LIFESTYLE DELIVERY SYSTEMS INC.

(Formerly Kariana Resources Inc.)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Period Ended March 31, 2015

(Expressed in Canadian Dollars)

LIFESTYLE DELIVERY SYSTEMS INC.
(Formerly Kariana Resources Inc.)
(Expressed in Canadian Dollars, unless stated otherwise)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	March 31, 2015 $	December 31, 2014 $
			Audited
ASSETS			
Current Assets			
Cash		21,264	189,928
Short-term investment		181,500	11,500
Receivables		2,668	15,618
Prepaid Expenses		1,845	-
Loan receivable	3	174,900	174,900
Total Current Assets		382,177	391,946
TOTAL ASSETS		382,177	391,946
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		209,392	137,539
Convertible debentures	4	109,019	103,925
Total Current Liabilities		318,411	241,464
Long-term liabilities	8	160,125	160,125
TOTAL LIABILITIES		478,536	401,589
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	5	1,376,216	1,338,336
Equity portion of convertible debentures	4	18,411	19,891
Reserves		102,140	102,140
Deficit		(1,593,126)	(1,470,010)
Total Shareholders' Equity (Deficiency)		(96,359)	(9,643)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		382,177	391,946

Subsequent events (Note 10)

These consolidated financial statements are authorized for issue by the Board of Directors on May 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 interim financial statements.

LIFESTYLE DELIVERY SYSTEMS INC.
(Formerly Kariana Resources Inc.)
(Expressed in Canadian Dollars, unless stated otherwise)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Notes	Three Months Ended March 31, 2015 $	Three Months Ended March 31, 2014 $
EXPENSES			
Accounting fees		25,000	10,200
Consulting fees		39,587	32,853
Accretion expense	4	20,321	-
Legal fees		30,000	-
Meals and travel expenses		1,862	2,041
Office and general		803	864
Transfer agent and filing fees		5,923	10,912
Loss before undernoted income (expenses)		(123,496)	(56,870)
Interest income		380	66
Loss and comprehensive loss for the period		(123,116)	(56,804)
Basic and diluted loss per share		($0.01)	($0.02)
Weighted average number of common shares outstanding - basic and diluted		8,435,050	3,006,250

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

LIFESTYLE DELIVERY SYSTEMS INC.
(Formerly Kariana Resources Inc.)
(Expressed in Canadian Dollars, unless stated otherwise)
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, 2013	3,006,250	1,022,791	-	102,314	(1,056,789)	68,316
Reclassification of reserves on expired options and warrants	-	-	-	(14,882)	14,882	-
Loss for the period	-	-	-	-	(56,804)	(56,804)
Balance – March 31, 2014	3,006,250	1,022,791	-	87,432	(1,098,711)	11,512
Balance - December 31, 2014	8,206,250	1,338,336	19,891	102,140	(1,470,010)	(9,643)
Finder's fee and Fee shares for convertible promissory note	264,000	26,400	-	-	-	26,400
Conversion of convertible debenture	200,000	11,480	(1,480)	-	-	10,000
Loss for the peirod	-	-	-	-	(123,116)	(123,116)
Balance – March 31, 2015	8,670,250	1,376,216	18,411	102,140	(1,593,126)	(96,359)

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

LIFESTYLE DELIVERY SYSTEMS INC.
(Formerly Kariana Resources Inc.)
(Expressed in Canadian Dollars, unless stated otherwise)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Three Months Ended March 31, 2015 $	Three Months Ended March 31, 2014 $
Cash provided by (used in):			
Operating activities			
Loss for the year		(123,116)	(56,804)
Adjustment for items not involving cash:			
Non-cash interest accretion on convertible debenture	4	15,094	-
Fee shares and finder's fee for convertible promissory	4	26,400	-
Changes in non-cash operating working capital:			
Receivables		12,950	(2,127)
Prepaid expenses		(1,845)	-
Accounts payable and accrued liabilities		71,853	30,228
Net change in operating activities		1,336	(28,703)
Investing activities			
Short-term investments		(170,000)	43,000
Net change in financing activities		(170,000)	43,000
Financing activities			
Net change in financing activities		-	-
Net change in cash		(168,664)	14,297
Cash, beginning of the period		189,928	1,140
Cash, end of the period		21,264	15,437

Supplemental Cash Flow (Note 6)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Lifestyle Delivery Systems Inc. (formerly Kariana Resources Inc.) (the "Company" or "LDS") was incorporated on September 14, 2010 pursuant to the provision of the Business Corporations Act (British Columbia). The Company's principal business activity is technologies that produce oral delivery system that can be used for energy elixirs, herbal remedies and a smokeless alternative option to medical and recreational users of cannabis. 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 March 31, 2015. The Company's shares trades on the Canadian Securities Exchange under the trading symbol "LDS".

On May 1, 2015, the Company acquired all the issued and outstanding common stock of Canna Delivery Systems Inc. ("Canna") and changed its name to "Lifestyle Delivery Systems Inc." under the British Columbia Business Corporations Act (the "Transaction"). Canna, incorporated under the State of Nevada on November 25, 2014, is now one of the wholly-owned subsidiaries of LDS.

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

These consolidated interim 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's ability to realize its assets and discharge its liabilities is dependent upon the operation of Canna. 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 March 31, 2015 of $63,766 (2014 – $150,482). 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

Statement of compliance

These condensed interim consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the significant accounting policies disclosed in note 2 of the most recent annual financial statements as at and for the year ended December 31, 2014 as filed on SEDAR at www.sedar.com. The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

Basis of presentation

These condensed interim 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 condensed interim consolidated financial statements have been prepared using the accrual basis of accounting.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Basis of presentation (Cont'd…)

These condensed interim 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.

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 condensed interim 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 March 31, 2015.

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 March 31, 2015, the Company has two short-term investments totalling to $181,500 of principal and $333 and $84 of interest due on January 13, 2016 and July 11, 2015 respectively with an annual yield of prime minus 1.95%.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Share-based payments (Cont'd…)

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.

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.

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. ACQUISTION

On March 20, 2015, the Company signed a share exchange agreement (“Agreement”) with 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 on December 15, 2014. The loan is unsecured, non-interest bearing and is repayable 90 days after termination of the proposed transaction.

In connection with the Agreement, the Company raised a gross proceed of $775,314 through the sales of 5,168,757 subscription receipts at a price of $0.15 per subscription receipt. Each subscription receipt will automatically convert into one unit subsequent to March 31, 2015. 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.

4. 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 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
Accretion expense		2,385
Carry value of convertible debenture converted		(10,000)
Ending balance, March 31, 2015	$	-

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.

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, unless stated otherwise)

4. CONVERTIBLE DEBENTURE (CONT'D…)

(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 and March 31, 2015	$	-

(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
Interest accretion		13,498
Interest expense		4,438
Ending balance, March 31, 2015	$	114,246

(Expressed in Canadian Dollars, unless stated otherwise)

5. CAPITAL AND RESERVES

A. Common Shares

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

B. Issued share capital

As at March 31, 2015, there were 8,670,250 common shares issued and outstanding (December 31, 2014 – 8,206,250).

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 4).

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

iv. On January 12, 2015, the Company issued 240,000 shares for Fee Shares in relation to the December 15, 2014 promissory note (Note 4c).

v. On February 12, 2015 the Company issued 24,000 shares for finder's fees in relation to the December 15, 2014 promissory note (Note 4c).

vi. On March 31, 2015, convertible debt holders converted $10,000 of their debt into 200,000 shares of the Company (Note 4a).

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 period ended March 31, 2015 is as follows:

	March 31, 2015		December 31, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the period	132,500	$0.89	157,500	$0.87
Cancelled	-	-	(25,000)	$0.80
Options outstanding and exercisable, end of the period	132,500	$0.89	132,500	$0.89

(Expressed in Canadian Dollars, unless stated otherwise)

5. CAPITAL AND RESERVES (CONT'D…)

The options outstanding and exercisable at March 31, 2015 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:

	March 31, 2015		December 31, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of the period	5,200,000	$0.10	5,200,000	$0.10
Issued	200,000	0.10	-	-
Warrants outstanding, end of the period	5,400,000	$0.10	5,200,000	$0.10

As at March 31, 2015, 5,400,000 warrants were outstanding and the exercise price is $0.10 per warrant and expires on May 22, 2017.

6. SUPPLEMENTAL CASH FLOW

During the year ended March 31, 2015 the Company recorded the following items:

- Common shares issued for finders' fees fee shares for the convertible promissory note of $26,400; and
- A convertible debenture of $10,000 was converted to common shares.

There were no non-cash financing or investing transactions for the period ended March 31, 2014.

7. 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.

(Expressed in Canadian Dollars, unless stated otherwise)

7. CAPITAL MANAGEMENT (CONT'D…)

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

8. 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:

Services provided by:		March 31, 2015	March 31, 2014
Baron Global Financial Canada Ltd.	a	$37,500	$30,000

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.

Related Party Payable:

	March 31, 2015	December 31, 2014
Baron Global Financial Canada Ltd.	$199,500	$160,125

Baron has agreed not to seek repayment of $160,125 until March 1, 2016.

9. 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 March 31, 2015 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, March 31, 2015 $	Balance, December 31, 2014 $
Cash	21,264	-	-	21,264	189,928
Short-term investment	181,500	-	-	181,500	11,500

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

9. FINANCIAL INSTRUMENTS (CONT'D…)

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 5).

(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.

(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.

10. SUBSEQUENT EVENTS

(a) On April 2, 2015 the Company entered into a non-secured, non-convertible promissory note with Canna. The Company advanced a loan (the "Loan") of US$75,000 to Canna and is repayable within three days from the termination of the share exchange agreement without the acquisition of Canna being completed and will bear no interest.

(b) On April 2, 2015 the Company completed a non-brokered private placement (the "Financing") 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 LDS (a "Unit") upon the acquisition of Canna (the "Acquisition"). Each Unit is comprised of one (1) common share of LDS (each a "LDS Share") and one half of one (1/2) common share purchase warrant (each a "Warrant"). Each whole Warrant will entitle the holder to purchase one additional LDS Share at a price of $0.30 for the first year and $0.45 for the second year from the closing of the acquisition of Canna.

(c) On May 1, 2015 the Company completed the acquisition of all the issued and outstanding shares of Canna and changed its name to "Lifestyle Delivery Systems Inc." under the British Columbia Business Corporations Act. Pursuant to the terms of the share exchange agreement, the Company issued to Canna's shareholders, pro rata, an aggregate of 7,800,000 common shares of the Company (the "Performance Shares") at a deemed price of $0.15 per Performance Share. The Performance Shares are subject to escrow provisions pursuant to the share exchange agreement and will be released upon achieving certain future financial milestones.

10. SUBSEQUENT EVENTS (CONT'D…)

In connection with the Transaction, the Company issued 83,333 common shares of the Company (the "Finder Shares") to an arm's length finder for assistance in closing the Transaction. The Company has agreed to issue, and has reserved for issuance, an additional 565,000 Finder Shares upon achieving certain future financial milestones.

(d) On May 1, 2015 the Subscription Receipts were automatically converted into 5,168,757 common shares and 2,584,379 common share purchase warrants. In connection with the financing, the Company issued 254,768 units to arm's length finders (the "Finder Units"). Each Finder Unit consists of one common share and one-half of one non-transferable common share purchase warrant which entitles the finder to purchase an additional common share until May 1, 2016 at a price of $0.30 per share and at a price of $0.45 until May 1, 2017.

(e) On May 1, 2015 the Company settled $130,200 and $47,250 debt with Baron and an arm's length creditor of the Company respectively by converting the debt payable into shares of the Company at a conversion price of $0.15 per share. An aggregate $177,450 debt was extinguished and a total of 1,183,000 shares of the Company were issued.

(f) On May 4, 2015 convertible promissory notes with a total face value of $90,000 were converted which resulted in the issuance of 900,000 common shares of the Company.

(g) On May 7, 2015 the convertible promissory note with a face value of $30,000 was converted which resulted in the issuance of 300,000 common shares of the Company.

(h) On May 12, 2015, 400,000 shares were issued upon the exercise of 400,000 warrants at $0.10 per share.