

LIFESTYLE DELIVERY SYSTEMS INC.
(FORMERLY KARIANA RESOURCES INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
September 30, 2015

GENERAL

The following information, prepared as of November 30, 2015, should be read in conjunction with the condensed interim consolidated financial statements of Lifestyle Delivery Systems Inc. (formerly Kariana Resources Inc.) (the "Company" or "LDS") for the three and nine month period ended September 30, 2015 and audited consolidated financial statements for the fiscal year ended December 31, 2014. The condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the period ended September 30, 2015, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

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

As of January 1, 2011, the Company adopted IFRS and the following disclosure, and associated condensed interim consolidated financial statements, are presented in accordance with the International Accounting Standard 34, Interim Financial Reporting.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in the foregoing 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

The Company was incorporated on September 14, 2010 pursuant to the *Business Corporations Act*, British Columbia. The Company's principal business activity is development and licensing of technologies that 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's shares trade on the Canadian Securities Exchange under the trading symbol "LDS" and on OTCQB under the trading symbol "LDSYF".

On May 1, 2015, the Company acquired all 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.

CHANGES IN MANAGEMENT

On May 1, 2015, Brad Eckenweiler was appointed to the board of directors of the Company and was appointed as the Chief Executive Officer of the Company on May 22, 2015.

On November 2, 2015, James Pakulis agreed to join the Company as its president; in addition, Mr. Pakulis was also appointed to the board of directors of the Company.

On November 3, 2015, Savio Chiu resigned as director.

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On November 27, 2015, Denise Lok resigned as the Chief Financial Officer and Secretary of the Company, and Yanika Silina agreed to join the Company as its Chief Financial Officer and Corporate Secretary.

The Company's Board of Directors now consists of following: James Pakulis, Herrick Lau, Brad Eckenweiler, and David Velisek.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the condensed interim consolidated financial statements for the three and nine months ended September 30, 2015.

The statements of financial position as of September 30, 2015 indicated a cash position of \$74,935 (2014 - \$189,928) and total current assets of \$333,208 (2014 - \$391,946). The decrease in total current assets was mainly associated with the change in the Company's business direction associated with acquisition of the Technology from CDS, which was in part offset by cash received on completion of a private placement for the total gross proceeds of \$775,314 and on exercise of warrants for a total of \$44,895 during the second quarter of fiscal 2015.

At September 30, 2015, current liabilities totalled \$422,455 (2014 - \$241,464) and included \$389,092 in accounts payable and accrued liabilities (2014 - \$137,539) and \$33,363 in unearned revenue (2014 - \$Nil). The unearned revenue was associated with the non-refundable deposit of USD\$25,000, which the Company received from an arm's length party as consideration for the Memorandum of Understanding the Company entered into on July 30, 2015.

Shareholders' equity was comprised of share capital of \$3,676,374 (2014 - \$1,338,336), reserves of \$102,140 (2014 - \$102,140), equity portion of convertible debentures of \$18,411 (2014 - \$19,891), obligation to issue shares of \$84,750 (2014 - \$Nil), accumulated other comprehensive income of \$38,274 (2014 - \$Nil) and accumulated deficit of \$2,273,852 (2014 - \$1,470,010) for a net equity of \$1,646,097 (2014 - \$(9,643)).

At September 30, 2015 the Company had a working capital deficiency of \$89,247 as compared to a working capital of \$150,482 at December 31, 2014. Management plans to fund the Company's day-to-day operations with revenue generated from future licensing agreements for its Technology as well as through debt or equity financing.

During the period ended September 30, 2015, the Company reported a net loss of \$803,842 (\$0.05 basic and diluted loss per share) and a net comprehensive loss of \$765,568 compared to a net loss and net comprehensive loss of \$217,730 (\$0.07 basic and diluted loss per share) during the period ended September 30, 2014. Net comprehensive loss for the period ended September 30, 2015 was represented by revenue of \$71,478 (2014 - \$Nil), operating expenses of \$877,784 (2014 - \$219,489), interest income and foreign exchange gain of \$2,464 (2014 - \$1,759), and foreign exchange on translation of subsidiary of \$38,274 (2014 - \$Nil).

The weighted average number of common shares outstanding for the nine month period ended September 30, 2015 was 17,535,333 (2014 - 3,198,191).

COMPARISON OF RESULTS OF OPERATIONS

Current Quarter

During the quarter ended September 30, 2015, the Company reported a net loss of \$336,695 (2014 - \$118,619) and a net comprehensive loss of \$309,392 (2014 - \$118,619). The increased losses during the period were attributable to the acquisition of CDS, which resulted in the change of the Company's business model and operations.

During the quarter ended September 30, 2015, the Company recorded \$40,790 in revenue which was associated with the sales of packaging materials to the licensee, pursuant to the License Agreement dated for reference June 25, 2015.

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During the quarter ended September 30, 2015, the Company recorded operating expenses of \$378,905 (2014 - \$120,032). The largest factors contributing to the increase in operating expenses were consulting fees of \$132,391 (2014 - \$97,087) followed by the amortization expense of \$74,551 (2014 - \$Nil) the Company recorded on the Technology acquired from CDS. In addition, operating expenses included accounting fees of \$9,814 (2014 - \$Nil), legal fees of \$45,805 (2014 - \$Nil), meals and travel expenses of \$37,070 (2014 - \$1,860), office and general expenses of \$59,583 (2014 - \$289), research and development of \$7,164 (2014 - \$Nil), and transfer agent and filing fees of \$8,601 (2014 - \$3,365). These operating expenses were offset by foreign exchange gain of \$1,293 (2014 - \$Nil) and interest income of \$127 (2014 - \$1,413).

The net comprehensive loss of \$309,392 (2014 - \$118,619) was affected by the foreign exchange translation on the transactions recorded in CDS, which totalled \$27,303 (2014 - \$Nil).

Year-to-Date

During the period ended September 30, 2015, the Company reported a net loss of \$803,842 (\$0.05 basic and diluted loss per share) and a net comprehensive loss of \$765,568 compared to a net loss and a net comprehensive loss of \$217,730 (\$0.07 basic and diluted loss per share) during the period ended September 30, 2014. The increased losses during the nine month period ended September 30, 2015 were mainly associated with the acquisition of CDS, which resulted in the change of the Company's business model and operations.

During the nine month period ended September 30, 2015, the Company recognized \$71,478 (2014 - \$Nil) in revenue which was associated with the annual license fee the Company received from the License Agreement dated for reference June 25, 2015, and from the sales of packaging materials to the licensee.

During the nine months ended September 30, 2015, the Company recorded operating expenses of \$877,784 (2014 - \$219,489). The largest factors contributing to the increase in operating expenses were consulting fees of \$288,688 (2014 - \$146,653), followed by the amortization expense of \$124,199 (2014 - \$Nil) the Company recorded on the Technology acquired from CDS. In addition, the Company recorded accretion expense of \$33,015 (2014 - \$23,327), accounting fees of \$65,408 (2014 - \$12,200), legal fees of \$92,996 (2014 - \$5,432), office and general expenses of \$82,885 (2014 - \$3,796), regulatory fees of \$18,413 (2014 - \$Nil), research and development of \$48,780 (2014 - \$Nil), transfer agent and filing fees of \$40,258 (2014 - \$18,698). These operating expenses were offset by foreign exchange gain of \$1,931 (2014 - \$Nil) and interest income of \$533 (2014 - \$1,759).

The net comprehensive loss of \$765,568 (2014 - \$217,730) was affected by the foreign exchange translation on the transactions recorded in CDS, which totalled of \$38,274 (2014 - \$Nil).

The increase in consulting fees to \$288,688 from \$146,653 was due to an increase in fees the Company incurred for financial advisory services provided by Baron Global Financial Canada Ltd, a company with director in common; increased fees for investor relations services; consulting fees paid or accrued to the CEO; and fees paid to other marketing and operation consultants.

As the Company's current operations do not generate significant revenues, it will continue to rely on equity and debt financing in order to meet its ongoing day-to-day operating requirements. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time, or, if available, that it can be obtained on terms satisfactory to the Company.

SUMMARY OF QUARTERLY RESULTS

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

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	Qtr 3 September 30, 2015	Qtr 2 June 30, 2015	Qtr 1 March 31, 2015	Qtr 4 December 31, 2014	Qtr 3 September 30, 2014	Qtr 2 June 30, 2014	Qtr 1 March 31, 2014	Qtr 4 December 31, 2013
Revenue	\$40,790	\$30,688	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Net loss	\$336,695	\$344,029	\$123,118	\$210,371	\$118,619	\$42,309	\$56,802	\$72,965
Basic and diluted loss per share	\$0.01	\$0.03	\$0.01	\$0.06	\$0.03	\$0.01	\$0.02	\$0.02
Total assets	\$2,068,522	\$2,223,015	\$382,177	\$391,946	\$548,474	\$548,765	\$43,447	\$70,023
Working capital (deficiency)	\$(89,247)	\$197,641	\$63,766	\$150,482	(\$44,874)	\$73,743	\$11,512	\$68,316

Overall, consulting, accounting, legal, regulatory fees, amortization, research and development, and accretion expense are the major components that caused variances in net losses from quarter to quarter.

During the quarter ended September 30, 2015, the Company recorded \$40,790 in revenue which was associated with the sales of packaging materials to the licensee, pursuant to the License Agreement dated for reference June 25, 2015. Operating expenses totalled \$378,905 and included consulting fees of \$132,391, amortization expense of \$74,551, accounting fees of \$9,814 relating to CDS's bookkeeping, office and other general expenses of \$59,583, research and development of \$7,164 and legal fees of \$45,805.

During the quarter ended June 30, 2015, the Company recorded \$30,688 in revenue which was associated with an annual license fee pursuant to the License Agreement dated for reference June 25, 2015. Operating expenses incurred amounted to \$375,384, which mainly consisted of accounting fees of \$30,594 relating to fiscal year 2014 audit, tax returns and preparation of the filing statement for the acquisition of CDS, amortization of \$49,647, legal fees of \$17,191, consulting fees of \$116,711, research and development of \$41,616 and accretion expense of \$12,694.

During the quarter ended March 31, 2015, expenses incurred were \$123,496, which mainly consisted of accrued accounting fees of \$25,000 relating to fiscal year 2014 audit and preparation of the filing statement for the acquisition of CDS, accrued legal fees of \$30,000 in relation to the acquisition of CDS and the private placement, consulting fees of \$39,587, and accretion expense of \$20,321.

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

During the quarter ended March 31, 2014, the major expenses of the Company were related to consulting fees of \$32,853.

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

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had \$74,935 (2014 – \$189,928) of cash on-hand, with the working capital deficiency of \$89,247, as compared to the working capital of \$150,482 at December 31, 2014. As at September 30, 2015, the Company's share capital was \$3,676,374 (2014 – \$1,338,336) representing 24,809,061 (2014 – 8,206,250)

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common shares, reserves of \$102,140 (2014 – \$102,140), obligation to issue shares of \$84,750 (2014 – \$Nil), and an accumulated deficit of \$2,273,852 (2014 – \$1,470,010).

The Company generated only minimal revenues from its operations and is dependent on the equity markets as its source of additional operating working capital.

Until the Company is able to increase its revenue from the main business activities, through entering into additional license agreements for its Technology, the Company will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations at September 30, 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 and Accrued Liabilities	\$389,092	\$389,092	N/A	N/A	N/A
Total	\$389,092	\$389,092	N/A	N/A	N/A

Management believes that the Company will be able to generate sufficient cash to meet its current obligation for the next twelve months.

OFF BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

Services provided:	September 30,	
	2015	2014
Corporate advisory services	a) \$ 127,500	\$ 67,500
Management consulting fees	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.

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;

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- \$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

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current transactions are fully disclosed in the condensed interim consolidated financial statements for the nine month period ended September 30, 2015.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

FINANCIAL INSTRUMENTS

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

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

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

- a) Cash has been classified as FVTPL;
- b) Short-term investments have been classified as FVTPL;
- c) Receivables and loan receivable have been classified as loans and receivables; and
- d) Accounts payables, unearned revenue, and accrued liabilities and convertible debentures have been classified as financial liabilities.

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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			Balance, September 30, 2015 \$	Balance, December 31, 2014 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$		
Cash	74,935	-	-	74,935	189,928
Short-term investment	66,500	-	-	66,500	11,500

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 and short-term investments. 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 instruments 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.

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.

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OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: Unlimited common shares without par value.
- (2) As at the date of this MD&A, the Company has 24,950,728 common shares, 132,500 options, and 7,662,811 warrants issued and outstanding.

Additional Disclosure for Junior Issuers

The Company has expensed the following material cost components:

	Period ended September 30,	
	2015	2014
	\$	\$
Accounting fees	65,408	12,200
Accretion expense	33,015	23,327
Amortization	124,199	-
Consulting fees	288,688	146,653
Transfer agent and filing fees	40,258	18,698
Legal fees	92,996	5,432
Regulatory fees	18,413	-
Research and development	48,780	-

Accounting fees of \$65,408 (2014 - \$12,200) were associated with fiscal 2014's tax return, CDS's bookkeeping, and other accounting fees related to the preparation of the filing statement for the acquisition of CDS.

Accretion expense of \$33,015 (2014 - \$23,327) was related to the accrued interest and transaction costs associated with convertible debentures and promissory notes.

Amortization expense of \$124,199 (2014 - \$Nil) was related to the amortization of Technology that was acquired from CDS on May 1, 2015.

Consulting fees of \$288,688 (2014 - \$146,653) included financial, investor relations, marketing and business development advisory fees.

Transfer agent and filing fees of \$40,258 (2014 - \$18,698) were associated with regulatory filings with CSE, securities commission and monthly transfer agent services, and filing fees in regards to the acquisition of CDS.

Legal fees of \$92,996 (2014 - \$5,432) were associated with legal fees in relation to the private placement.

Regulatory fees of \$18,413 (2014 - \$Nil) related to licensing of the Technology acquired from CDS.

Research and development costs of \$48,780 (2014 - \$Nil) were associated with expenses incurred in developing and improving CDS's Technology.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2015 reporting period. The management of the Company believes that these standards and interpretations will have no material impact on LDS's financial statements.

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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 minimal 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 promissory notes, 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

On October 27, 2015, 1,500,000 Performance Shares were released from escrow and on October 29, 2015, 141,667 common shares with fair value of \$0.15 per share were issued as finder's fee in relation to the completion of the first milestone as set out in the share exchange agreement with CDS.

ADDITIONAL INFORMATION

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