CANNA DELIVERY SYSTEMS INC.

FINANCIAL STATEMENTS

Three Months Ended
March 31, 2015

(Expressed in US Dollars)

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

	March 31, 2015	December 31, 2014
ASSETS	unaudited	
Current assets		
Cash	$ -	$ 83,369
Prepaids	1,500	-
Subscriptions receivable	-	7,000
Total current assets	1,500	90,369
Deposit on equipment	122,000	60,000
Technology	2,901	2,975
Total assets	$ 126,401	$ 153,344
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 6,623	$ -
Accrued liabilities	10,792	-
Due to related parties	34,466	599
Loans payable	175,132	150,000
Total current liabilities	227,013	150,599
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value, 75,000,000 shares authorized; 1,000,000 shares issued and outstanding at March 31, 2015 and December 31, 2014	1,000	1,000
Additional paid-in capital	9,000	9,000
Accumulated deficit	(110,612)	(7,255)
Total stockholders' deficit	(100,612)	2,745
Total liabilities and stockholders' deficit	$ 126,401	$ 153,344

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

These financial statements are authorized for issue by the Board of Directors on May 28, 2015. They are signed on the Company's behalf by:

"Brad Eckenweiler" Director
Brad Eckenweiler

"Brent Inzer" Director
Brent Inzer

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

		Three months ended March 31, 2015
Operating expenses		
Amortization	$	74
Consulting fees		55,000
Research and development		21,703
General and administrative		23,935
Total expenses		100,712
Other items		
Interest and penalties		2,645
Net loss and comprehensive loss	$	(103,357)
Net loss per common share		
Basic and diluted		$(0.10)
Weighted average number of shares outstanding – basic and diluted		1,000,000

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

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

	Common Stock		Additional Paid-in	Common Stock	Accumulated	
	Shares	Amount	Capital	Subscribed	Deficit	Total
Balance - November 25, 2014 (Inception)	-	$ -	$ -	$ -	$ -	$ -
Common stock issued for the Technology	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
Net loss for the three months ended March 31, 2015	-	-	-	-	(103,357)	(103,357)
Balance - March 31, 2015	1,000,000	$ 1,000	$ 9,000	$ -	$ (110,612)	$ (100,612)

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

		Three Months Ended March 31, 2015
Cash flows used in operating activities		
Net loss	$	(103,357)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization		74
Accrued interest		132
Changes in operating assets and liabilities		
Prepaids		(1,500)
Accounts payable		6,623
Accrued liabilities		10,792
Due to related parties		33,867
Net cash flows used in operating activities		(53,369)
Cash flows used in investing activities		
Deposit on equipment		(62,000)
Net cash used in investing activities		(62,000)
Cash flows from financing activities		
Cash received from subscription to shares		7,000
Proceeds from loan		25,000
Net cash provided by financing activities		32,000
Net decrease in cash		(83,369)
Cash, beginning		83,369
Cash, ending	$	-

The accompanying notes are an integral part of these financial statements

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 oral delivery systems that can be used for energy elixirs, herbal remedies and a smokeless alternative option to medical and recreational users of cannabis. 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 Lifestyle Delivery Systems Inc., (Formerly, Kariana Resources Inc.) ("LDS") whereby LDS agreed to purchase all the issued and outstanding shares of the Company. The Transaction was completed on May 1, 2015, when LDS issued to Canna's shareholders, pro rata, an aggregate of 7,800,000 common shares of LDS (the "Performance Shares") at a deemed price of $0.15 per Performance Share in exchange for 1,000,000 common shares of the Company. The Performance Shares are subject to escrow provisions pursuant to the Agreement and will be released upon achieving certain future financial milestones.

<u>Going Concern</u>

The Company has had no revenues since inception, has an accumulated deficit of $110,612, and has working capital deficit of $225,513 as at March 31, 2015. 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 Lifestyle Delivery Systems Inc. of $150,000 which was received on December 23, 2014 (Note 6) and additional debt financing of $25,000 from a related parity.

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

The unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited condensed interim financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed interim financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2014.

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 March 31, 2015.

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, and 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 10 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.

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 March 31, 2015, amortization expense of $74 was recorded.

4. DEPOSIT ON EQUIPMENT

As at March 31, 2015, the Company paid $122,000 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 March 31, 2015, the Company incurred the following transactions with related parties that are not disclosed elsewhere in the financial statements:

(Expressed in US Dollars, unless stated otherwise)

	Three months ended March 31, 2015
Consulting fees incurred to a private company controlled by the Chief Executive Officer of the Company	$ 20,000
Consulting fees incurred to a private company controlled by the President and the Chief Financial Officer of the Company	$ 20,000
Bookkeeping, consulting, and administrative fees incurred to a private company controlled by a director of the Company	$ 15,000

Amounts due to related parties consist of amounts owing to private companies controlled by officers and directors of the Company and are unsecured, non-interest bearing and due on demand. At March 31, 2015, the amount payable to related parties was $34,466 (2014 - $599).

6. LOANS PAYABLE

In accordance with the agreement with Lifestyle Delivery Systems Inc., on December 23, 2014, LDS 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.

On February 27, 2015, the Company entered into a promissory note with a director of LDS for $25,000 accruing interest at 6% per annum until March 26, 2015, when entire loan and interest were to be repaid in the amount of $25,125. Based on provisions of the note payable, if the Company failed to make the balloon payment on March 26, 2015, the total outstanding balance would be subject to a 10% late fee.

The Company did not make the necessary payment on March 26, 2015, and continues to accrue interest at 6% per annum. The required 10% penalty on amount due and payable on March 31, 2015 has been accrued and will be payable at the time of repayment of the loan. As at March 31, 2015, the Company recorded interest of $132 and penalty of $2,513 associated with the promissory note (Note 10).

7. 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. The proceeds form the subscription were received during the three month period ended March 31, 2015.

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.

(Expressed in US Dollars, unless stated otherwise)

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. 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 $
Prepaids	1,500	-	-	1,500

The fair values of other financial instruments, which include amounts payable, accrued liabilities, due to related parties and loans 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 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'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.

10. SUBSEQUENT EVENTS

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

Subsequent to March 31, 2015 a director has been repaid $10,000 of his director's loan.

On April 2, 2015 the Company made a further $59,000 payment towards equipment for development and testing of the Technology.

On May 1, 2015, Lifestyle Delivery Systems Inc. completed the acquisition (the "Transaction") of all the issued and outstanding shares of the Company pursuant to a share exchange agreement dated March 20, 2015 (the "Agreement"). Pursuant to the terms of the Agreement, LDS issued to Canna's shareholders, pro rata, an aggregate of 7,800,000 common shares of LDS (the "Performance Shares") at a deemed price of $0.15 per Performance Share. The Performance Shares are subject to escrow provisions pursuant to the Agreement and will be released upon achieving certain future financial milestones.

On May 14, 2015, the Company repaid the note payable issued to David Velisek, director of Lifestyle Delivery Systems Inc. The payment totalled $27,750 and consisted of $25,000 in principle, $250 in accrued interest, and $2,500 penalty associated with the late repayment of the note payable. The remaining interest and penalty accrued on the note payable were forgiven (Note 6).