LIFESTYLE DELIVERY SYSTEMS INC.

(Formerly Kariana Resources Inc.)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For The Three and Nine Months Ended September 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

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

	Notes	September 30, 2015 $	December 31, 2014 $
		Unaudited	
ASSETS			
Current assets			
Cash		74,935	189,928
Short-term investment		66,500	11,500
Receivables		15,199	15,618
Prepaid expenses		29,981	-
Inventory	4	146,593	-
Loan receivable	3, 8	-	174,900
Total Current Assets		333,208	391,946
Technology	6	1,363,686	-
Equipment held for lease	5	371,658	-
TOTAL ASSETS		2,068,552	391,946
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	13	389,092	137,539
Convertible debentures	7	-	103,925
Unearned revenue	9	33,363	-
Total Current Liabilities		422,455	241,464
Long-term liabilities	13	-	160,125
TOTAL LIABILITIES		422,455	401,589
SHAREHOLDERS' EQUITY (DEFICIENCY)			
Share capital	10	3,676,374	1,338,336
Equity portion of convertible debentures	7	18,411	19,891
Obligation to issue shares	3	84,750	-
Reserves		102,140	102,140
Deficit		(2,273,852)	(1,470,010)
Accumulated other comprehensive income		38,274	-
Total Shareholders' Equity (Deficiency)		1,646,097	(9,643)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		2,068,552	391,946

Subsequent events (Note 15)

These consolidated interim financial statements are authorized for issue by the Board of Directors on November 30, 2015. They are signed on the Company's behalf by:

"Herrick Lau" Director — Herrick Lau

"David Velisek" Director — 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 INTERIM STATEMENTS OF COMPREHENSIVE LOSS

	Notes	Three Months Ended September 30, 2015 $	Three Months Ended September 30, 2014 $	Nine Months Ended September 30, 2015 $	Nine Months Ended September 30, 2014 $
Revenue		40,790	-	71,478	-
Expenses					
Accounting fees		9,814	-	65,408	12,200
Amortization		74,551	-	124,199	-
Advertising and promotions		3,926	-	8,784	5,000
Consulting fees	13	132,391	97,087	288,688	146,653
Accretion expense	7	-	17,431	33,015	23,327
Legal fees		45,805	-	92,996	5,432
Meals and travel expenses		37,070	1,860	74,358	4,383
Office and general		59,583	289	82,885	3,796
Regulatory fees		-	-	18,413	-
Research and development		7,164	-	48,780	-
Transfer agent and filing fees		8,601	3,365	40,258	18,698
Operating loss		(338,115)	(120,032)	(806,306)	(219,489)
Foreign exchange gain		1,293	-	1,931	-
Interest income		127	1,413	533	1,759
Net loss for the period		(336,695)	(118,619)	(803,842)	(217,730)
Other comprehensive income					
Foreign exchange translation		27,303	-	38,274	-
Net comprehensive loss		(309,392)	(118,619)	(765,568)	(217,730)
Basic and diluted loss per share		($0.01)	($0.03)	($0.05)	($0.07)
Weighted average number of common shares outstanding - basic and diluted		24,809,061	3,406,250	17,535,333	3,198,191

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 INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

	Number of Shares	Common Shares	Equity Portion of Convertible Debenture	Obligation to Issue Shares	Reserves	Accumulated Other Comprehensive Income	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	-
Convertible debenture issuance cost for warrants	-	-	-	-	14,708	-		14,708
Convertible debenture issuance cost for shares	400,000	40,000	-	-	-	-	-	40,000
Equity portion of convertible debenture	-	-	49,832	-	-	-	-	49,832
Loss for the period	-	-	-	-	-	-	(217,730)	(217,730)
Balance – September 30, 2014	3,406,250	1,062,791	49,832	-	102,140	-	(1,259,637)	(44,874)
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 notes	264,000	26,400	-	-	-	-	-	26,400
Conversion of convertible debenture	200,000	11,480	(1,480)	-	-	-	-	10,000
Acquisition of Technology	7,800,000	1,170,000	-	-	-	-	-	1,170,000
Private placement	5,168,757	775,314	-	-	-	-	-	775,314
Share issuance cost	-	(38,215)	-	-	-	-	-	(38,215)
Finder's fee for private placement	254,768	38,215	-	-	-	-	-	38,215
Finder's fee for the acquisition of Technology	83,333	12,499	-	84,750	-	-	-	97,249
Debt settlement	1,183,000	177,450	-	-	-	-	-	177,450
Conversion of convertible promissory notes	1,200,000	120,000	-	-	-	-	-	120,000
Warrants exercise	448,953	44,895	-	-	-	-	-	44,895
Foreign exchange translation	-	-	-	-	-	38,274	-	38,274
Loss for the peirod	-	-	-	-	-	-	(803,842)	(803,842)
Balance – September 30, 2015	24,809,061	3,676,374	18,411	84,750	102,140	38,274	(2,273,852)	1,646,097

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 INTERIM STATEMENTS OF CASH FLOWS

	For the Nine Months Ended September 30,	
	2015	2014
	$	$
Cash provided by (used in):		
Operating activities		
Loss for the period	(803,842)	(217,730)
Adjustment for items not involving cash:		
Amortization	124,199	-
Non-cash interest accretion on convertible debentures	33,015	23,327
Changes in non-cash operating working capital:		
Receivables	419	3,522
Prepaid expenses	(28,171)	(10,000)
Inventory	(146,593)	-
Accounts payable and accrued liabilities	156,368	161,604
Unearned revenue	32,565	-
Net change in operating activities	(632,040)	(39,277)
Investing activities		
Equipment held for lease	(131,245)	-
Short-term investments	(55,000)	(467,696)
Technology	(95,245)	-
Net change in financing activities	(281,490)	(467,696)
Financing activities		
Repayment of loan	(31,624)	-
Interest paid on convertible promissory notes	(6,941)	-
Proceeds from convertible debentures	-	511,250
Proceeds from issuance of common shares	775,314	-
Proceeds from warrant exercise	44,895	-
Net change in financing activities	781,644	511,250
Effects of foreign currency exchange	16,893	-
Net change in cash	(114,993)	4,277
Cash, beginning of the period	189,928	1,140
Cash, end of the period	74,935	5,417

Supplemental Cash Flow (Note 11)

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 development and licensing of the 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 September 30, 2015. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "LDS" and also on OTCQB under the trading symbol "LDSYF".

On May 1, 2015, the Company acquired all of the issued and outstanding shares in the capital of Canna Delivery Systems Inc. ("CDS"), a company incorporated under the State of Nevada, and changed its name to "Lifestyle Delivery Systems Inc." under the British Columbia Business Corporations Act (the "Transaction"). Upon acquisition, CDS became a wholly-owned subsidiary of LDS.

The financial information is presented in Canadian Dollars, the functional currency of the Company.

These condensed interim 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's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

As at September 30, 2015, the Company had working capital deficiency of $89,247, as opposed to working capital of $150,482 at December 31, 2014. These condensed interim 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 condensed interim 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 include the accounts of the Company and the following subsidiaries:

	Country of Incorporation	% of Interest
0994537 B.C. Ltd.	Canada	100%
0994540 B.C. Ltd.	Canada	100%
Canna Delivery Systems Inc.	USA	100%

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 September 30, 2015.

Functional and presentation currency

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (the "functional currency"). The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The results and financial position of CDS, the Company's foreign subsidiary in USA, whose functional currency is US dollars, is translated into Canadian dollars as follows: i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; ii) income and expenses are translated at average exchange rates for the respective quarter on a quarterly basis; and iii) all resulting exchange differences are recognized in other comprehensive income as currency translation differences.

Foreign currencies

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at balance sheet date exchange rates are recognized in the statement of earnings.

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 a 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 September 30, 2015, the Company has two short-term investments totalling $66,500 of principal and $354 and $113 of interest due on January 13, 2016 and July 8, 2016, respectively, with an annual yield of prime minus 1.95% and 2.00%, respectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Revenue Recognition

The Company recognizes its revenue when all the following conditions have been met:

- the sales price is fixed or determinable;
- pervasive evidence of an agreement exists;
- when delivery of the product has occurred and title has transferred or services have been provided; and
- when collectability is reasonably assured.

Deposits received from customers prior to an entry into a definitive agreement, or prior to the delivery of goods and services are recorded as unearned revenue (Note 9).

Inventory

Inventory is measured at the lower of cost and net realizable value. In estimating net realizable value, management takes into account the most reliable evidence available at the time the estimate is made. The Company's business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory assets is affected by price changes in different market segments. Details of the inventory balances are provided in Note 4.

Share-based payments

The stock 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 reserves or share capital. No expense is recognized for awards that do not ultimately vest.

At the time when the stock 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 income (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 which are recognized in

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Comprehensive income (loss) (cont'd…)

comprehensive income, but excluded from net income. This would include holding gains and losses from financial instruments classified as available-for-sale, and gains and losses arising from the translation of foreign entity financial statements.

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, prepaid, and inventory have been classified as FVTPL;
c) Receivables and loan receivable have been classified as loans and receivables; and
d) Accounts payable and accrued liabilities, unearned revenue, convertible debentures, and long-term liabilities have been classified as other liabilities.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

Impairment of financial assets (Cont'd…)

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.

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.

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.

(Expressed in Canadian Dollars, unless stated otherwise)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D…)

New accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments – Classification and Measurement; tentatively effective for 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 measured 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 measured at fair value through profit or loss.

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

3. ACQUISTION

On March 20, 2015, the Company signed a share exchange agreement (the "Agreement") with CDS in which the Company agreed to acquire all of the issued and outstanding common shares of CDS in exchange for 7,800,000 shares of the Company (the "Performance Shares") at a price of $0.15 per share, subject to certain conditions. The Transaction was completed on May 1, 2015 (the "Closing Date").

On the Closing Date the Performance Shares were placed in escrow and will be released upon CDS achieving certain financial milestones over a period of 24 months from the Closing Date as follows:

Milestone	Number of Performance Shares to be Released
USD $50,000 in cumulative gross revenues	1,500,000 (milestone reached and shares issued)
USD $200,000 in cumulative gross revenues	2,100,000
USD $600,000 in cumulative gross revenues	2,100,000
USD $1,000,000 in cumulative gross revenues	2,100,000

Prior to entering into the Agreement, on December 15, 2014, the Company loaned CDS USD$150,000, in exchange for an unsecured, non-interest bearing note payable. In the event of the termination of the transaction the loan was to be repaid 90 days after the termination. As a result of the closing of the Transaction, the loan has been eliminated upon consolidation.

On April 2, 2015, in connection with the Transaction, the Company raised gross proceeds of $775,314 through the sale of 5,168,757 subscription receipts at a price of $0.15 per subscription receipt. On the Closing Date each subscription receipt was converted into one unit comprised of one common share and one half of one common share purchase warrant. With each whole warrant entitling a 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 Date.

The Company determined that at the time of acquisition CDS did not qualify as a business, therefore the Transaction was considered an acquisition of the net assets of CDS and accounted for using the acquisition method, whereby the purchase consideration was allocated to the estimated fair values of the identifiable assets acquired at the date of the Transaction.

(Expressed in Canadian Dollars, unless stated otherwise)

3. ACQUISTION (CONT'D…)

The purchase price was allocated to the net assets acquired in the acquisition as follows:

		Total
Purchase Price:		
Performance Shares	$	1,170,000
Finder's fee		97,250
Transaction costs		80,398
	$	1,347,648
Net assets acquired:		
Prepaid	$	1,810
Technology		1,487,885
Deposit on equipment		218,235
Bank indebtedness		(10)
Accounts payable		(28,019)
Due to related party		(30,494)
Loan payable		(301,759)
	$	1,347,648

Given the fact that the Performance Shares were issued into escrow on the Closing Date and will be released upon CDS achieving certain financial milestones over a period of 24 months from the Closing Date, and that the former shareholders of CDS are not required to provide services to the Company, the Company estimated the fair value of the Performance Shares on the closing of the Transaction to be $1,170,000 based on the assumption that CDS will be able to meet all milestones as defined in the Agreement.

Pursuant to the Agreement, on the Closing Date, the Company issued 83,333 common shares of its common stock at $0.15 per share as finder's fee, and recorded an obligation to issue up to additional 565,000 common shares, valued at $84,750, upon CDS achieving certain financial milestones.

As at September 30, 2015, CDS has achieved the first Milestone, and subsequent to September 30, 2015, the Company released 1,500,000 Performance Shares from escrow. In addition, the Company issued 141,667 common shares as finder's fee, which became eligible for issuance based on the achievement of the first Milestone.

4. INVENTORY

As at September 30, 2015, inventory comprised of packaging supplies and other raw materials held for sale to licensees, and was valued at $146,593 (2014 - $Nil). As at September 30, 2015, there were no significant write-downs on inventory as a result of net realizable value being lower than cost.

5. EQUIPMENT HELD FOR LEASE

As at September 30, 2015, the Company recorded $371,658 (2014 – $Nil) for the strip coating equipment which the Company will lease to Healthy Asylum Inc. pursuant to the License Agreement dated for reference June 25, 2015 (Note 9). As at September 30, 2015, the formal lease agreement has not been finalized, and the equipment remained in possession of the Company.

(Expressed in Canadian Dollars, unless stated otherwise)

6. TECHNOLOGY

On May 1, 2015, upon completion of the Transaction (Note 3), the Company acquired certain technology to produce cannabis infused strips capable of delivering accurately measured doses of medicinal marijuana (the "Technology"), from the shareholders of CDS (the "Vendor"). The Technology was recorded at $1,487,885 and is amortized on a straight line basis over its estimated useful life of 5 years.

During the period ended September 30, 2015, the Company recorded $124,199 (2014 – $Nil) in amortization expense associated with the Technology.

7. CONVERTIBLE DEBENTURES

(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 bore nil interest and matured on November 22, 2015. At the election of the holder, the debentures could be converted into units of the Company at a price of $0.05 per unit. Each unit entitled a holder to one common share of the Company and one common share purchase warrant to acquire an additional common share at a price of $0.10 expiring 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.

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.

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, September 30, 2015	$	-

(Expressed in Canadian Dollars, unless stated otherwise)

7. CONVERTIBLE DEBENTURE (CONT'D…)

(b) On December 15, 2014, non-related parties lent the Company $120,000 in exchange for convertible promissory notes (the "Promissory Notes"). The Promissory Notes were due on December 15, 2015 and accrued interest at a rate of 15% per annum. Pursuant to the Promissory Notes, the lenders had a right to convert the principal amount into common shares of the Company at $0.10 per share. As partial consideration for lending the funds, the Company issued the lenders 240,000 common shares at $0.10 per share representing 20% of the principal amount of the Promissory Notes (the "Fee Shares"). In addition, on February 12, 2015 the Company paid a finder's fee of 8% on a promissory note with a $30,000 face value, which was paid by issuance of 24,000 common 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.

On May 4, 2015, the holders of the Promissory Notes exercised their right to convert the principal amount of $90,000 into the shares of the Company's common stock, which resulted in the issuance of 900,000 common shares of the Company and a cash interest payment of $5,178.

On May 7, 2015, the holders of the Promissory Notes exercised their right to convert the principal amount of $30,000 into the shares of the Company's common stock, which resulted in the issuance of 300,000 common shares of the Company and a cash interest payment of $1,763.

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		24,479
Interest expense		6,152
Carry value of convertible promissory note converted		(120,000)
Interest paid		(6,941)
Ending balance, September 30, 2015	$	-

8. LOANS AND NOTES PAYABLE

a) On December 15, 2014, the Company loaned USD$150,000 to CDS in exchange for a non-secured, non-convertible promissory note. The principle under the note payable was to become repayable 90 days from the termination of the Transaction. As a result of the completion of the Transaction, the loan has been eliminated upon consolidation.

b) On February 27, 2015, CDS issued a promissory note to a director of LDS in exchange for USD$25,000 accruing interest at 6% per annum, which was to be repaid on March 26, 2015. CDS did not make the necessary payment on March 26, 2015, which resulted in a USD$2,500 penalty being assessed on the principle amount of the loan. CDS paid USD$27,750 on May 15, 2015, which represented the full amount outstanding under the note payable, USD$125 in interest accrued on the note, and the assessed penalty.

c) On April 2, 2015, the Company loaned USD$75,000 to CDS in exchange for a non-secured, non-convertible promissory note. The principle under the note payable was to become repayable within three days from the termination of the Transaction. As a result of the completion of the Transaction, the loan has been eliminated upon consolidation.

9. LICENSE AGREEMENT AND MEMORANDUM OF UNDERSTANDING

On June 25, 2015, CDS entered into a non-exclusive license agreement (the "License Agreement") with Healthy Asylum Inc. ("HAI"). Pursuant to the License Agreement, CDS agreed to license the Technology to HAI for an annual fee of USD$25,000. In addition to the annual license fee, HAI agreed to lease all production equipment and to purchase all packaging and non-cannabis related ingredients directly from CDS. The license has a one year renewable term and restrictive conditions on formulation, manufacturing, packaging and distribution methods.

On July 30, 2015, CDS entered into a Memorandum of Understanding (the "MOU") with an arm's length party with the intention to negotiate a definitive licensing agreement for non-exclusive use of the Technology in Southern California (the "Proposed License Agreement"). Pursuant to the terms of the MOU, the Company has offered to license its Technology for an annual fee of USD$25,000, with an additional requirement for the licensee to lease all production equipment and to purchase all packaging and non-cannabis related ingredients from CDS. The Proposed License Agreement will have a one year renewable term and restrictive conditions on formulation, manufacturing, packaging and distribution methods. In consideration for the MOU, the licensee paid the Company a non-refundable deposit of USD$25,000, which the Company has recorded as unearned revenue, and will apply towards the first annual license fee upon execution of the Proposed License Agreement.

10. CAPITAL AND RESERVES

A. Common Shares

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

B. Issued share capital

As at September 30, 2015, there were 24,809,061 common shares issued and outstanding (December 31, 2014 – 8,206,250).

i. On January 12, 2015, the Company issued 240,000 shares as Fee Shares in relation to the convertible Promissory Notes issued on December 15, 2014 (Note 7b).

ii. On February 12, 2015, the Company issued 24,000 shares for finder's fees in relation to the convertible Promissory Notes issued on December 15, 2014 (Note 7b).

iii. On March 31, 2015, holders of convertible debentures converted $10,000 of their debt into 200,000 shares of the Company (Note 7a).

iv. On May 1, 2015, the Company issued an aggregate of 7,800,000 common shares of the Company (the "Performance Shares") valued at $0.15 per Performance Share to CDS's shareholders. The Performance Shares are subject to escrow provisions pursuant to the Agreement and will be released upon CDS achieving certain future financial milestones (Note 3).

v. On May 1, 2015, in connection with the Transaction, the Company issued 83,333 common shares of the Company (the "Finder's Shares") to an arm's length finder for assistance in closing the Transaction. In addition, the Company has reserved for issuance up to 565,000 Finder's Shares, which will be issued upon CDS achieving certain future financial milestones (Note 3).

vi. On May 1, 2015, the subscription receipts that were closed on April 2, 2015, were 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's Units"). Each Finder's Unit consists of one common share and one-half of one non-transferable common share

(Expressed in Canadian Dollars, unless stated otherwise)

10. CAPITAL AND RESERVES (CONT'D…)

B. Issued share capital (Cont'd…)

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.

vii. On May 1, 2015, the Company settled $130,200 and $47,250 debt with Baron Global Financial Canada Ltd. and an arm's length creditor of the Company, respectively, by converting the debt 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 (Note 13).

viii. On May 4, 2015, convertible promissory notes with a total face value of $90,000 were converted resulting in the issuance of 900,000 common shares of the Company (Note 7b).

ix. On May 7, 2015, the convertible promissory notes with a face value of $30,000 were converted resulting in the issuance of 300,000 common shares of the Company (Note 7b).

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

xi. On June 11, 2015, 42,703 shares were issued upon the exercise of 42,703 warrants at $0.10 per share.

xii. On June 29, 2015, 6,250 shares were issued upon the exercise of 6,250 warrants at $0.10 per share.

C. Stock 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, with the exercise price of each option being 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.

A continuity of options for the nine month period ended September 30, 2015 and the year ended December 31, 2014 is as follows:

	September 30, 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)

10. CAPITAL AND RESERVES (CONT'D…)

C. Stock purchase option compensation plan (cont'd…)

The options outstanding and exercisable at September 30, 2015 are as follows:

Number Outstanding and Exercisable	Weighted Average Exercise Price $	Weighted Average Remaining Life	Expiry Date
75,000	0.80	5.88	August 15, 2021
57,500	1.00	0.92	September 1, 2016
132,500	0.89	3.73	

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the nine month period ended September 30, 2015 and the year ended December 31, 2014:

	September 30, 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	-	-
Exercised	(448,953)	$0.10	-	-
Issued	2,911,764	$0.36	5,200,000	$0.10
Warrants outstanding, end of the period	7,662,811	$0.20	5,200,000	$0.10

The warrants outstanding and exercisable at September 30, 2015 are as follows:

Number of Warrants outstanding	Exercise Price	Weighted Average Remaining Life	Expiration Date
4,951,047	$0.10	1.64	May 22, 2017
2,711,764	$0.30 during the first year; $0.45 during the second year	1.59	May 1, 2017
7,662,811		1.72	

E. Escrow shares

As at September 30, 2015, the Company had 7,800,000 common shares held in escrow (December 31, 2014 – Nil), of which 1,500,000 were eligible for release.

(Expressed in Canadian Dollars, unless stated otherwise)

11. SUPPLEMENTAL CASH FLOW

During the period ended September 30, 2015 and 2014 the Company recorded the following items:

	September 30, 2015 $	September 30, 2014 $
240,000 Fee Shares and 24,000 finders' fee shares issued for the Promissory Notes	26,400	-
200,000 shares issued on conversion of a debenture	10,000	-
1,200,000 shares issued on conversion of Promissory Notes	120,000	-
1,183,000 shares issued for debt	177,450	-
7,800,000 Performance Shares issued for the Transaction	1,170,000	-
83,333 shares issued as finder's fee for the Transaction	12,499	-
565,000 shares reserved for issuance as finder's fee for the Transaction	84,750	
254,768 shares issued as finders' fees for private placement	38,215	-
Cost related to the acquisition of the Technology and included in accounts payable	80,398	-

12. 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 generated only minimal revenue 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 an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital requirements.

13. 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:		**September 30, 2015**	**September 30, 2014**
Corporate advisory services	a)	$ 127,500	$ 67,500
Management consulting services	b)	$ 99,476	$ -

a) On April 1, 2014, the Company entered into a one-year agreement for corporate advisory services with Baron Global Financial Canada Ltd. ("Baron"), a company related by way of a common director of the Company. Pursuant to the agreement, the Company agreed to pay Baron a monthly fee of $12,500. On April 1, 2015, the Company extended the agreement with Baron for an additional one year term, at $15,000 per month.

(Expressed in Canadian Dollars, unless stated otherwise)

13. RELATED PARTY TRANSACTIONS (CONT'D…)

On May 1, 2015, the Company settled $130,200 debt with Baron by converting the debt payable into 868,000 shares of the Company at $0.15 per share.

b) Management consulting fees consist of the following:

- $24,936 (2014 – $Nil) in consulting fees paid or accrued to Mariscos Del Mar Inc., a company controlled by Brad Eckenweiler, the CEO and director of the Company;
- $17,696 (2014 – $Nil) in consulting fees accrued to Mr. Eckenweiler;
- $24,936 (2014 – $Nil) in consulting fees paid or accrued to FindTec, Inc., a company controlled by Brent Inzer, the former president, CFO and director of CDS; and
- $31,908 (2014 – $Nil) in consulting and administrative fees paid or accrued to Da Costa Management Corp., a company controlled by John da Costa, the former director of CDS.

c) On February 27, 2015, CDS issued a promissory note to a director of LDS in exchange for USD$25,000 accruing interest at 6% per annum, which were to be repaid on March 26, 2015. CDS did not make the necessary payment on March 26, 2015, which resulted in a USD$2,500 penalty being assessed on the principle amount of the loan. CDS paid USD$27,750 on May 15, 2015, which represented the full amount outstanding under the note payable.

d) On July 31, 2015, the Company entered into a consulting agreement with Mr. Eckenweiler for a one year term for USD$6,700 per month.

Related Party Payable:

	September 30, 2015	**December 31, 2014**
Baron Global Financial Canada Ltd.	$ 69,300	$ 160,125
Brad Eckenweiler	115,390	-
FindTec, Inc.	5,968	-
Da Costa Management Corp.	20,934	-
Mariscos Del Mar Inc.	8,897	-
Total payable to related parties	$ 220,489	$ 160,125

14. 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 September 30, 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, September 30, 2015 $	Balance, December 31, 2014 $
Cash	74,935	-	-	74,935	189,928
Short-term investment	66,500	-	-	66,500	11,500

14. FINANCIAL INSTRUMENTS (CONT'D…)

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.

(b) Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and short-term investment. The Company limits its exposure to credit risk 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.

(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 12).

(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 rate risk for the Company is considered minimal. The Company has no interest bearing borrowings.

The Company considers its interest rate risk policies to be effective and has been following them consistently.

(e) Price Risk

The Company is not exposed to commodity price risk as its current business operations do not depend on fluctuations in the market price of commodities.

15. SUBSEQUENT EVENTS

On October 27, 2015, 1,500,000 Performance Shares were released from escrow and on October 29, 2015, 141,667 common shares were issued as finder's fee as CDS achieved the first Milestone, as defined in the share exchange agreement (Note 3).