

CANNA DELIVERY SYSTEMS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS
March 31, 2015

GENERAL

The following information, prepared as of May 28, 2015, should be read in conjunction with the unaudited interim financial statements of Canna Delivery Systems Inc. (the "Company" or "Canna") for the three month period ended March 31, 2015. 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 FORWARD-LOOKING STATEMENTS

Certain statements contained in the foregoing management discussion & analysis (the "MD&A") constitute 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 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.

MANAGEMENT

As of March 31, 2015, the Company's Board of Directors consisted 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 unaudited interim financial statements for the three month period ended March 31, 2015.

At March 31, 2015, the Company had no cash in the bank and working capital deficit of \$225,513. The negative working capital is mainly attributable to a loan payable of \$150,000 due to LDS, and loan payable and accrued interest of \$25,132 to Mr. Velisek, principle of LDS.

At March 31, 2015, current liabilities totaled \$227,013. Shareholders' equity was comprised of share capital of \$1,000, additional paid-in capital accounts for \$9,000, and accumulated deficit of \$110,612 for a net shareholders' deficit of \$100,612.

During the three month period ended March 31, 2015, the Company reported a net loss of \$103,357 (\$0.10 basic and diluted loss per share), which represented general and administrative expenses of \$23,935, consulting fees of \$55,000, research and development costs of \$21,703 and amortization of \$74.

The weighted average number of common shares outstanding for the three month period ended March 31, 2015 was 1,000,000.

RESULTS OF OPERATIONS

During the three month period ended March 31, 2015, the Company reported a net loss of \$103,357 and a basic and diluted loss per share of \$0.10. The Company's most significant expenses that contributed to the net loss were associated with consulting and administration fees of \$55,000, \$21,703 research and development costs the Company incurred in furthering its technology, web site design fees of \$10,500, and audit fees of \$8,279. Additional expenses were associated with regular day-to-day operations and consisted of \$4,350 in office expenses including office space rental fees, legal fees of \$437, and \$2,845 the Company incurred in penalties, interest and bank service charges. The amortization expense amounted to \$74.

As the Company is in an early stage of development and has no revenue generating operations, 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 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 forth selected financial information for the three month period ended March 31, 2015 and for the period from incorporation November 25, 2014 to December 31, 2014. These financial data are prepared in accordance with IFRS.

	Three Months Ended March 31, 2015	Period Ended December 31, 2014
	\$	\$
Operations		
Revenue	Nil	Nil
Net loss	(103,357)	(7,255)
Other income	Nil	Nil
Basic and diluted loss per share	(0.10)	(0.01)
Balance Sheet		
Working capital deficit	(225,513)	(60,230)
Total assets	126,401	153,344
Total non-current liabilities	Nil	Nil
Cash dividends declared	Nil	Nil

Total Assets

At March 31, 2015, the total assets of the Company amounted to \$126,401 and consisted of prepaid expenses, technology, and deposits on equipment.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth 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 in November 25, 2014, the earliest provided financial information is for the fourth quarter of the Fiscal 2014.

	Qtr 1 March 31, 2015	Qtr 4 December 31, 2014
Revenue	Nil	Nil
Net loss	\$103,357	\$7,255
Basic and diluted loss per share	\$0.10	\$0.01
Total assets	\$126,401	\$153,344
Working capital	\$(225,513)	\$(60,230)

Net Loss

During the three month period ended March 31, 2015, the Company reported a net loss of \$103,357. The Company's most significant expenses that contributed to the net loss were associated with consulting and administration fees of \$55,000, \$21,703 research and development costs the Company incurred in furthering its technology, web site design fees of \$10,500 and audit fees of \$8,279. Additional expenses were associated with regular day-to-day operations and consisted of \$4,350 in office expenses including office space rental fees, legal fees of \$437, and \$2,845 the Company incurred in penalties, interest and bank service charges. The amortization expense amounted to \$74.

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 which were comprised of \$6,615 in research and development, \$599 in regulatory fees, and \$16 bank charges; in addition the Company recorded \$25 amortization expense associated with its Technology.

Working Capital

Working capital deficit at March 31, 2015 was \$225,513, as compared to \$60,230 at December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company's did not have any cash on-hand and had \$1,500 in prepaid expenses, which were associated with the security deposit on the Company's corporate office. The Company had a working capital deficit of \$225,513. As at March 31, 2015, 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 \$110,612.

On December 23, 2014, the Company was loaned \$150,000 through a non-interest bearing promissory note from Lifestyle Delivery Systems Inc. (the "First LDS Loan"). The First LDS Loan was repayable within 90 days in the event that the share exchange agreement is terminated.

On February 27, 2015, the Company issued a promissory note to 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 repaid the note payable issued to David Velisek on May 14, 2015. 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.

On April 1, 2015, the Company was loaned \$75,000 through a non-interest bearing promissory note from LDS (the "Second LDS Loan"). The note was repayable within three days from the termination of the share exchange agreement without the transaction being completed.

The share exchange transaction was completed on May 1, 2015, resulting in the removal of the time constraints on the repayment of the First LDS Loan and the Second LDS Loan.

The Company has no operating revenues and is dependent on the debt or equity financing as its sole source of operating working capital.

CONTRACTUAL OBLIGATIONS

A summary of the Company's contractual obligations at March 31, 2015 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	\$227,013	\$227,013	N/A	N/A	N/A
Total	\$227,013	\$227,013	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

During the three months period ended March 31, 2015, the Company received multiple advances from directors which amounted to \$15,937. The loans were non-interest bearing with no term for repayment. A director has been repaid \$3,667 of their director's loan. During the same period, the Company paid or accrued \$55,000 in consulting and administrative fees to the Companies controlled by its Directors.

Subsequent to the quarter end, the Company repaid \$10,000 in advances received from a director.

SHARE EXCHANGE TRANSACTION

On December 15, 2014, the Company signed a Letter of Intent ("LOI") with Lifestyle Delivery Systems Inc., (Formerly, Kariana Resources Inc.) ("LDS"), 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 LDS in exchange for 7,800,000 shares of LDS. The shares will be subject to escrow provisions and will be released over two years based upon the Company meeting certain financial milestones.

In addition, LDS 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.

The proposed transaction was completed on May 1, 2015.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 2 of the unaudited interim financial statements for the period ended March 31, 2015.

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 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 \$
Prepays	1,500	-	-	1,500

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.

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 March 31, 2015 reporting period.

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

The Company made a further \$59,000 payment towards equipment for development and testing of the Technology.

On April 1, 2015, the Company was lent \$75,000 through an unsecured, no interest bearing promissory note from LDS. The note is repayable on demand.

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).