



LIFESTYLE DELIVERY SYSTEMS INC.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
UNAUDITED – PREPARED BY MANAGEMENT
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED
MARCH 31, 2016 & 2015

**NOTICE OF NO AUDITOR REVIEW
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2016 & 2015**

The accompanying unaudited condensed consolidated interim financial statements of Lifestyle Delivery Systems Inc. (the “Company”) for the period ended March 31, 2016, have been prepared by, and are the responsibility of, the Company’s management.

The Company’s independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the condensed interim statements by an entity’s auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

LIFESTYLE DELIVERY SYSTEMS INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	March 31, 2016	December 31, 2015
(Unaudited)		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,396	\$ 119,261
GST receivable	3,433	19,255
Prepaid expenses	16,504	27,392
Inventory (Note 4)	8,209	8,758
Total current assets	31,542	174,666
Equipment (Note 5)	417,473	418,566
Technology (Notes 3, 6)	741,970	840,169
TOTAL ASSETS	\$ 1,190,985	\$ 1,433,401
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 347,858	\$ 163,491
Accrued liabilities	27,782	19,718
Amounts due to related parties (Note 7)	118,586	140,708
Advances payable	6,485	-
Unearned revenue (Note 8)	40,534	51,900
Total liabilities	541,245	375,817
Stockholders' equity		
Share capital (Note 9)	3,547,263	3,547,263
Obligation to issue shares (Note 3)	33,594	33,594
Reserves	130,604	130,604
Deficit	(3,018,129)	(2,676,683)
Accumulated other comprehensive income (loss)	(43,592)	22,806
Total shareholders' equity	649,740	1,057,584
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 1,190,985	\$ 1,433,401

Subsequent events (Note 11)

"Brad Eckenweiler" Director
Brad Eckenweiler

"David Velisek" Director
David Velisek

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

LIFESTYLE DELIVERY SYSTEMS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Revenue	\$ 8,593	\$ -
Expenses		
Accounting fees	22,500	25,000
Amortization (Note 6)	48,169	-
Consulting fees (Note 7)	139,290	39,587
Finance fees	-	20,321
Legal fees	16,680	30,000
Meals and travel expenses	7,244	1,862
Office and general	104,854	803
Regulatory fees	8,556	5,923
Research and development	2,714	-
Operating expenses	350,007	123,496
Foreign exchange loss	(32)	-
Interest income	-	380
Net loss	(341,446)	(123,116)
Foreign exchange translation	(66,398)	-
Comprehensive loss	\$ (407,844)	\$ (123,116)
Net loss per share - basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding - basic and diluted	26,250,729	8,435,050

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

LIFESTYLE DELIVERY SYSTEMS INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in Canadian Dollars)
(Unaudited)

	Common shares		Equity	Obligation	Reserves	Deficit	Accumulated	Total
	Number of Shares	Amount	Portion of Convertible Debenture	to Issue Shares			Other Comprehensive Income / (Loss)	
Balance at 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 note	264,000	26,400	-	-	-	-	-	26,400
Conversion of convertible debenture	200,000	11,480	(1,480)	-	-	-	-	10,000
Net loss for the period ended March 31, 2015	-	-	-	-	-	(123,116)	-	(123,116)
Balance at March 31, 2015	8,670,250	1,376,216	18,411	-	102,140	(1,593,126)	-	(96,359)
Conversion of convertible debenture	-	18,411	(18,411)	-	-	-	-	-
Acquisition of Technology	7,800,000	697,500	-	-	-	-	-	697,500
Obligation to issue shares to finder for acquisition of Technology	-	-	-	54,844	-	-	-	54,844
Shares issued for finder's fee for the acquisition of Technology	225,000	33,750	-	(21,250)	-	-	-	12,500
Private placements	12,768,758	1,155,314	-	-	-	-	-	1,155,314
Share issuance costs - cash	-	(34,667)	-	-	-	-	-	(34,667)
Finder's fee for private placement	254,768	-	-	-	-	-	-	-
Finder's warrants for private placement	-	(28,464)	-	-	28,464	-	-	-
Debt settlement	1,183,000	177,450	-	-	-	-	-	177,450
Conversion of convertible promissory notes	1,200,000	106,858	-	-	-	-	-	106,858
Exercise of warrants	448,953	44,895	-	-	-	-	-	44,895
Foreign exchange translation	-	-	-	-	-	-	22,806	22,806
Net loss for the period ended December 31, 2015	-	-	-	-	-	(1,083,557)	-	(1,083,557)
Balance at December 31, 2015	32,550,729	3,547,263	-	33,594	130,604	(2,676,683)	22,806	1,057,584
Foreign exchange translation	-	-	-	-	-	-	(66,398)	(66,398)
Net loss for the period ended March 31, 2016	-	-	-	-	-	(341,446)	-	(341,446)
Balance at March 31, 2016	32,550,729	\$ 3,547,263	\$ -	\$ 33,594	\$ 130,604	\$ (3,018,129)	\$ (43,592)	\$ 649,740

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

LIFESTYLE DELIVERY SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Cash flows provided by (used in) operating activities		
Net loss	\$ (341,446)	\$ (123,116)
Non cash items		
Amortization	48,169	-
Foreign exchange	(2,268)	-
Fee shares and finder's fee for convertible promissory	-	26,400
Non-cash interest accretion on convertible debenture	-	15,094
Changes in operating assets and liabilities		
GST receivable	15,822	12,950
Prepaid expenses	10,367	(1,845)
Inventory	-	-
Accounts payable and accrued liabilities	120,508	71,853
Amounts due to related parties	61,188	-
Unearned revenue	(8,593)	-
Net cash provided by (used in) operating activities	(96,253)	1,336
Cash flows from financing activities		
Advances payable	6,485	-
Net cash provided by financing activities	6,485	-
Cash flows used in investing activities		
Equipment	(26,697)	-
Net cash used in investing activities	(26,697)	-
Effects of foreign currency exchange	600	-
Net decrease in cash and cash equivalents	(115,865)	1,336
Cash and cash equivalents, beginning	119,261	201,428
Cash and cash equivalents, ending	\$ 3,396	\$ 202,764
Cash and cash equivalents are comprised off:		
Cash	\$ 3,396	\$ 21,264
Term deposit	-	181,500
Total cash and cash equivalents	\$ 3,396	\$ 202,764

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

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Lifestyle Delivery Systems 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 systems that can be used for energy elixirs, herbal remedies and a smokeless alternative option to medicinal and recreational users of cannabis. The Company’s head office is located at 810 – 789 West Pender Street, Vancouver, British Columbia, V6C 1H2, Canada. The Company’s wholly-owned subsidiary, 0994537 B.C. Ltd., and majority-owned subsidiary, 0994540 B.C. Ltd., were incorporated on February 21, 2014 and remained inactive during the period ended March 31, 2016. 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 (Note 3).

These unaudited interim condensed consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. As at March 31, 2016, the Company had generated only minimal revenue from its main business activity. The Company’s continuation as a going concern is dependent upon its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. 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. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited interim condensed consolidated financial statements were authorized for issue on May 27, 2016, by the Directors of the Company.

Statement of Compliance

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited condensed interim financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as the most recent audited annual financial statements. Since the unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards (“IFRS”) for annual financial statements, they should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2015.

Basis of Measurement and Use of Estimates

These unaudited condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, and include the accounts of the Company and its subsidiaries. On consolidation the Company eliminates all intercompany transactions and balances between subsidiaries.

All amounts are expressed in Canadian dollars, the Company’s functional currency.

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements
(Expressed in Canadian Dollars)

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (Continued)

New accounting standards and interpretations issued but not yet adopted

IFRS 9, Financial Instruments – Classification and Measurement: Effective for annual periods on or after January 1, 2018. IFRS 9 is a new standard of 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.

IFRS 15, Revenue from Contracts with Customers: This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16, Leases: This new standard replaces IAS 17 “Leases” and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting is not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15.

Management is currently assessing the impact of these new standards on the Company’s accounting policies and financial statement presentation.

3. ACQUISITION

On May 1, 2015 (the “Closing Date”), the Company acquired 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”).

On the Closing Date the Performance Shares were placed in escrow and will be released upon CDS achieving certain financial milestones (the “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 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

The Company incurred \$80,398 in costs associate with the Transaction, and is required to issue 648,333 common shares of the Company with an estimated fair value of \$67,344 in finder’s fees as follows:

Milestone	Number of common shares to be issued
At the Closing Date	83,333 (issued)
USD \$50,000 in cumulative gross revenues	141,667 (milestone considered substantially reached and shares issued)
USD \$200,000 in cumulative gross revenues	157,500
USD \$600,000 in cumulative gross revenues	157,500
USD \$1,000,000 in cumulative gross revenues	108,333

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

3. ACQUISITION (Continued)

As at March 31, 2016, the Company recorded an obligation to issue shares of \$33,594 for the remaining finder's shares to be issued upon successful completion of the milestones.

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 and liabilities acquired at the date of the Transaction.

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

	Total
Purchase price:	
Performance shares (estimated fair value of share consideration)	\$ 697,500
Finder's fee	67,344
Transaction costs	80,398
	<hr/> \$ 845,242
Net assets acquired:	
Prepaid expenses	\$ 1,817
Technology	985,936
Deposit on equipment	219,263
Bank indebtedness	(10)
Accounts payable	(20,059)
Due to related party	(38,696)
Loan payable to LDS	(303,009)
	<hr/> \$ 845,242

4. INVENTORY

As at March 31, 2016, inventory comprised of packaging supplies held for sale to licensees, and was valued at \$8,209 (2015- \$8,758).

5. EQUIPMENT

As at March 31, 2016, the Company recorded \$417,473 (2015 – \$418,566) for the strip coating equipment which the Company intends to lease to its licensees. As at March 31, 2016, the lease agreement has not been finalized, and the equipment remained in possession of the Company. No depreciation was taken for the three month period ended March 31, 2016, as the equipment was not ready for its intended use.

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 Technology was recorded at \$985,936 and is amortized on a straight line basis over its estimated useful life of 5 years.

During the three month period ended March 31, 2016, the Company recorded \$48,169 (2015 – \$Nil) in amortization expense associated with the Technology.

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

7. 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:	March 31,	
	2016	2015
Management consulting services	a) \$ 51,255	\$ -
Corporate advisory services	b) \$ -	\$ 37,500

- a) Management consulting services consist of the following:
- \$27,633 (2015 – \$Nil) in consulting fees accrued to Mr. Eckenweiler, the Company’s Chief Executive Officer (the “CEO”) and a member of the board of directors. 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.
 - \$20,622 (2015 – \$Nil) in consulting fees paid or accrued to Mr. Pakulis, the Company’s President and a member of the board of directors. The Company agreed to reimburse Mr. Pakulis at US\$5,000 per month for his services.
 - \$3,000 (2015 - \$Nil) in consulting fees accrued to Yanika Silina, the Company’s Chief Financial Officer (the “CFO”). The Company agreed to reimburse Ms. Silina at \$1,000 per month for her services.
- b) Corporate advisory services were provided to the Company by Baron Global Financial Canada Ltd., a company with a former director in common, under a one-year agreement. The agreement was terminated as of December 31, 2015.

Related Party Payable:

	March 31, 2016	December 31, 2015
Baron Global Financial Canada Ltd.*	\$ -	\$ 69,300
Brad Eckenweiler	94,982	63,389
Jim Pakulis	19,457	-
FindTec, Inc.*	-	6,189
Mariscos Del Mar Inc.	-	830
Yanika Silina	4,147	1,000
Total payable to related parties	\$ 118,586	\$ 140,708

*During the year ended December 31, 2015, Baron Global Financial Canada Ltd. and FindTec, Inc. ceased to be related parties. As at March 31, 2016, the amounts owed to these entities have been included as part of trade accounts payable.

8. LICENSE AGREEMENTS AND MEMORANDUM OF UNDERSTANDING

- a) 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 US\$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. During the year ended December 31, 2015, HAI paid a non-refundable deposit of US\$25,000, of which 50% was included in revenue. At March 31, 2016, the Company recognized a further US\$6,250 (\$8,593) in revenue. Remaining US\$6,250 (\$8,106) is recorded as unearned revenue.

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

8. LICENSE AGREEMENTS AND MEMORANDUM OF UNDERSTANDING (Continued)

- b) 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 US\$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 US\$25,000 (\$32,428), which the Company has recorded as unearned revenue, and will apply towards the first annual license fee upon execution of the Proposed License Agreement.

On January 6, 2015, CDS executed a non-binding letter of intent (“LOI”) to license its Technology to Wisdom Homes of America, Inc. (“WOFA”). James Pakulis, the President of the Company, is the Chief Executive Officer of 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 grant WOFA a non-exclusive license to manufacture and distribute CannaStrips in Northern California for an annual license fee of US\$25,000. In addition, CDS agreed to grant WOFA access to the CannaStrips brand, with an option to contract or sub-contract to cannabis producers and retailers throughout Northern California. As of March 31, 2016, the annual license fee remained unpaid.

9. CAPITAL AND RESERVES**A. Common Shares**

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

B. Issued share capital

As at March 31, 2016, there were 32,550,729 common shares issued and outstanding (December 31, 2015 – 32,550,729).

During the three month period ended March 31, 2016, the Company did not have any transactions that resulted in issuance of its common stock.

C. Stock options

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 is as follows:

	March 31, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	82,500	\$0.94	132,500	\$0.89
Expired	(57,500)	\$1.00	(50,000)	\$0.80
Options outstanding and exercisable, ending	25,000	\$0.80	82,500	\$0.94

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements
(Expressed in Canadian Dollars)

9. CAPITAL AND RESERVES (Continued)**C. Stock options (continued)**

The options outstanding and exercisable at March 31, 2016 are as follows:

Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
25,000	\$ 0.80	5.38	August 15, 2021

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the periods ended March 31, 2016 and December 31, 2015:

	March 31, 2016		December 31, 2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	15,704,411	\$0.16	5,200,000	\$0.10
Exercised	-	-	(448,953)	\$0.10
Issued	-	-	10,953,364	\$0.19
Warrants outstanding, ending	15,704,411	\$0.16	15,704,411	\$0.16

The warrants outstanding and exercisable at March 31, 2016 are as follows:

Number of Warrants outstanding	Exercise Price	Weighted Average Remaining Life	Expiration Date
2,711,764	\$0.30 during the first year; \$0.45 during the second year	1.08	May 1, 2017
4,951,047 ⁽¹⁾	\$0.10	1.14	May 22, 2017
8,041,600	\$0.10 during the first year; \$0.15 during the second year	1.70	December 11, 2017
15,704,411		1.42	

(i) Subsequent to the three month period ended March 31, 2016, a warrant to acquire up to 100,000 shares of the Company's common stock was exercised at \$0.10.

E. Escrow shares

As at March 31, 2016, the Company had 6,300,000 common shares held in escrow (December 31, 2015 – 6,300,000) to be release as outlined in Note 3.

10. SUPPLEMENTAL CASH FLOW

During the period ended March 31, 2016 the Company recorded \$26,697 in costs related to the purchase of equipment, which remained unpaid at March 31, 2016.

During the period ended March 31, 2015 the Company recorded the following items:

- 264,000 finder's fee shares valued at \$26,400 issued for the Promissory Notes; and
- Shares issued on conversion of a \$10,000 debenture.

LIFESTYLE DELIVERY SYSTEMS INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

11. SUBSEQUENT EVENTS

- a) On April 8, 2016, the Company borrowed \$64,975 (US\$50,000) from its CEO. The advance is due on demand, non-interest bearing and is unsecured.
- b) On April 11, 2016, a warrant to acquire up to 100,000 shares of the Company's common stock was exercised at \$0.10 for total proceeds of \$10,000.
- c) On May 9, 2016, the Company closed a non-brokered private placement and issued a total of 1,000,000 units ("Units") at a price of \$0.10 per Unit for total gross proceeds of \$100,000. Each Unit consisted 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 expiring on May 9, 2018 at an exercise price of \$0.12 per share during the first year after closing, and an exercise price of \$0.20 per share during the second year after closing.

In connection with the Offering, the Company issued 100,000 finders' warrants (the "Finders' Warrants"). The Finders' Warrants entitle the holder to purchase one common share of the Company at \$0.12 per share for a period of two years expiring on May 9, 2018.

- d) On May 20, 2016, the Company borrowed \$25,000 from an unrelated party in exchange for a 90-day note payable. The principal advanced under the note payable accumulates interest at 1% per month, is unsecured and will become due and payable in full on August 20, 2016.
- e) In May 2016 the Company arranged a non-brokered private placement offering (the "May Offering") of up to US\$90,000 at \$0.08 per unit (the "May Unit"). Each May Unit being offered under the May Offering will consist of one common share of the Company and one share purchase warrant entitling a holder to purchase one additional common share, for a period of two years after closing, at an exercise price of \$0.10 per common share. As of the date of the filing of these unaudited condensed consolidated interim financial statements the Company received US\$20,000, under the May Offering.