LIFESTYLE DELIVERY SYSTEMS INC.
(FORMERLY KARIANA RESOURCES INC.)
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
December 31, 2015

INTRODUCTION

The following information, prepared as of April 29, 2016, should be read in conjunction with the audited consolidated financial statements of Lifestyle Delivery Systems Inc. (formerly Kariana Resources Inc.) (the "Company" or "LDS") for the year ended December 31, 2015 and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS").

The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com and the Company's website at http://www.lifestyledeliverysystems.com.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting currency of the Company, unless specifically noted.

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.

COMPANY OVERVIEW

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.

DESCRIPTION OF BUSINESS

With the completion of the Transaction on May 1, 2015, the Company has changed its business direction from the mineral exploration to the development and licensing of a proprietary filmstrip technology that can be used to produce oral delivery systems for energy elixirs, herbal remedies and a smokeless alternative option to medical and recreational users of cannabis (the "Technology").

As of the date of this report, the main objective of the Company is the development and licensing of its Technology to produce cannabis infused strips (similar to breath strips) that provide safer and healthier option to smoking as well as allow to accurately meter the dosage and assure the purity of the product (the "CannaStrips", or "CannaStrips Technology").

The Company intends to license the CannaStrips Technology to established cannabis producers and retailers in areas in the United States of America where state law allows for the use and sale of cannabis products.

In consideration for the acquisition of all of the outstanding shares of CDS's common stock, the Company issued a total of 7,800,000 common shares (the "Performance Shares") of the Company, which were valued at $697,500. The Performance Shares are subject to escrow and will be released upon the Company achieving the following financial milestones:

Milestone	Number of Performance Shares to be released
USD $50,000 in cumulative gross revenues	1,500,000 (milestone considered substantially 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

In case the Company does not reach the above milestones within 24 months after the Transaction, the remaining Performance Shares, subject to escrow, will be returned for cancellation.

On May 1, 2015, in connection with the closing of the Transaction, Brad Eckenweiler, director of CDS, was appointed to the board of directors of the Company and was appointed the Chief Executive Officer of the Company on May 22, 2015.

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 CannaStrips Technology to HAI for an annual fee of US$25,000. The license has a one year renewable term and restrictive conditions on formulation, manufacturing, packaging and distribution methods.

On January 6, 2016, CDS executed a non-binding letter of intent ("LOI") to license its CannaStrips Technology to Wisdom Homes of America, Inc. ("WOFA"). The LOI was superseded by the definitive agreement between CDS and WOFA on February 12, 2016 (the "WOFA License Agreement"). Pursuant to the WOFA License Agreement, CDS agreed to license CannaStrips Technology to WOFA for an annual fee of US$25,000. The license expires on December 31, 2018, with a mutual option to renew the WOFA License Agreement for successive two year periods.

In addition to the above license agreements, 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 CannaStrips Technology (the "Proposed License Agreement"). Pursuant to the terms of the MOU, the Company has offered to license its CannaStrips Technology for an annual fee of US$25,000, and received a non-refundable deposit of US$25,000 ($34,600). As of the date of the filing this report, the Proposed License Agreement has not been finalized yet.

In addition to the annual license fees contemplated under the above licencing agreements and the MOU, licensees agreed to lease all production equipment and to purchase all packaging and non-cannabis related ingredients directly from the Company.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the audited consolidated financial statements for the year ended December 31, 2015.

The statements of financial position as of December 31, 2015 indicated a cash position of $119,261 (2014 - $201,428) and total current assets of $174,666 (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 placements for the total net proceeds of $1,120,647 and on exercise of warrants for a total of $44,895 during the year ended December 31, 2015.

At December 31, 2015, current liabilities totalled $375,817 (2014 - $241,464) and included $183,209 in accounts payable and accrued liabilities (2014 - $137,539), $140,708 in amounts owed to related parties (2014 - $Nil), and $51,900 in unearned revenue (2014 - $Nil). The unearned revenue was associated with the non-refundable deposit for the total of US$25,000, which the Company received from an arm's length party as consideration for the Memorandum of Understanding (the "MOU") the Company entered into on July 30, 2015, and US$12,500 in unearned potion of the license fee paid to the Company by Healthy Asylum Inc.

Shareholders' equity was comprised of share capital of $3,547,263 (2014 - $1,338,336), reserves of $130,604 (2014 - $102,140), equity portion of convertible debentures of $Nil (2014 – $19,891), obligation to issue shares of $33,594 (2014 – $Nil), accumulated other comprehensive income of $22,806 (2014 – $Nil) and accumulated deficit of $2,676,683 (2014 - $1,470,010) for a net equity of $1,057,584 (2014 – $(9,643)).

At December 31, 2015, the Company had a working capital deficiency of $201,151 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 year ended December 31, 2015, the Company reported a net loss of $1,206,673 ($0.08 basic and diluted loss per share) and a net comprehensive loss of $1,183,867 compared to a net loss and net comprehensive loss of $428,103 ($0.13 basic and diluted loss per share) during the year ended December 31, 2014. Net comprehensive loss for the year ended December 31, 2015 was represented by revenue, net of costs, of $56,699 (2014 – $Nil), operating expenses of $1,130,139 (2014 – $430,168), interest income and foreign exchange gain of $3,099 (2014 – $2,065), impairment of inventory of $136,332 (2014 - $Nil) and foreign exchange on translation of the transactions of CDS, whose functional currency is U.S. Dollar, of $22,806 (2014 – $Nil).

The weighted average number of common shares outstanding for the year ended December 31, 2015, was 14,862,478 (2014 – 3,408,442).

SELECTED ANNUAL INFORMATION

The following table sets forth selected financial information derived from the Company's audited financial statements for the three most recently completed financial years, prepared in accordance with IFRS.

Years ended	December 31, 2015	December 31, 2014	December 31, 2013
Working capital	$ (201,151)	$ 150,482	$ 68,316
Total assets	$ 1,433,401	$ 391,946	$ 70,023
Technology	$ 840,169	$ -	$ -
Total non-current liabilities	$ -	$ 160,125	$ -
Share capital and reserves	$ 3,677,867	$ 1,440,476	$ 1,125,105
Deficit	$ 2,676,683	$ 1,470,010	$ 1,056,789

COMPARISON OF RESULTS OF OPERATIONS

During the year ended December 31, 2015, the Company reported a net loss of $1,206,673 ($0.08 basic and diluted loss per share) and a net comprehensive loss of $1,183,867 compared to a net loss and a net comprehensive loss of $428,103 ($0.13 basic and diluted loss per share) during the year ended December 31, 2014. The increased loss during the year ended December 31, 2015, was mainly associated with the acquisition of CDS, which resulted in the change of the Company's business model and operations.

During the year ended December 31, 2015, the Company recognized $56,699 (2014 - $Nil) in revenue, net of cost of sales, which was associated with the annual license fee the Company received pursuant to the License Agreement with Healthy Asylum Inc. dated for reference June 25, 2015, and from the sales of packaging materials to the licensee.

During the year ended December 31, 2015, the Company recorded operating expenses of $1,130,139 (2014 - $430,168). The largest factors contributing to the increase in operating expenses were consulting fees of $422,210 (2014 - $201,613), followed by the legal fees of $147,557 (2014 – $60,271) and amortization expense of $121,507 (2014 - $Nil) the Company recorded on the Technology acquired from CDS. In addition, the Company recorded accounting fees of $81,008 (2014 - $12,200), office and general expenses of $114,085 (2014 - $3,341), regulatory fees of $19,476 (2014 - $Nil), research and development costs of $59,062 (2014 – $Nil), transfer agent and filing fees of $48,004 (2014 - $21,947). In addition to the above incurred operating expenses, the Company recorded an impairment charge on the inventory held in stock totalling $136,332 (2014 - $Nil). These expenses were offset by foreign exchange gain of $2,347 (2014 - $Nil) and interest income of $752 (2014 - $2,065).

The net comprehensive loss of $1,183,867 (2014 - $428,103) was affected by the foreign exchange translation on the transactions recorded in CDS, which totalled $22,806 (2014 - $Nil).

The increase in consulting fees to $422,210 from $201,613 was attributable to the change in the Company's business direction triggered by the acquisition of CDS, which resulted in increased fees the Company incurred for financial advisory services provided by Baron Global Financial Canada Ltd, a company with former director in common; increased fees for investor relations services; consulting fees paid or accrued to the CEO; and fees paid to other marketing and business 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 tables set forth selected financial information of the Company for the eight most recently completed quarters. This information is derived from unaudited quarterly financial statements and audited annual financial statements prepared by management in accordance with IFRS.

Summary of quarterly results – Year ended December 31, 2015

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenue net of Cost	$ (14,779)	$ 40,790	$ 30,688	$ -
Net Loss	$ 402,831	$ 336,695	$ 344,029	$ 123,118
Loss per Share	$ 0.02	$ 0.01	$ 0.03	$ 0.01
Technology	$ 840,169	$ 1,363,686	$ 1,438,293	$ -
Total Assets	$ 1,433,401	$ 2,068,522	$ 2,223,015	$ 382,177
Working Capital	$ (201,151)	$ (89,247)	$ 197,641	$ 63,766

Summary of quarterly results – Year ended December 31, 2014

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenue net of Cost	$ -	$ -	$ -	$ -
Net Loss	$ 210,371	$ 118,619	$ 42,309	$ 56,804
Loss per Share	$ 0.06	$ 0.03	$ 0.01	$ 0.02
Technology	$ -	$ -	$ -	$ -
Total Assets	$ 391,946	$ 548,474	$ 548,765	$ 43,447
Working Capital	$ 150,482	$ (44,874)	$ 73,743	$ 11,512

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 December 31, 2015, the Company did not generate any revenue from its operations, as it was concentrating on the improvement of its Technology and set up and configuration of its equipment which will be used in the future by the Company`s licensees for production of the CannaStrips. $14,779 adjustment to the revenue resulted from the partial reclassification of the license fee paid by Healthy Asylum Inc. during the quarter ended June 30, 2015 to unearned revenue at December 31, 2015. Operating expenses totalled $252,355 and included consulting fees of $133,522, accounting fees of $15,600, office and other general expenses of $31,200, research and development of $10,282 and legal fees of $54,561, among other operating expenses. In addition, during the quarter ended December 31, 2015 the Company impaired its inventory by $136,332, as the management was not certain that the cost would be recovered.

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 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 finance fee related to accretion of $12,694.

During the quarter ended March 31, 2015, the Company incurred a net loss of $123,496, which mainly consisted of accrued accounting fees of $25,000 relating to fiscal 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 finance fee related to accretion 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 finance fee related to accretion during these periods.

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

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2015, the Company had $119,261 (2014 – $201,428) in cash and cash equivalents, with the working capital deficiency of $201,151, as compared to the working capital of $150,482 at December 31, 2014. As at December 31, 2015, the Company's share capital was $3,547, 263 (2014 – $1,338,336) representing 32,550,729 (2014 – 8,206,250) common shares, of which 6,300,000 were held in escrow, reserves of $130,604 (2014 – $102,140), obligation to issue shares of $33,594 (2014 **–** $Nil), and an accumulated deficit of $2,676,683 (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 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 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.

Proposed Private Placement

On April 26, 2016, the Company announced that it has arranged a non-brokered private placement offering (the "Offering") of up to 1,000,000 units at a price of $0.10 per unit (the "Unit") to raise gross proceeds of up to $100,000. Each Unit being offered under the Offering will consist of one common share of the Company and one share purchase warrant entitling the holder to purchase one additional common share, for a period of two years after closing, at an exercise price of $0.12 per common share ending on the first anniversary of the closing date and, at $0.20 per common share for a period ending on the second anniversary of the closing date.

All securities issued above will be subject to a hold period of four months and one day from the date of closing. Proceeds from the proposed Offering will be used to fund the Company's general working capital.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations at December 31, 2015 is detailed in the table below.

	Payments Due by Period				
	Total	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Accounts Payable	$ 163,491	$ 163,491	N/A	N/A	N/A
Accrued Liabilities	$ 19,718	$ 19,718	N/A	N/A	N/A
Amounts due to Related Parties	$ 140,708	$ 140,708	N/A	N/A	N/A
Unearned Revenue	$ 51,900	$ 51,900			
Total	**$ 375,817**	**$ 375,817**	**N/A**	**N/A**	**N/A**

Management believes that the Company will be able to generate sufficient cash to meet its current obligations 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:		**December 31, 2015**	**December 31, 2014**
Corporate advisory services	a)	$ 172,000	$ 142,500
Management consulting fees	b)	$ 149,398	$ -
Accounting fees	c)	$ 7,500	$ -

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 with a former director in common. 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.

As at December 31, 2014, the Company owed Baron $160,125 in non-interest bearing debt, which was not to be re-called by Baron prior to March 2016. On May 1, 2015, the Company settled $130,200 of this debt with Baron by issuing 868,000 common shares of the Company at $0.15 per common share.

On December 1, 2015, Baron notified the Company that it will terminate its services as of December 31, 2015.

b) Management consulting services consist of the following:

- $25,972 (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;
- $43,503 (2014 – $Nil) in consulting fees accrued to Mr. Eckenweiler. On July 31, 2015, the Company entered into a consulting agreement with Mr. Eckenweiler for a one year term for US$6,700 per month.
- $25,972 (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;
- $52,951 (2014 – $Nil) in consulting fees paid or accrued to Da Costa Management Corp., a company controlled by John da Costa, a former director of CDS; and
- $1,000 (2014 - $Nil) in consulting fees accrued to Yanika Silina, the CFO.

c) Accounting fees are paid or accrued to Da Costa Management Corp., a company controlled by John da Costa, a former director of CDS.

d) On February 27, 2015, CDS issued a promissory note to a director of LDS for US$25,000 ($31,270) 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 US$2,500 ($3,118) penalty being assessed on the principle amount of the loan. CDS paid US$27,750 ($33,327) on May 15, 2015, which represented the full amount outstanding under the note payable.

Related Party Payable:

	December 31, 2015	December 31, 2014
Baron Global Financial Canada Ltd.	$ 69,300	$ 160,125
Brad Eckenweiler	63,389	-
FindTec, Inc.	6,189	-
Mariscos Del Mar Inc.	830	-
Yanika Silina	1,000	-
Total payable to related parties	**$ 140,708**	**$ 160,125**

SIGNIFICANT ACCOUNTING POLICIES AND CRITIAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 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, other financial 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 are measured at amortized cost using the effective interest rate method with any changes to the carrying amount of the investment, including impairment losses, recognized in the statement of comprehensive loss. Loans and receivables are measured at cost less any provision for impairment. Other financial liabilities are recognized initially at fair value and subsequently at amortized cost

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

a) Cash, short-term investments, receivables and loan receivable have been classified as loans and receivable;
b) Accounts payable, accrued liabilities, unearned revenue, and amounts due to related parties have been classified as other financial liabilities.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 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, December 31, 2015 $	Balance, December 31, 2014 $
Cash	107,761	-	-	107,761	189,928
Term Deposit	11,500	-	-	11,500	11,500
Cash and cash equivalents	119,261	-	-	119,261	201,428

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.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this MD&A is as follows:
(1) Authorized: Unlimited common shares without par value.
(2) As at the date of this MD&A, the Company has 32,650,729 common shares, of which 6,300,000 remain in escrow, 25,000 options, and 15,604,411 warrants issued and outstanding.

Additional Disclosure for Junior Issuers

The Company has expensed the following material cost components:

	Period ended December 31,	
	2015	**2014**
	$	$
Accounting fees	81,008	12,200
Amortization	121,507	-
Consulting fees	422,210	201,613
Financing fees	20,009	110,470
Impairment of inventory	136,332	-
Legal fees	147,557	60,271
Meals and travel expenses	88,447	5,326
Office and general	114,085	3,341
Regulatory fees	19,476	-
Research and development	59,062	-
Transfer agent and filing fees	48,004	21,947

Accounting fees of $81,008 (2014 - $12,200) were associated with preparation of audited financial statements for the fiscal 2015, bookkeeping fees, and other accounting fees related to the preparation of the filing statement for the acquisition of CDS and quarterly financial statements.

Amortization expense of $121,507 (2014 – $Nil) was related to the amortization of Technology that was acquired from CDS on May 1, 2015.

Consulting fees of $422,210 (2014 – $201,613) included financial, investor relations, marketing and business development advisory fees.

Transfer agent and filing fees of $48,004 (2014 - $21,947) were associated with regulatory filings with CSE, securities commissions, monthly transfer agent services, and filing fees for the acquisition of CDS.

Legal fees of $147,557 (2014 - $60,271) were associated with legal fees in relation to the private placements and acquisition of CDS.

Regulatory fees of $19,476 (2014 - $Nil) were related to licensing of the Technology acquired from CDS.

Research and development costs of $59,062 (2014 – $Nil) were associated with expenses incurred in developing and improving CDS's CannaStrips Technology.

Impairment of inventory of $136,332 (2014 - $Nil) resulted from the Company's uncertainty of the recoverability of the cost.

ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published and are fully disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2015. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

RISKS AND UNCERTAINTIES

General Risk Factors

The Company has no history of profitable operations and its present business is at an early stage of development. 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.

Risks Factors Associated with Current Conflicting Federal and State Laws

The cannabis industry is currently conducted in twenty-two states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis remains illegal. The Federal, and, in some cases, State law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or physician office is a customer of the Company's licensee, it will affect the Company's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Company's business and operations.

Risks Factors Associated with the Licensing Model
Under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis is illegal. The Company provides services to its licensees who in turn supply goods and/or services to their customers. Both the licensee and their customers are engaged in the possession, use, cultivation and transfer of cannabis. As a result, law enforcement authorities may seek to bring an action or actions against the Company, on the basis of, but not limited to, a claim of aiding and abetting another criminal's activities. The Company will vigorously defend all such actions but such actions would have a material effect on the Company's business and operations.

Regulatory Risks Factors
The activities of the Company will be subject to intense regulation by governmental authorities. Achievement of the Issuer's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

DIRECTORS AND OFFICERS

As of the date of this report, the Company has the following directors and officers:
James Pakulis – Director and President
Brad Eckenweiler – Director and CEO
Dr. John Sanderson, MD – Chief Science Officer
Yanika Silina – CFO and Corporate Secretary
David Velisek – Director

Brad Eckenweiler - Director and CEO

Mr. Eckenweiler, age 61, has served as Director of the Company since the close of the Transaction on May 1, 2015, and as CEO of the Company as of May 22, 2015. Mr. Eckenweiler is an executive with worldwide business experience in operations, corporate finance, multi-border negotiations and global securities markets. From September 9, 2013 to May 16, 2014, Mr. Eckenweiler acted as the Chief Executive Officer and as a member of the Board of Directors of Triton Emission Solutions Inc. (OTCQB:DSOX), a company engaged in the business of emission abatement and control technologies for the marine industry.

James Pakulis – Director and President

Mr. Pakulis, age 52, has served as Director and President of the Company since November 2, 2015. Mr. Pakulis has three decades of experience working with public and private entrepreneurial companies in a variety of emerging and high-growth sectors including the cannabis industry. From 2010 to 2012, Mr. Pakulis was chairman and chief executive officer of General Cannabis Inc., which grew from zero to over $16-million in annual revenue in less than two years. Mr. Pakulis was responsible for all aspects of corporate management including strategy development and execution, operations, mergers and acquisitions, real estate transactions, finance/accounting, legal, and human resources. Mr. Pakulis is a skilled leader, negotiator and consensus builder. Other industries in which Mr. Pakulis has been involved in include technology, housing, real estate, health care, mortgage services and financing. Mr. Pakulis is currently CEO and chairman of Wisdom Homes of America, Inc. (OTCQB: WOFA).

Dr. John Sanderson, MD – Chief Science Officer

Dr. Sanderson, age 66, was appointed the Company's Chief Science Officer on April 26, 2016. Dr. Sanderson is a stem cell researcher who began his career in clinical medicine specializing in diabetes and intravenous nutrition of critically ill patients. His accolades include receiving NIH funding, multiple issued patents and the publication of numerous academic papers as principal investigator. While a medical director and consultant at Johnson & Johnson, Dr. Sanderson was tasked with due diligence oversight for mergers and acquisitions, formulating strategic initiatives and, evaluating new technologies. As a consultant to Fortune 100 health care companies and the U.S. government, Dr. Sanderson was instrumental in devising technological solutions to important public health challenges such as obesity, diabetes, and asthma. Dr. Sanderson is currently the CMO of Cell MedX Corp. (OTCQB: CMXC).

Yanika Silina – CFO and Corporate Secretary.

Ms. Silina, age 37, has served as the Company’s Chief Financial Officer and Corporate Secretary since November 27, 2015. Ms. Silina is a Chartered Professional Accountant and holds a Diploma in Management Studies from Thompson Rivers University. Ms. Silina is currently the CFO of Cell MedX Corp. (OTCQB: CMXC), and a director of Kesselrun Resources Ltd., a reporting issuer listed on the TSX Venture Exchange (TSX.V: KES). Ms. Silina has previously held various management positions with other public companies listed on OTCQB and Canada Stock Exchange.

David Velisek – Director

David Velisek, age 44, has been involved in the capital markets for 19 years in investor relations, as a trader of equities, options and futures as well as an investment advisor. He is currently employed with Baron Global Financial Canada Ltd. as Manager, Corporate Development. He was previously a director of Finore Mining Inc. (CSE: FIN), Delon Resources Corp. (CSE:DLN) and Novo Resources Ltd. (CSE: NVO). He currently acts as a director for Confederation Minerals Ltd. (TSX.V:CFM).

ADDITIONAL INFORMATION

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