing activities			
Proceeds from convertible debentures		631,250	-
Repayment of convertible debenture		(261,250)	-
Net change in financing activities		370,000	-
Net change in cash		188,788	(346,819)
Cash, beginning of the year		1,140	347,959
Cash, end of the year		189,928	1,140

Supplemental Cash Flow (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on September 14, 2010 pursuant to the provision of the *Business Corporations Act* (British Columbia). The Company was engaged primarily in the business of evaluating, acquiring and exploring natural resource properties. The Company's head office is located at 1980 – 1075 West Georgia Street, Vancouver, British Columbia, V6E 3C9, Canada. The Company's wholly-owned subsidiaries, 0994537 B.C. Ltd. and 0994540 B.C. Ltd., were incorporated on February 21, 2014 and remain inactive during the period ended December 31, 2014. The Company's shares commenced trading on the Canadian Securities Exchange under the trading symbol "KAA" on August 17, 2011.

The financial information is presented in Canadian Dollars, which is the functional currency of the Company and its subsidiaries.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has no commercial operations and its only significant assets are financial instruments, all of which are held in Canada. The Company's ability to realize its assets and discharge its liabilities is dependent upon the closing of transaction with Canna Delivery Systems Inc. (Note 4). These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The Company has working capital as at December 31, 2014 of $150,482 (2013 – $68,316). These consolidated financial statements have been prepared under the assumptions of a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries, 0994537 B.C. Ltd. and 0994540 B.C. Ltd. All material intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Basis of presentation (Cont'd…)

Transactions in foreign currencies are initially recorded at the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the end of each reporting period.

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available on December 31, 2014.

Foreign currencies

The Company and its subsidiaries reporting and functional currency is the Canadian dollar as this is the principal currency of the economic environment in which they operate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains and losses resulting from the settlement and from the re-measurement of monetary items at period end exchange rates are recognized in the statement of comprehensive loss.

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Short-term investment

Short-term investment, which is a fixed term deposit held at the bank with a maturity of more than three months and less than twelve months at the time of issuance, is recorded at fair value. As at December 31, 2014, the Company has one short-term investment totalling to $11,500 of principal and $93 of interest due on July 11, 2015 with an annual yield of prime minus 1.95%.

Exploration and evaluation assets

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are at the exploration/pre-development stage.

No amortization charge is recognized in respect of exploration and evaluation assets. These assets are transferred to mine development assets, after testing for impairment, upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition;
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Exploration and evaluation assets (Cont'd…)

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest.

All capitalized exploration and evaluation expenditure is assessed for impairment for each reporting period and is impaired if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalized costs relating to the property are written off in the period.

Decommissioning and rehabilitation liabilities

The Company recognizes the fair value of a decommissioning and restoration liability the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the decommissioning and restoration liability due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

The Company did not have any significant decommissioning and restoration obligations.

Share-based payments

The share option plan allows Company employees (including directors and senior executives) and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments also include the issuance of common shares.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve or share capital. No expense is recognized for awards that do not ultimately vest.

At the time when the share options are exercised, the amount previously recognized in reserves is transferred to share capital. When vested options are forfeited or are not exercised at the expiry date the amount previously recognized in reserves is transferred to accumulated losses.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payments arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Share-based payments (Cont'd…)

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. The Company does not have any items representing comprehensive income or loss.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Financial instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables, other liabilities or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL;
b) Short-term investments have been classified as FVTPL;
c) Receivables and loan receivable have been classified as loans and receivables; and
d) Accounts payable and accrued liabilities, convertible debentures, and long-term liabilities have been classified as financial liabilities not at fair value through profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided for based on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Deferred income tax (Cont'd…)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

New accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments – Classification and Measurement; tentatively effective annual periods on or after January 1, 2018. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

(Expressed in Canadian Dollars, unless stated otherwise)

3. EXPLORATION AND EVALUATION ASSETS

South Baird Property, Ontario, Canada

	$
Balance December 31, 2013 and December 31, 2014	-

On September 21, 2010, the Company signed an option agreement (the "Option Agreement") with Perry Vern English, for and on behalf of Rubicon Minerals Corporation (the "Optionor") to acquire an undivided 100% interest in the South Baird Property (the "South Baird Property"), subject to a 2% net smelter return ("NSR") to the Optionor, with an option buyout of 50% of the NSR for $1,000,000 upon or prior to the commencement of commercial production. The South Baird Property is located in the District of Red Lake Mining in the province of Ontario.

The Company entered into a finder's fee agreement dated November 25, 2010 in connection with the acquisition of the South Baird Property. The Company paid finder's fee in cash of $25,000 and issued 75,000 common shares on December 23, 2010.

Pursuant to the Option Agreement, the Company issued 100,000 common shares at $0.20 per share to the Optionor on August 17, 2011.

On July 8, 2013, the Company terminated the Option Agreement. The Company wrote off all the related exploration and evaluation costs of $147,993.

4. LETTER OF INTENT

On December 16, 2014, the Company signed a Letter of Intent ("LOI") with Canna Delivery Systems Inc. ("Canna") in which the Company will acquire all of the issued and outstanding common shares of Canna for 7,800,000 shares of the Company. The shares will be escrowed and will be released over two years based upon Canna meeting certain financial milestones. The Company also loaned US$150,000 to Canna. The loan is unsecured, non-interest bearing and is repayable 90 days after termination of the proposed transaction.

In connection with the LOI, on a best-efforts basis, the Company intends on completing a concurrent financing by way of a non-brokered private placement at the close of the transaction. The private placement will raise gross proceeds of $500,000 through the sales of 3,333,334 subscription receipts at a price of $0.15 per subscription receipt. Each subscription receipt will automatically convert into one unit. Each unit will be comprised of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at the price of $0.30 for the first year and $0.45 for the second year from the closing of the concurrent financing. Subsequent to December 31, 2014, the Company received $271,610 in subscription proceeds towards the private placement.

5. CONVERTIBLE DEBENTURE

(a) On May 22, 2014, the Company completed a non-brokered private placement of $250,000 aggregate principal amount of unsecured convertible debentures. The debentures bear nil interest, mature on November 22, 2015 and are convertible, at the election of the holder into units of the Company at a price of $0.05 per unit.

Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire an additional common share at a price of $0.10 until May 22, 2017.

A finder's fee of $54,708 was paid in 400,000 common shares of the Company at $0.10 per share and 400,000 finder's warrants. Each finder's warrant is exercisable at a price of $0.10 per share until May 22, 2017. The fair value of the finder's warrants was estimated at $14,708 using the Black-Scholes options pricing model with the following assumptions: risk-free rate of 1.04%, expected life of 3 years, volatility of 150%, and dividend rate of

(Expressed in Canadian Dollars, unless stated otherwise)

5. CONVERTIBLE DEBENTURE (CONT'D…)

0%. Transaction costs were netted against the debt instrument and equity component in proportion to their respective fair value at initial recognition.

Opening balance, January 1, 2014	$	-
Gross proceeds on issuance of debentures		250,000
Conversion feature		(47,398)
Transaction costs - liability portion		(44,336)
Accretion expense		89,349
Carry value of convertible debenture converted		(240,000)
Ending balance, December 31, 2014	$	7,615

On December 17, 2014, convertible debentures with a face value of $240,000 were converted which resulted in the issuance of 4,800,000 common shares of the company and 4,800,000 warrants exercisable at $0.10 until May 22, 2017.

(b) On June 11, 2014, the Company's wholly-owned subsidiary, 0994537 B.C. Ltd., completed a non-brokered private placement of $261,250 aggregate principal amount of unsecured convertible debentures. The debentures bear nil interest, mature on June 11, 2015 and are convertible, at the election of the holder into units of 0994537 B.C. Ltd. at a price of $0.025 per unit.

Each unit consists of one common share of 0994537 B.C. Ltd. and one common share purchase warrant. Each warrant entitles the holder thereof to acquire an additional common share of 0994537 B.C. Ltd. at a price of $0.10 until June 11, 2017.

On December 9, 2014, the Company and the debenture holders agreed to cancel the convertible debentures. The Company returned the funds and canceled the debt.

Opening balance, January 1, 2014	$	-
Gross proceeds on issuance of debentures		261,250
Conversion feature		(34,076)
Accretion expense		18,411
Retirement of debentures (equity portion)		15,665
Retirement of debentures (cash)		(261,250)
Ending balance, December 31, 2014	$	-

(Expressed in Canadian Dollars, unless stated otherwise)

5. CONVERTIBLE DEBENTURE (CONT'D…)

(c) On December 15, 2014, the Company signed convertible promissory notes with arm's length lenders, for a total principal amount of $120,000, due one year from the date of closing. The promissory notes will accrue interest at a rate of 15% per annum. The lenders have the right to convert the principal amount into common shares at a conversion price of $0.10 per share. As partial consideration for the promissory notes, the Company has agreed to issue to the lenders common shares equal to 20% of the promissory notes amount at $0.10 per fee share. In addition, subsequent to year end, the Company paid a finder's fee of 8% on $30,000 of the loan, which was payable in shares at $0.10 per share. Transaction costs were netted against the debt instrument and equity component in proportion to their respective fair value at initial recognition.

Opening balance, January 1, 2014	$	-
Gross proceeds on issuance of debentures		120,000
Transaction costs		(26,400)
Interest accretion		1,921
Interest expense		789
Ending balance, December 31, 2014	$	96,310

6. CAPITAL AND RESERVES

A. Common Shares

Authorized: Unlimited number of common voting shares without nominal or par value.

B. Issued share capital

As at December 31, 2014, there were 8,206,250 common shares issued and outstanding (December 31, 2013 – 3,006,250).

i. On January 27, 2014, the Company effected a consolidation of its capital on the basis of four (4) existing common share for one (1) new common share. All shares, options, warrants, and per share amounts were adjusted to reflect the consolidation ratio.

ii. On May 22, 2014, the Company completed a non-brokered private placement of $250,000 aggregate principal amount of unsecured convertible debentures. The Company paid a finder's fee of 400,000 common shares at $0.10 per share and 400,000 finder's warrants valued at $14,708 (Note 5).

iii. On December 17, 2014, convertible debt holders converted $240,000 of their debt into 4,800,000 shares of the Company (Note 5).

(Expressed in Canadian Dollars, unless stated otherwise)

6. CAPITAL AND RESERVES (CONT'D…)

C. Share purchase option compensation plan

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

The continuity of stock options for the years ended December 31, 2014 is as follows:

	December 31, 2014		December 31, 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	157,500	$0.87	295,000	$0.83
Cancelled	(25,000)	$0.80	(137,500)	$0.79
Options outstanding and exercisable, end of the year	132,500	$0.89	157,500	$0.87

The options outstanding and exercisable at December 31, 2014 are as follows:

Number Outstanding and Exercisable	Weighted Average Exercise Price $	Expiry Date
75,000	0.80	August 15, 2021
57,500	1.00	September 1, 2016
132,500	0.89	

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	December 31, 2014		December 31, 2013	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the year	-	$-	75,000	$0.80
Issued	5,200,000	0.10	-	-
Expired	-	-	(75,000)	$0.80
Warrants outstanding, end of the year	5,200,000	$0.10	-	-

As at December 31, 2014, 5,200,000 warrants were outstanding and the exercise price is $0.10 per warrant and expires on May 22, 2017.

(Expressed in Canadian Dollars, unless stated otherwise)

6. CAPITAL AND RESERVES (CONT'D…)

E. Escrow Shares

As at December 31, 2014, the Company has nil common shares held in escrow (2013 – 218,738).

7. SUPPLEMENTAL CASH FLOW

During the year ended December 31, 2014 the Company recorded the following items:

- Common shares issued for finders' fees of $40,000;
- Warrants issued for finders' fees of $14,708;
- Finders' fee common shares included in accounts payable and accrued liabilities of $26,400;
- A convertible debenture of $240,000 was converted to common shares; and
- Equity component of convertible debentures of $81,474 was offset by a convertible debenture payable.

There were no non-cash financing or investing transactions for the year ended December 31, 2013.

8. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

9. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		Years Ended December 31,	
Services provided by:		2014	2013
Baron Global Financial Canada Ltd.	a	$142,500	$120,270
Pashleth Investment Ltd.	b	-	$22,500
Little Hampton Capital	c	-	$35,000
Isaac Moss	d	-	$35,000

(a) On April 1, 2014, the Company entered into an agreement with Baron Global Financial Canada Ltd. ("Baron") that is related by way of a common director of the Company. Baron provided corporate advisory services to the Company.

(b) Pashleth Investment Ltd. ("Pashleth") is owned by the former CEO and director of the Company. On December 31, 2013, the former CEO and director forgave amounts owing of $45,000 which was recorded as a cost recovery.

(Expressed in Canadian Dollars, unless stated otherwise)

9. RELATED PARTY TRANSACTIONS (CONT'D)

(b) Little Hampton Capital is owned by the former CEO and director of the Company.

(c) Isaac Moss is a former director of the Company.

Related Party Payable:

	December 31, 2014	December 31, 2013
Baron Global Financial Canada Ltd.	$160,125	-

Baron has agreed not to seek repayment of this amount until March 1, 2016.

10. DEFERRED INCOME TAX

The recovery of income taxes differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

		2014		2013
Earnings (loss) for the year	$	(428,103)	$	(486,800)
Expected income tax (recovery)	$	(111,000)	$	(125,000)
Change in statutory, foreign tax, foreign exchange rates and other		17,000		(5,000)
Adjustment to prior years provision versus statutory tax returns and ex|		12,000		-
Change in unrecognized deductible temporary differences		82,000		130,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The significant components of deductible temporary differences and unused tax losses that have not been included on the statements of financial position are as follows:

	2014	Expiry Date Range	2013	Expiry Date Range
Temporary Differences				
Exploration and evaluation assets	$ 148,000	No expiry date	$ 148,000	No expiry date
Investment tax credit	4,000	2020 to 2033	4,000	2020 to 2032
Share issue costs	31,000	2034 to 2037	63,000	2033 to 2036
Debt with accretion	26,000	No expiry date	-	No expiry date
Non-capital losses available for future period	1,275,000	2015 to 2034	972,000	2014 to 2032

The potential tax benefits related to the loss carry forwards and other temporary differences, the application of which may be restricted, have not been recognized in these financial statements as management does not consider it likely that such assets will be realized in the carry forward period.

(Expressed in Canadian Dollars, unless stated otherwise)

11. FINANCIAL INSTRUMENTS

Classification of Financial Instruments:

(a) Fair Values

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2014 as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $	Balance, December 31, 2013 $
Cash	189,928	-	-	189,928	1,140
Short-term investment	11,500	-	-	11,500	54,500

The fair values of other financial instruments, which include receivables, loan receivable, accounts payable and accrued liabilities, long-term liabilities, and convertible debentures approximate their carrying values due to the relatively short-term maturity of these instruments and loan payable.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and loan receivable. The Company limits its exposure to credit loss by placing its cash and short-term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure. Management believes the credit risk associated with the loan receivable is low given the Company's current transaction with Canna.

(c) Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure (Note 8).

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

11. FINANCIAL INSTRUMENTS (CONT'D…)

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

12. SUBSEQUENT EVENTS

(a) On January 12, 2015, the Company issued 240,000 shares for Fee Shares in relation to the December 15, 2014 promissory note (Note 5c).

(b) On February 12, 2015 the Company issued 24,000 shares for finder's fees in relation to the December 15, 2014 promissory note (Note 5c).

CANNA DELIVERY SYSTEMS INC.

FINANCIAL STATEMENTS

December 31, 2014

(Expressed in US Dollars)

INDEPENDENT AUDITORS' REPORT

To the Directors of
Canna Delivery Systems Inc.

We have audited the accompanying financial statements of Canna Delivery Systems Inc., which comprise the statements of financial position as at December 31, 2014 and the statements of comprehensive loss, changes in shareholders' equity and cash flows for the period from incorporation on November 25, 2014 to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Canna Delivery Systems Inc. as at December 31, 2014 and its financial performance and its cash flows for the period from incorporation on November 25, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards.

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., Canada V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Canna Delivery Systems Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

April 6, 2015

CANNA DELIVERY SYSTEMS INC.
(Expressed in US Dollars, unless stated otherwise)
STATEMENT OF FINANCIAL POSITION

	Note		December 31, 2014
ASSETS			
Current assets			
Cash		$	83,369
Subscriptions receivable	8		7,000
Total current assets			90,369
Technology	3		2,975
Deposit on equipment	4		60,000
Total assets		$	153,344
LIABILITIES AND SHAREHOLDERS' EQUITY			
Due to related party	5	$	599
Loan payable	6		150,000
Total current liabilities			150,599
SHAREHOLDERS' EQUITY			
Common stock	8		1,000
Additional paid-in capital	8		9,000
Accumulated deficit			(7,255)
Total shareholders' equity			2,745
Total liabilities and shareholders' equity		$	153,344

The accompanying notes are an integral part of these financial statements

These financial statements are authorized for issue by the Board of Directors on April 6, 2015. They are signed on the Company's behalf by:

"Brad Eckenweiler" Director
Brad Eckenweiler

"Brent Inzer" Director
Brent Inzer

The accompanying notes are an integral part of these financial statements.

CANNA DELIVERY SYSTEMS INC.
(Expressed in US Dollars, unless stated otherwise)
STATEMENT OF COMPREHENSIVE LOSS

	Period from Inception (November 25, 2014) to December 31, 2014
Operating expenses	
Amortization	25
General and administrative	7,230
Total expenses	7,255
Net loss	$ (7,255)
Net loss per common share	
Basic and diluted	$ (0.01)
Weighted average number of shares outstanding – basic and diluted	716,667

The accompanying notes are an integral part of these financial statements

CANNA DELIVERY SYSTEMS INC.
(Expressed in US Dollars, unless stated otherwise)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock				Additional Paid-in		Accumulated		
	Shares		Amount		Capital		Deficit		Total
Balance - November 25, 2014 (Inception)	-	$	-	$	-	$	-	$	-
Common stock issued	1,000,000		1,000		9,000		-		10,000
Net loss for the period ended December 31, 2014	-		-		-		(7,255)		(7,255)
Balance - December 31, 2014	1,000,000	$	1,000	$	9,000	$	(7,255)	$	2,745

The accompanying notes are an integral part of these financial statements

CANNA DELIVERY SYSTEMS INC.
(Expressed in US Dollars, unless stated otherwise)
STATEMENT OF CASH FLOWS

		Period from Inception (November 25, 2014) to December 31, 2014
Cash flows used in operating activities		
Net loss	$	(7,255)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization		25
Changes in operating assets and liabilities:		
Due to related parties		599
Net cash flows used in operating activities		(6,631)
Cash flows used in investing activities		
Deposit on equipment		(60,000)
Net cash used in investing activities		(60,000)
Cash flows from financing activities		
Proceeds from loan		150,000
Net cash provided by financing activities		150,000
Net increase in cash		83,369
Cash, beginning		-
Cash, ending	$	83,369

The accompanying notes are an integral part of these financial statements

See note 7 for supplementary cash flow

1. ORGANIZATION AND NATURE OF OPERATIONS

Canna Delivery Systems Inc. (the "Company") was incorporated under the laws of the State of Nevada on November 25, 2014. The head office and principal address of the Company are located at 1105 – 909 112th Avenue NE Bellevue, Washington 98005

The Company is an early development stage company focused on the discovery and development of certain technology to produce cannabis infused edible film-strips primarily for the use in the medicinal marijuana industry. The Company is planning to market and license its technology direct to licensed dispensaries, permitted distribution centers and grower facilities.

On December 15, 2014, the Company entered into an agreement with Kariana Resources Inc. ("Kariana") whereby Kariana agreed to purchase all the issued and outstanding shares of the Company. The completion of the Transaction is not guaranteed and is subject to a number of additional conditions, including, but not limited to, approval of the Transaction by the board of directors and, if required, security holders of each of Kariana and Canna, and the approval of the CSE.

<u>Going Concern</u>

The Company has had no revenues since inception, has an accumulated deficit of $7,255, and has working capital deficit of $60,230 as at December 31, 2014. The Company will need additional working capital to support its current operations, which raises substantial doubt about its ability to continue as a going concern. Based upon the current plans, the management of the Company intends to raise funds through director advances, and additional equity or debt financing. The Company has received debt financing from Kariana Resources Inc. of $150,000 which was received on December 23, 2014 (Note 6)

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared on a historical cost basis except for financial instruments classified as financial instruments at fair value through profit or loss that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

These financial statements, have been prepared on the basis of International Financial Reporting Standards ("IFRS") standards that are published at the time of preparation and that are effective or available on December 31, 2014.

Foreign currencies

The Company's reporting and functional currency is the US dollar as this is the principal currency of the economic environment in which it operates.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign exchange gains and losses resulting from the settlement and from the re-measurement of monetary items at balance sheet date exchange rates are recognized in the statement of earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Financing costs

The costs related to equity transactions are deferred until the closing of the equity transactions. These costs are accounted for as a deduction from equity. Transaction costs of abandoned equity transactions are expensed in the statement of comprehensive loss.

Comprehensive loss

Comprehensive loss is defined as the change in equity (net assets) from transactions and other events from non-owner sources. Other comprehensive income is defined as revenues, expenses, gains and losses are recognized in comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale. The Company does not have any items representing comprehensive income or loss.

Intangible assets

Costs related to intangible assets (Note 3) are capitalized and amortized over a 5 year life. All maintenance costs are expensed as incurred.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive. Diluted loss per share is equal to the basic loss per share as net losses were reported during the periods presented.

Financial instruments – recognition and measurement

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables, other liabilities or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL;
b) Due to related party and loan payable have been classified as financial liabilities not at fair value through profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Impairment of financial assets

The Company assesses at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of operations.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, however the increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Significant accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Taxation

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

(b) Deferred income tax

Deferred income tax is provided for based on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward or unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

New accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments – Classification and Measurement; tentatively effective annual periods on or after January 1, 2018. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

3. TECHNOLOGY

On December 1, 2014, the Company completed the acquisition of a certain technology to produce cannabis infused strips capable of delivering accurately measured doses of medicinal marijuana (the "Technology"), from Brent Inzer, the Company's President, Chief Financial Officer and a director (the "Vendor").

In consideration for the sale of the Technology, the Company issued the Vendor a total of 300,000 shares of its common stock with a value of $3,000 (Note 8).

During the period ended December 31, 2014, amortization expense of $25 was recorded.

4. DEPOSIT ON EQUIPMENT

As at December 31, 2014, the Company paid $60,000 to acquire equipment that will be used to continue development and testing of the Technology. As of the date of this report the equipment has not been received yet.

5. RELATED PARTY TRANSACTIONS

During the period ended December 31, 2014, a director of the Company paid $599 in expenses on behalf of the Company. As of December 31, 2014, the full amount is due to the director. This advance is non-interest bearing, unsecured and payable on demand.

6. LOAN PAYABLE

In accordance with the agreement with Kariana, on December 23, 2014, Kariana advanced to the Company $150,000 as an unsecured, non-interest bearing loan. If the transaction is terminated, the loan will become repayable, in full, within 90 days from the termination date.

(Expressed in US Dollars, unless stated otherwise)

7. SUPPLEMENTARY CASH FLOW

	Period Ended December 31, 2014
	$
Non-cash investing activities	
Acquisition of Technology by way of share issue	3,000
Non-cash financing activities	
Shares issued for subscriptions receivable	(7,000)

8. SHARE CAPITAL

On December 1, 2014, in consideration for the Technology, the Company issued 300,000 shares with a value of $3,000.

On December 7, 2014, the Company issued 700,000 shares to directors for proceeds of $7,000. At December 31, 2014, the subscription proceeds were still receivable from the directors of the Company. The proceeds were subsequently received.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company has not generated any revenues and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in US Dollars, unless stated otherwise)

10. DEFERRED TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2014
Net loss for the period	$	(7,255)
Expected income tax (recovery)	$	(2,000)
Change in unrecognized deductible temporary differences		2,000
Total income tax expense (recovery)	**$**	-

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2014	**Expiry Date Range**
Temporary Differences		
Net operating loss carryforwards	7,000	2029

Tax attributes are subject to review, and potential adjustment, by tax authorities.

11. FINANCIAL INSTRUMENTS

Classification of Financial Instruments:

(a) Fair Values

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $
Cash	83,369	-	-	83,369

The fair values of other financial instruments, which include due to related party and loan payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Liquidity risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure (Note 9).

11. FINANCIAL INSTRUMENTS (CONT…)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

12. SUBSEQUENT EVENTS

Subsequent to year end, the Company received multiple advances from directors which amounted to $15,915. The loans were non-interest bearing with no term to repayment. A director has been repaid $3,665 of their director's loan.

On January 3, 2015, the Company entered into an operating lease commitment for its office facilities. The lease runs until December 31, 2015. Monthly rental payments amount to $2,160 every month except for the first payment which was for $2,100 covering the remaining period of January 2015.

On February 27, 2015, the Company entered into a promissory note with a director of Kariana for $25,000 whereby the loan would accrue interest of 6% per annum until March 26, 2015. The single balloon payment on the entire loan amount and the interest accrued would be due and payable in the amount of $25,125. If the balloon payment is not made on March 26, 2015, the total outstanding balance would be subject to a 10% late fee. The loan has not been repaid.

The Company made a further $62,000 payment towards equipment for development and testing of the Technology.

On March 20, 2015, the Company and Kariana Resources Inc. entered into a share exchange agreement whereby Kariana will acquire all of the issued and outstanding shares of Canna Delivery Systems Inc. in exchange for 7,800,000 shares of Kariana at a deemed price of $0.06 per share. The 7,800,000 Kariana shares will be issued and escrowed at the close of the transaction. They will be released upon achieving certain future financial milestones.

On April 1, 2015, the Company was lent $75,000 through a non-interest promissory note from Kariana Resources Inc. The note is repayable within three days from the termination of the share exchange agreement without the transaction being completed.

SCHEDULE "B" – MANAGEMENT'S DISCUSSION & ANALYSIS

Please see attached.

KARIANA RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 31, 2014

GENERAL

The following information, prepared as of March 24, 2015, should be read in conjunction with the audited consolidated financial statements of Kariana Resources Inc. (the "Company" or "Kariana") for the year ended December 31, 2014 and December 31, 2013. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the year ended December 31, 2014, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

The risk factors identified in previous management's discussion and analysis (the "MD&A") have also remained substantially unchanged but the risk factor of future financings has assumed a greater importance to the Company in view of the current economic climate and stock market volatility. Management has assessed and will continue to address the implications of recent events in order to ensure that Kariana can continue to achieve its long term objectives.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

Certain statements contained in the foregoing management discussion & analysis (the "MD&A") constitutes forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

DESCRIPTION OF BUSINESS

The Company was incorporated on September 14, 2010 pursuant to the *Business Corporations Act*, British Columbia. The Company's principal business activity is the exploration of mineral properties. The Company's shares commenced trading on the Canadian Securities Exchange (formerly Canadian Stock Exchange) under the trading symbol "KAA" on August 17, 2011.

CHANGES IN MANAGEMENT

On May 21, 2013, Joel Dumaresq resigned his position as the CEO of the Company. On May 22, 2013, Nicholas Miller was appointed as the CEO and director of the Company. On May 28, 2013, Isaac Moss was appointed as a director of the Company. On June 21, 2013, Lawrence Dick resigned his position as a director of the Company. On December 3, 2013, Nicholas Miller resigned his position as the CEO and director of the Company. On December 9, 2013, Isaac Moss resigned his position as director of the Company. On December 13, 2013, David Velisek, the Company's director, was appointed as the CEO of the Company, and Savio Chiu was appointed a director of the Company. On December 16, 2013, Christian Klingebiel resigned his position as a director of the Company.

The Company's Board of Directors now consists of following: Savio Chiu, Herrick Lau, and David Velisek.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the audited consolidated financial statements for the year ended December 31, 2014 and December 31, 2013.

The audited statements of financial position as of December 31, 2014 indicate a cash position of $189,928 (2013 - $1,140) and total current assets of $391,946 (2013 - $70,023). The increase in total current assets was mainly due to completion of a private placement of $250,000 of unsecured convertible debentures in May 2014 and convertible promissory note of $120,000 in December 2014.

At December 31, 2014 current liabilities total $241,464 (2013 - $1,707) and long-term liabilities total $160,125 (2013 – nil). Shareholders' equity is comprised of share capital of $1,338,336 (2013 - $1,022,791), reserves of $102, 140 (2013 - $102,314), equity portion of convertible debenture of $19,891 (2013 – nil), and accumulated deficit of $1,470,010 (2013 - $1,056,789) for a net deficiency $9,643 (2013- equity of $68,316).

Working capital, which is current assets less current liabilities, is $150,482 at December 31, 2014 compared to $68,316 at December 31, 2013. Management believes that there is sufficient working capital to maintain its day-to-day operations.

During the year ended December 31, 2014, the Company reported a net loss of $428,103 ($0.13 basic and diluted loss per share) compared to a net loss of $441,800 ($0.15 basic and diluted loss per share) during the year ended December 31, 2013. Losses in the year ended December 31, 2014 represent operating expenses of $430,168 (2013 – $492,072) and interest and other income of $2,065 (2013 – $2,574).

The weighted average number of common shares outstanding for the year ended December 31, 2014 was 3,408,442 (2013 –3,006,250).

COMPARISON RESULTS OF OPERATIONS

During the year ended December 31, 2014, the Company reported a net loss of $428,103 (2013 - $441,800) and a basic and diluted loss per share of $0.13 (2013 - $0.15). The net loss of $428,103 was due to accounting fees of $12,200 (2013 - $12,720), consulting fees of $201,613 (2013 - $161,471), advertising and promotion of $15,000 (2013 – nil), accretion expense of $110,470 (2013 – nil), legal fees of $60,271 (2013 – $16,903), management fees of nil (2013 – $92,500), meals and travel expenses of $5,326 (2012 – $15,673), office general expenses of $3,341 (2013 - $9,159), project investigation of nil (2013 - $15,825), transfer agent and filing fees of $21,947 (2013 - $19,828) in connection with monthly transfer agent services and regular filing with Canadian Securities Exchange (CSE) and securities commission, and write-off of mineral properties of nil (2013 - $147,993). During the year ended December 31, 2014 expenses were offset by interest income of $2,065 (2013 - $2,574) and cost recoveries of nil (2013 - $47,698).

The increase in legal fees to $60,271 from $16,903 was due to legal services relating to the convertible debentures that closed in May and December 2014 and other general corporate matters.

The increase in accretion expense from nil to $110,470 was due the convertible debentures that closed during the year ended December 31, 2014.

The increase in consulting fees to $201,613 from $161,471 was due to consulting services provided by a consultant for business development that commenced in April 2014 and ended in December 2014.

During the year, there were no revenues aside from the interest income of $2,065 (2013 - $2,574) and cost recoveries of nil (2013 - $47,698). Costs incurred during the year ended December 31, 2014 were primarily related to general and administrative activities.

As the Company is a company without any significant revenue, it will continue to require funds to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during the year. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular year or if available, that it can be obtained on terms satisfactory to the Company.

KARIANA RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 31, 2014

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's audited financial statements for the two most recently completed financial years. These financial data are prepared in accordance with IFRS.

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	$	$	$
OPERATIONS			
Revenue	Nil	Nil	Nil
Net Loss	(428,103)	(441,800)	(459,229)
Other income	2,065	50,272	109
Basic and diluted loss per share	(0.13)	(0.15)	(0.15)
BALANCE SHEET			
Working capital	150,482	68,316	371,723
Total assets	391,946	70,023	533,612
Total non-current liabilities	160,125	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

During the year ended December 31, 2014 the Company incurred a net loss of $428,103 ($0.13 basic and diluted loss per share) compared to a net loss of $441,800 ($0.15 basic and diluted loss per share) for the year ended December 31, 2013 and a net loss of $459,229 ($0.15 basic and diluted loss per share) for the year ended December 31, 2012. The net loss was mainly due to four major categories of expenses. The categories are accretion expense, legal fees, and consulting and management fees incurred during the year. Additional explanations for the fluctuation in net loss are summarized below:

Accretion Expense
For the 2014 fiscal year, accretion expense was $110,470 (2013 and 2012 – nil) which was related to the convertible debentures that closed during the year.

Legal Fees
For the 2014 fiscal year, $60,271 in legal fees was recorded compared to $16,903 legal fees in fiscal 2013 and $7,668 legal fees in fiscal 2012. Legal fees were incurred mainly due to general corporate matters and the convertible debentures.

Consulting and Management Fees
For the 2014 fiscal year, $201,613 in consulting fees was recorded compared to $161,471 consulting fees in fiscal 2013 and $185,282 consulting fees in fiscal 2012. During fiscal 2014, the Company entered into a consulting agreement with an advisory firm for accounting and administrative services for a monthly fee of $15,000 compared to a monthly fee of $10,000 in fiscal 2013.

For the 2014 fiscal year, nil in management fees was recorded because none of the executive officers received compensation for service provided whereas in fiscal 2013 and 2012 $92,500 and $75,000 were compensated to executive officers respectively.

Transfer Agent and Filing Fees
For the 2014 fiscal year, $21,947 in transfer agent and filing fee was recorded in connection with regular filing with CSE and securities commission compared to $19,828 in fiscal 2013 and $17,219 in fiscal 2012.

Write-off of Mineral Properties
For the 2014 fiscal year, nil was recorded as write-off of mineral properties compared to $147,993 in fiscal 2013 and nil in fiscal 2012 due to the termination of the option agreement related to the Company's South Baird Property on July 8, 2013.

Total Assets
Total assets increased from $70,023 as at December 31, 2013 to $391,946 as at December 31, 2014. Total assets as at December 31, 2014 consist of cash, short term investment, loan receivable and receivables. The increase was mainly due to the cash received from the convertible debentures that closed during the year.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited financial information of the Company for the eight most recently quarters of operations. This information is derived from unaudited quarterly financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Qtr 4 December 31, 2014	**Qtr 3 September 30, 2014**	**Qtr 2 June 30, 2014**	**Qtr 1 March 31, 2014**	**Qtr 4 December 31, 2013**	**Qtr 3 September 30, 2013**	**Qtr 2 June 30, 2013**	**Qtr 1 March 31, 2013**
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	$210,371	$118,619	$42,309	$56,804	$72,965	$83,580	$212,290	$72,965
Basic and diluted loss per share	$0.06	$0.04	$0.01	$0.02	$0.02	$0.03	$0.07	$0.02
Total assets	$391,946	$548,474	$548,765	$43,447	$70,023	$187,761	$275,336	$497,255
Working Capital	$150,482	($44,874)	$73,743	$11,512	$68,316	$141,282	$224,862	$298,758

Net Loss

Overall, management, consulting, accounting, legal, write-off of mineral properties, and accretion expense are the major components that caused variances in net losses from quarter to quarter.

During the quarters ended December 31, 2014, September 30, 2014, and June 30, 2014, the major expenses of the Company are related to accretion expense from the convertible debentures. In total $110,470 was recognized as accretion expense.

During the quarter ended March 31, 2014, the major expenses of the Company are the consulting fees of $32,853.

During the quarter ended December 31, 2013, the major expenses of the Company are the management fees of $30,000 and consulting fees of $67,407.

During the quarter ended September 30, 2013, the major expenses of the Company are the management fees of $40,000 and consulting fees of $31,897.

During the quarter ended June 30, 2013, the major expenses of the Company are the write-off of mineral properties of $147,993, consulting fees of $31,120 and project investigation expenses of $15,825.

During the quarter ended March 31, 2013, the major expenses of the Company are the consulting fees of $31,047, management fees of $22,500 and accounting fees of $11,220.

Fourth Quarter

In the fourth quarter ended December 31, 2014, the Company incurred a loss of $210,373 (2013 - $72,965). The current period's loss was mainly caused by accretion expense of $87,143 (2013 – nil), legal fees of $54,839 (2013 – $5,698), and consulting fees of $54,960 (2013 - $67,407).

Working Capital

Working capital for the quarter ended December 31, 2014 increased compared to the previous quarters due re-allocation of $160,125 from current liabilities to long-term liabilities.

MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

On September 21, 2010, the Company signed an option agreement (the "Option Agreement") with optionor to acquire an undivided 100% interest in the South Baird Property, subject to a 2% NSR to the optionor, with an option buyout of 50% of the NSR for $1,000,000 upon or prior to the commencement of commercial production. The South Baird Property is located in the District of Red Lake Mining in the province of Ontario.

The Company entered into a finder's fee agreement dated November 25, 2010 in connection with the acquisition of the South Baird Property. The Company paid finder's fee in cash of $25,000 and issued 18,750 common shares on December 23, 2010.

Pursuant to the Option Agreement, the Company issued 25,000 common shares at $0.80 per share to the optionor on August 17, 2011 after the completion of the Company's IPO.

On July 8, 2013, the Company terminated the Option Agreement. The Company wrote off all the related exploration and evaluation costs of $147,993.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2014, the Company's cash and cash equivalents balance was recorded as $189,928 (2013 – $1,140) and the Company had a working capital of $150,482 (2013 - $68,316). As at December 31, 2014, the Company has share capital of $1,338,336 (2013 – $1,022,791) representing 8,206,250 (2013 – 3,006,250) common shares, reserves of $102,140 (2013 – $102,314) and an accumulated deficit of $1,470,010 (2013 – $1,056,789).

The Company has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital.

The Company will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations at December 31, 2014 is detailed in the table below.

Contractual Obligations	Payments Due by Period				
	Total	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Accounts Payable, Accrued and other Liabilities	$401,589	$241,464	$160,125	N/A	N/A
Total	$401,589	$241,464	$160,125	**N/A**	**N/A**

Management believes that the Company has sufficient cash to meet its current obligation for the next twelve months.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

		Years Ended December 31,	
Services provided by:		2014	2013
Baron Global Financial Canada Ltd.	a	$142,500	$120,270
Pashleth Investment Ltd.	b	-	$22,500
Little Hampton Capital	c	-	$35,000
Isaac Moss	d	-	$35,000

(a) On April 1, 2014, the Company entered into an agreement with Baron Global Financial Canada Ltd. ("Baron") that is related by way of a common director of the Company. Baron provided corporate advisory services to the Company.

(b) Pashleth Investment Ltd. ("Pashleth") is owned by the former CEO and director of the Company. On December 31, 2013, the former CEO and director forgave amounts owing of $45,000 which was recorded as a cost recovery.

(b) Little Hampton Capital is owned by the former CEO and director of the Company.

(c) Isaac Moss is a former director of the Company.

Related Party Payable:

	December 31, 2014	December 31, 2013
Baron Global Financial Canada Ltd.	$160,125	-

Baron has agreed not to seek repayment of this amount until March 1, 2016.

PROPOSED TRANSACTIONS

On December 16, 2014, the Company signed a Letter of Intent ("LOI") with Canna Delivery Systems Inc. ("Canna") in which the Company will acquire all of the issued and outstanding common shares of Canna for 7,800,000 shares of the Company. The shares will be escrowed and will be released over two years based upon

Canna meeting certain financial milestones. The Company also loaned US$150,000 to Canna. The loan is unsecured, non-interest bearing and is repayable 90 days after termination of the proposed transaction.

In connection with the LOI, on a best-efforts basis, the Company intends on completing a concurrent financing by way of a non-brokered private placement at the close of the transaction. The private placement will raise gross proceeds of $500,000 through the sales of 3,333,334 subscription receipts at a price of $0.15 per subscription receipt. Each subscription receipt will automatically convert into one unit. Each unit will be comprised of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at the price of $0.30 for the first year and $0.45 for the second year from the closing of the concurrent financing. Subsequent to December 31, 2014, the Company received $271,610 in subscription proceeds towards the private placement.

SIGNIFICANT ACCOUNTING POLICIES AND CRITIAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2014.

FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL;
b) Short-term investments have been classified as FVTPL;
c) Receivables and loan receivable have been classified as loans and receivables; and
d) Accounts payables and accrued liabilities and convertible debentures have been classified as financial liabilities not at fair value through profit and loss.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2014 as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $	Balance, December 31, 2013 $
Cash	189,928	-	-	189,928	1,140
Short-term investment	11,500	-	-	11,500	54,500

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and short term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:
(1) Authorized: Unlimited common shares without par value.
(2) As at the date of this MD&A, the Company has 8,470,250 common shares, 132,500 options, and 5,200,000 warrants issued and outstanding. In addition, $20,000 of convertible debenture that is convertible into one unit (one common share and one warrant) at $0.10 per unit and $120,000 of convertible promissory note that can be converted into one common share at $0.10 per common share.

Additional Disclosure For Junior Issuers

The Company has expensed the following material cost components:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Accretion expense	110,470	-
Consulting fees	201,613	161,471
Transfer agent and filing fees	21,947	19,828
Legal fees	60,271	16,903

Write-off of mineral properties	-	147,993
Management fees	-	92,500

Accretion expense of $110,470 (2013 – nil) was related to the convertible debenture and convertible promissory note that closed during fiscal year 2014.

Consulting fees of $201,613 (2013 – $161,471) included financial and business development advisory fees.

Transfer agent and filing fees of $21,947 (2013 - $19,828) are in connection with regular filing with CSE and securities commission and monthly transfer agent services.

Legal fees of $60,271 (2013 - $16,903) included legal services in connection with the convertible debentures and general corporate matters.

Write-off of mineral properties of nil (2013 - $147,993) was related to the termination of the option agreement related to the Company's South Baird Property on July 8, 2013. The property was written off in fiscal year 2013.

Management fees of nil (2013 - $92,500) was related to the strategic planning services provided by former officers and directors of the Company in fiscal year 2013.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2014 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

RISKS AND UNCERTAINTIES

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

SUBSEQUENT EVENTS

On January 12, 2015, the Company issued 240,000 shares for Fee Shares in relation to the December 15, 2014 promissory note.

On February 12, 2015 the Company issued 24,000 shares for finder's fees in relation to the December 15, 2014 promissory note.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.

CANNA DELIVERY SYSTEMS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
December 31, 2014

GENERAL

The following information, prepared as of April 6, 2015, should be read in conjunction with the audited financial statements of Canna Delivery Systems Inc. (the "Company" or "Canna") for the period from incorporation November 25, 2014 to December 31, 2014. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts are expressed in US dollars unless noted otherwise.

The risk factors have been identified below in this management's discussion and analysis (the "MD&A"). As a newly incorporated company, the risk factor of future financings is of great importance to the Company in view of the current economic climate. Management will address the implications of recent events in order to ensure that Canna can continue to achieve its long term objectives.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

Certain statements contained in the foregoing management discussion & analysis (the "MD&A") constitutes forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

DESCRIPTION OF BUSINESS

Canna Delivery Systems Inc. (the "Company") was incorporated under the laws of the State of Nevada on November 25, 2014. The Company is an early development stage company focused on the discovery and development of certain technology to produce cannabis infused edible film-strips primarily for the use in the medicinal marijuana industry. The Company is planning to market and license its technology direct to licensed dispensaries, permitted distribution centers and grower facilities.

MANAGEMENT

The Company's Board of Directors consists of following: Brad Eckenweiler, Brent Inzer and John da Costa.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the audited financial statements for the period from incorporation November 25, 2014 to December 31, 2014.

The audited statements of financial position as of December 31, 2014 indicate a cash position of $83,369 and working capital deficit of $60,230. The negative working capital is mainly attributable to a loan payable for $150,000 which is due to Kariana and is to be repaid within 90 days from the termination date if the transaction is terminated.

At December 31, 2014, current liabilities total $150,599. Shareholders' equity is comprised of share capital of $1,000, additional paid-in capital accounts for $9,000, and accumulated deficit of $7,255 for a net shareholders' equity of $2,745.

During the period from incorporation November 25, 2014 to December 31, 2014, the Company reported a net loss of $7,255 ($0.01 basic and diluted loss per share). Loss in the period from incorporation November 25, 2014 to December 31, 2014 represents general and administrative expenses of $7,230 and amortization of $25.

The weighted average number of common shares outstanding for the period from incorporation November 25, 2014 to December 31, 2014 was 716,667.

RESULTS OF OPERATIONS

During the period from incorporation November 25, 2014 to December 31, 2014, the Company reported a net loss of $7,255 and a basic and diluted loss per share of $0.01. The net loss of $7,255 was due to general and administrative expenses of $7,230 and amortization of $25. The general and administrative expenses were comprised of $6,615 of research and development, $599 in regulatory fees and $16 in bank charges.

As the Company is an early development stage company without any significant revenue, it will continue to require funds to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during the year. There can be no assurance that the contemplated transaction, financing, whether debt or equity, will be available to the Company in the amount required at any particular year or if available, that it can be obtained on terms satisfactory to the Company.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's audited financial statements for period from incorporation November 25, 2014 to December 31, 2014. These financial data are prepared in accordance with IFRS.

	Period Ended December 31, 2014
	$
OPERATIONS	
Revenue	Nil
Net loss	(7,255)
Other income	Nil
Basic and diluted loss per share	(0.01)
BALANCE SHEET	
Working capital deficit	(60,230)
Total assets	153,344
Total non-current liabilities	Nil
Cash dividends declared	Nil

Total Assets

Total assets were $153,344 as at December 31, 2014. Total assets as at December 31, 2014 consist of cash, subscriptions receivable, Technology, and deposits on equipment.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited financial information of the Company for the most recently completed quarters. These financial data are prepared in accordance with IFRS. As the company was incorporated on November 25, 2014, there are no previous quarters for 2013. Also, Q4 is only for the period of November 25, 2014 to December 31, 2014.

	Qtr 4 December 31, 2014	**Qtr 3 September 30, 2014**	**Qtr 2 June 30, 2014**	**Qtr 1 March 31, 2014**
Revenue	Nil	N/A	N/A	N/A
Net Loss	$7,255	N/A	N/A	N/A
Basic and diluted loss per share	$0.01	N/A	N/A	N/A
Total assets	$153,344	N/A	N/A	N/A
Working Capital	($60,230)	N/A	N/A	N/A

Net Loss

During the period from incorporation November 25, 2014 to December 31, 2014, the Company reported a net loss of $7,255 and a basic and diluted loss per share of $0.01. The net loss of $7,255 was due to general and administrative expenses of $7,230 and amortization of $25. The general and administrative expenses were comprised of $6,615 of research and development, $599 in regulatory fees, and $16 bank charges.

Working Capital

Working capital deficit for the period ended December 31, 2014 was $60,230.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2014, the Company's cash balance was recorded as $83,369 and the Company had a working capital deficit of $60,230. As at December 31, 2014, the Company's share capital consisted of 1,000,000 common shares at $0.001 per share and additional paid-in capital of $9,000 and an accumulated deficit of $7,255.

On December 23, 2014, the Company was loaned $150,000 through a non-interest bearing promissory note from Kariana Resources Inc.. The note is repayable within 90 days in the event that the share exchange agreement is terminated

On February 27, 2015, the Company entered into a promissory note with a director of Kariana for $25,000 whereby the loan would accrue interest of 6% per annum until March 26, 2015. The single balloon payment on the entire loan amount and the interest accrued would be due and payable in the amount of $25,125. In the event that the balloon payment was not made on March 26, 2015, the total outstanding balance would be subject to a 10% late fee. As of the date of this MD&A the full amount of loan remains unpaid.

On April 1, 2015, the Company was loaned $75,000 through a non-interest bearing promissory note from Kariana Resources Inc. The note is repayable within three days from the termination of the share exchange agreement without the transaction being completed.

The Company has no operating revenues. Accordingly, the Company is dependent on the transaction as well as the concurrent financing as its sole source of operating working capital.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations at December 31, 2014 is detailed in the table below.

Contractual Obligations	Payments Due by Period				
	Total	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Accounts Payable, Accrued and other Liabilities	$150,599	$150,599	N/A	N/A	N/A
Total	$150,599	$150,599	**N/A**	**N/A**	**N/A**

On January 3, 2015, the Company entered into an operating lease commitment for its office facilities. The lease runs until December 31, 2015. Monthly rental payments amount to $2,160 every month except for the first payment which was for $2,100 covering the remaining period of January 2015.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

Subsequent to the period end, the Company received multiple advances from directors which amounted to $15,915. The loans were non-interest bearing with no term to repayment. A director has been repaid $3,665 of their director's loan.

PROPOSED TRANSACTIONS

On December 15, 2014, the Company signed a Letter of Intent ("LOI") with Kariana Resources Inc. ("Kariana"), which was superseded by a share exchange agreement dated March 20, 2015, whereby the Company agreed to sell all of the issued and outstanding common shares of the Company to Kariana in exchange for 7,800,000 shares of the Kariana. The shares will be issued and escrowed at the close of the transaction. The escrowed shares will be released over two years based upon the Company meeting certain financial milestones.

In addition, Kariana loaned to the Company a total of $225,000. The loans are unsecured, non-interest bearing with $150,000 repayable 90 days after termination of the proposed transaction and $75,000 repayable 3 days after termination of the proposed transaction.

SIGNIFICANT ACCOUNTING POLICIES AND CRITIAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2014.

FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL;
b) Due to related party and loan payable have been classified as financial liabilities not at fair value through profit and loss.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2014 as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $
Cash	83,369	-	-	83,369

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and short term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:
(1) Authorized: 75,000,000 common shares with a $0.001 par value.
(2) As at the date of this MD&A, the Company has 1,000,000 common shares, issued and outstanding.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2014 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

RISKS AND UNCERTAINTIES

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further research and development of its Technology when required. Although the Company has been successful in the past in obtaining financing through related party advances and notes payable, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further research and development of its Technology.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

SUBSEQUENT EVENTS

Subsequent to December 31, 2014, the Company received multiple advances from directors which amounted to $15,915. The loans were non-interest bearing with no term to repayment. A director has been repaid $3,665 of their director's loan.

On January 3, 2015, the Company entered into an operating lease commitment for its office facilities. The lease runs until December 31, 2015. Monthly rental payments amount to $2,160 every month except for the first payment which was for $2,100 covering the remaining period of January 2015.

On February 27, 2015, the Company entered into a promissory note with a director of Kariana for $25,000 whereby the loan would accrue interest of 6% per annum until March 26, 2015. The single balloon payment on the entire loan amount and the interest accrued would be due and payable in the amount of $25,125. If the balloon payment is not made on March 26, 2015, the total outstanding balance would be subject to a 10% late fee. The loan has not been repaid.

The Company made a further $62,000 payment towards equipment for development and testing of the Technology.

On March 20, 2015, the Company and Kariana Resources Inc. entered into a share exchange agreement whereby Kariana will acquire all of the issued and outstanding shares of Canna Delivery Systems Inc. in exchange for

7,800,000 shares of Kariana at a deemed price of $0.06 per share. The 7,800,000 Kariana shares will be issued and escrowed at the close of the transaction. They will be released upon achieving certain future financial milestones.

On April 1, 2015, the Company was lent $75,000 through a non-interest promissory note from Kariana Resources Inc. The note is repayable within three days from the termination of the share exchange agreement without the transaction being completed.

SCHEDULE "C" – PRO-FORMA FINANCIAL STATEMENTS

Please see attached.

KARIANA RESOURCES INC.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2014

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

KARIANA RESOURCES INC.

Pro Forma Consolidated Statement of Financial Position

December 31, 2014

(Expressed in Canadian Dollars)

(Unaudited)

	Kariana December 31, 2014	Canna December 31, 2014	Note 4	Pro Forma Adjustments	Pro Forma Consolidated
	$	$		$	$
ASSETS					
Current assets					
Cash	189,928	96,716	(a)	775,314	960,079
			(a)	(10,000)	
			(b)	(100,000)	
			(f)	8,121	
Short-term investment	11,500	-		-	11,500
Receivables	15,618	-		-	15,618
Subscription receivable	-	8,121	(f)	(8,121)	-
Loan receivable	174,900	-	(d)	(174,900)	-
Total current assets	391,946	104,837		490,414	987,197
Technology	-	3,450	(b)	695,202	865,996
			(b)	100,000	
			(c)	67,344	
Deposit on equipment	-	69,606		-	69,606
Total assets	391,946	177,893		1,352,960	1,922,799
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	137,539	-	(e)	(47,250)	63,889
			(h)	(24,000)	
			(i)	(2,400)	
Due to related party	-	695		-	695
Loan payable	-	174,900	(d)	(174,900)	-
Convertible debentures	103,925	-	(g)	(7,615)	96,310
Total current liabilities	241,464	175,595		(256,165)	160,894
Long-term liabilities	160,125	-	(e)	(130,200)	29,925
Total liabilities	401,589	175,595		(386,365)	190,819
EQUITY (DEFICIENCY)					
Share capital	1,338,336	1,160	(a)	775,314	3,083,825
			(a)	(10,000)	
			(b)	(1,160)	
			(b)	697,500	
			(c)	67,344	
			(e)	177,450	
			(g)	10,000	
			(g)	1,481	
			(h)	24,000	
			(i)	2,400	
Equity portion of convertible debentures	19,891	-	(g)	(1,481)	18,410
Reserves	102,140	-		-	102,140
Additional paid-in capital	-	10,441	(b)	(10,441)	-
Deficit	(1,470,010)	(8,336)	(b)	8,336	(1,472,395)
			(g)	(2,385)	
Accumulated other comprehensive incom	-	(967)	(b)	967	-
Total equity (deficiency)	(9,643)	2,298		1,739,325	1,731,980
Total liabilities and equity (deficiency)	391,946	177,893		1,352,960	1,922,799

The accompanying notes are integral part of these consolidated pro forma consolidated Statement of Financial Position.

1. Basis of presentation

The accompanying unaudited pro-forma consolidated statement of financial position of Kariana Resources Inc. ("Kariana" or “the Company”) have been prepared by management in accordance International Financial Reporting Standards (“IFRS”) from information derived from the financial statements of Kariana and the financial statements of Canna Delivery Systems Inc. (“Canna”) to show effect of the proposed transaction (“Transaction”) as per Note 3. The unaudited pro-forma consolidated financial statements have been prepared for inclusion in the Canadian Stock Exchange (“CSE”) Listing Statement.

The unaudited pro-forma consolidated statement of financial position of the Company has been compiled from and includes:

a) A pro forma consolidated statement of financial position combining:
   a. Kariana’s audited consolidated statement of financial position as at December 31, 2014; and
   b. Canna’s audited statement of financial position as at December 31, 2014.

b) The additional information set out in Notes 3 and 4.

The unaudited pro forma consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements of Kariana for the year ended December 31, 2014 and the audited financial statements of Canna for the period from inception (November 25, 2014) to December 31, 2014, included in the CSE Filing Statement.

The pro forma consolidated statement of financial position are not necessarily indicative of the financial position that would have been achieved if the proposed Transaction had been completed on the date indicated, nor do they purport to project the financial position or results of operations of the consolidated entities for any future period. In the opinion of the management of Kariana and Canna, the unaudited pro forma consolidated statement of financial position includes all adjustments necessary for a fair presentation of the proposed Transaction described in this note.

2. Significant accounting policies

The accounting policies used in the preparation for this unaudited pro forma consolidated statement of financial position are those set out in Kariana’s audited consolidated financial statements as at December 31, 2014. In preparing the unaudited pro-forma consolidated financial statements, a review was undertaken to identify accounting policy differences between Kariana and Canna where the impact was potentially material. The significant accounting policies of Canna conform in all material respects to those of Kariana.

3. Transaction

Kariana and Canna and the shareholders of Canna have entered into a Share Exchange Agreement whereby Kariana will acquire from the Canna shareholders all of the common shares of Canna which are issued and outstanding. In consideration, Kariana will issue Canna’s shareholders, pro rata, up to an aggregate of 7,800,000 shares of Kariana (the “Performance Shares”) at a deemed price of $0.15 per share. The Performance Shares will be issued into escrow on the closing date and will be released upon Canna achieving certain financial milestones over a period of 24 months from the closing of the Transaction as follows:

(i) Milestone 1 – 1,500,000 Performance Shares released upon Canna generating cumulative gross revenues of US$50,000;

(ii) Milestone 2 – an additional 2,100,000 Performance Shares released upon the Canna generating cumulative gross revenues of US$200,000;

3. Transaction (continued)

(iii) Milestone 3 – an additional 2,100,000 Performance Shares released upon the Canna generating cumulative gross revenues of US$600,000; and

(iv) Milestone 4 – an additional 2,100,000 Performance Shares released upon the Canna generating cumulative gross revenues of US$1,000,000.

The Transaction is considered an acquisition of the net assets of Canna as Canna is not considered a business. Also see Note 4b.

The combination between Kariana and Canna is subject to, amongst other things, regulatory, and the board's approval.

4. Pro-forma assumptions and adjustments

The pro-forma consolidated statement of financial position includes the effects of the following pro forma assumptions and adjustments as if they had occurred at December 31, 2014:

(a) In connection with the Transaction, the Company completed a concurrent financing of $775,314 by the issuance of 5,168,757 subscription receipts (each "Subscription Receipt") at a price of $0.15 per Subscription Receipt. Each Subscription Receipt is automatically convertible into one Unit which consists of one (1) common share of Kariana and one half of one (1/2) common share purchase warrant (each whole warrant a “Warrant”). Each whole Warrant will entitle the holder to purchase one (1) additional common share of Kariana at a price of $0.30 for the first year and $0.45 for the second year from the completion of the Transaction. The Warrants expire two years from the completion of the Transaction.

The gross proceeds from the concurrent financing has been allocated fully to the value of the shares issued.

The Company incurred a finder's fee in equity by the issuance of 254,768 units. A “Unit” consists of one common share of the Company and one half of one common share purchase warrant exercisable to purchase one share of the Company at a price of $0.30 for the first year and $0.45 for the second year from the closing date of the Transaction. The deemed price of each Unit shall equal $0.15. The Company incurred other professional fees of $10,000 relating to equity financing, which were charged to share capital as share issuance costs related to the issuance of Subscription Receipts.

(b) The asset acquisition has been accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets acquired at the effective date of the purchase.

(Expressed in Canadian Dollars)

4. Pro-forma assumptions and adjustments (continued)

The purchase price allocated to the net assets acquired on December 31, 2014 is as follows:

		Total
Purchase Price:		
Common shares	$	697,500
Finder's fee	$	67,344
Professional fees	$	100,000
	$	864,844
Net assets acquired:		
Cash	$	96,716
Subscription receviable	$	8,121
Technology	$	865,996
Deposit on equipment	$	69,606
Due to related party	$	(695)
Loan payable	$	(174,900)
	$	864,844

The fair value of the Performance Shares issued into escrow is based on Kariana's concurrent financing subscription price allocated to shares (Note 4a). Given the fact that the Performance Shares will be issued into escrow on the closing date and will be released upon Canna achieving certain financial milestones over a period of 24 months from the closing of the Transaction, the Company estimated the fair value of the Performance Shares by assigning a percentage to the likelihood Canna will be able to achieve the milestones, which are 100% upon achieving Milestone 1, 75% upon achieving Milestone 2, 50% upon achieving Milestone 3, and 25% upon achieving Milestone 4.

(c) Pursuant to the Transaction, the Company agreed to pay a finder's fee for the acquisition of 83,333 common shares at an allocated price of $0.15 per share within 14 days of CSE approval of the Transaction and up to 565,000 common shares upon the issuance of Performance Shares. The Company estimated the finder's fee by assigning a percentage to the likelihood Canna will be able to achieve the milestones, which are 100% upon achieving Milestone 1, 75% upon achieving Milestone 2, 50% upon achieving Milestone 3, and 25% upon achieving Milestone 4.

(d) On December 15, 2014, Kariana signed a term sheet with Canna whereby Kariana advanced US$150,000 as an unsecured loan to Canna. The loan is non-interest bearing loan. For the purpose of the pro forma, the loan is settled pursuant to the completion of the Transaction.

(e) The Company will settle $177,450 of its debt with the Company's common shares on the date of closing of the Transaction.

(f) On December 7, 2014, the Canna issued 700,000 shares to directors for proceeds of US$7,000. At December 31, 2014, the subscription proceeds were still receivable from the directors of the Canna. The proceeds were subsequently received after December 31, 2014.

(g) On March 31, 2015, convertible debentures with a face value of $10,000 were converted which resulted in the issuance of 200,000 common shares of the Company and 200,000 warrants exercisable at $0.10 until May 22, 2017.

(Expressed in Canadian Dollars)

4. Pro-forma assumptions and adjustments (continued)

(h) On January 12, 2015, the Company issued 240,000 shares for Fee Shares in relation to the December 15, 2014 promissory note.

(i) On February 12, 2015, the Company issued 24,000 shares for finder's fees in relation to the December 15, 2014 promissory note.

5. Pro forma share capital

After giving effect to the pro forma assumptions in Note 4, the issued and fully paid share capital of Kariana would be as follows:

	Common Shares	Amount ($)
Kariana's common shares balance at December 31, 2014	8,206,250	1,338,336
Common shares issued under the private placement (Note 4a)	5,168,757	775,314
Common shares issued to finders for the private placement (Note 4a)	254,768	38,215
Common shares issued for Canna for Milestone 1, 2, 3 and 4 (Note 4b)	7,800,000	697,500
Common shares issued to a finder for the Transaction (Note 4c)	648,333	67,344
Common shares issued for debt settlement (Note 4e)	1,183,000	177,450
Conversion of convertible debenture (Note 4g)	200,000	11,481
Common shares issed for fee shares in relation to the December 15, 2014 promissory note (Note 4h)	240,000	24,000
Common shares issed for finder's fee in relation to the December 15, 2014 promissory note (Note 4i)	24,000	2,400
Issuance costs:		
Cash share issuance costs of private placement (Note 4a)	-	(10,000)
Private placement finder's fee (Note 4a)	-	(38,215)
Pro forma common shares at December 31, 2014	23,725,108	3,083,825

Following the completion of the proposed Transactions, 23,725,108 common shares will be outstanding.

6. Canna Translation from US to Canadian Dollars

Canna audited statement of financial position for the period from inception (November 25, 2014) to December 31, 2014 have been translated from US dollars to Canadian dollars as follows:

a) all assets, liabilities and equity were translated using December 31, 2014 exchange rate of USD$1.00 CAD$1.16; and

b) all income and expenses were translated using average exchange rate for the period from inception (November 25, 2014) to December 31, 2014 of USD$1.00 = CAD$1.15.