LIFESTYLE DELIVERY SYSTEMS INC.

MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Lifestyle Delivery Systems Inc. (the "Company" or "LDS"), has been prepared as of April 28, 2017, and should be read in conjunction with the audited consolidated financial statements of the Company for year ended December 31, 2016, 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 of technologies that produce oral delivery systems that can be used for energy elixirs, herbal remedies and a smokeless alternative option to medicinal users of cannabis. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "LDS", on OTC Link alternative trading system under the trading symbol "LDSYF", and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

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 "Acquisition"). Upon acquisition, CDS became a wholly-owned subsidiary of LDS.

DESCRIPTION OF BUSINESS

The Company's principal business activity is development of proprietary filmstrip 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 "Technology"). The main objective is to improve the Technology for use with cannabis, allowing for safer and healthier option to smoking through accurately metered dosage and control of the product quality (the "CannaStrips", or "CannaStrips Technology").

In November 2016, the Company entered into a provisional patent license agreement (the "License") with an entity controlled by the Company's Chief Science Officer (the "CSO"), Dr. Sanderson, to acquire a world-wide, exclusive, royalty-free license to use a patent-pending method developed by Dr. Sanderson, which allows for improved delivery of biological molecules through mucous membranes, which can target specific processes in the body. The acquisition of the License allowed the Company to further refine its CannaStrips.

On August 19, 2016, the Company entered into a memorandum of understanding (the "Original MOU") with NHMC, Inc. ("NHMC") to set up a joint venture (the "JV") for the development, manufacturing, production, and commercialization of products based on the CannaStrips Technology. The JV will be conducted under a conditional use permit (the "CUP"), which was issued by the City of Adelanto, California on October 25, 2016. On October 6, 2016, the Company signed an additional letter of intent (the "LOI") with NHMC and CSPA Group Inc. (the "CSPA"), which confirmed the intention of the parties to enter into the JV, as contemplated under the Original MOU. CSPA and NHMC are non-profit mutual benefit organizations controlled by the same parties.

Pursuant to the terms set out in the Original MOU, the Company agreed to design and retrofit a 20,000 square-foot facility located in the City of Adelanto to meet California energy efficiency standard and provide the JV with all equipment necessary to run the operations. The facility, when ready, will house a full manufacturing cycle starting with nursery, cultivation, extraction, distillation, strip coating and, finishing with packaging of the products based on the Company's CannaStrips Technology. The retrofitting of the facility started in late November of 2016. The Company expects that the manufacturing division will be finalized and ready for use by the end of May. Nursery and cultivation division is expected to be completed in late June early July.

With the entry into the Original MOU and the subsequent LOI, the Company was required to modify its plan of operations, therefore, during its fiscal 2016, it did not renew its license agreements with Healthy Asylum Inc. ("HA") and Wisdom Homes of America, Inc., and allowed for the memorandum of understanding with a third party to laps. In preparation for the JV with CSPA and NHMC, in January of 2017 the Company incorporated two additional subsidiaries, LDS Agrotech Inc., which will form cultivation and biomass production division of the Company, and LDS Scientific Inc., which will form extraction and formulation division of the Company. The Company holds 75% of the issued and outstanding shares of each subsidiary.

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.

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Working capital	$ 325,190	$ (201,151)	$ 150,482
Total assets	$ 1,669,646	$ 1,433,401	$ 391,946
Technology	$ -	$ 840,169	$ -
Equipment and production facility	$ 336,693	$ 418,566	$ -
License	$ 268,540	$ -	$ -
Total liabilities	$ 253,568	$ 375,817	$ 241,464
Share capital and reserves	$ 6,503,111	$ 3,677,867	$ 1,440,476
Deficit	$ 5,543,027	$ 2,676,683	$ 1,470,010

OVERALL PERFORMANCE

The statements of financial position as of December 31, 2016 and December 31, 2015 indicated a cash position of $440,352 and $119,261, respectively, and total current assets of $578,758 and $174,666, respectively. The increase in total current assets was mainly associated with the cash the Company received from its private placements which were required to support the Company's new business direction associated with acquisition of the Technology from CDS, completed on May 1, 2015.

The long-term assets of the Company were represented by the equipment and production facility totaling $336,693 (2015 - $418,566), deposits on additional equipment to be received in the Fiscal 2017 of $485,655 (2015 - $Nil), and the license of $268,540 (2015 – $Nil). At the date of this MD&A the permitted production facility in Adelanto (the "Facility"), was being retrofitted pursuant to the terms of Original MOU with NMHC. Once the retrofitting of the Facility is completed, the Company is planning to start the production and packaging of the CannaStrips under its binding Original MOU for Joint Venture with NHMC and CSPA. At December 31, 2016, the Company fully impaired its CannaStrips Technology, which at December 31, 2015 was valued at $840,169.

At December 31, 2016, current liabilities totaled $253,568 (2015 - $375,817) and included $173,087 in accounts payable and accrued liabilities (2015 - $183,209), $70,582 in amounts due to related parties (2015 - $140,708), and $9,899 in advances payable (2015 - $Nil). In addition to the above, at December 31, 2015, the Company's current liabilities included $51,900 in unearned revenue, which was recognized in income during the year ended December 31, 2016. The unearned revenue was associated with the non-refundable deposits which the Company received from arm's length parties as consideration for the licenses to use its CannaStrips Technology.

At December 31, 2016, the Company had a working capital of $325,190, as compared to a working capital deficiency of $201,151 at December 31, 2015. Management's short-term plans are to fund the Company's day-to-day operations through equity or, to a minor extent, debt financing. Once the retrofitting and additional improvements of the Facility are completed, the Company believes it will be able to generate sufficient revenue to fund its day-to-day operations as well as its overhead costs.

Shareholders' equity was comprised of share capital of $6,220,229 (2015 - $3,547,263), reserves of $282,882 (2015 - $130,604), obligation to issue shares of $460,599 (2015 – $33,594), accumulated other comprehensive loss of $4,605 (2015 - comprehensive income of $22,806) and accumulated deficit of $5,543,027 (2015 - $2,676,683) for a net equity of $1,416,078 (2015 – $1,057,584).

The weighted average number of common shares outstanding for the year ended December 31, 2016, was 31,579,021 (2015 – 14,862,478).

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the year ended December 31, 2016, the Company reported a net loss of $2,866,344 ($0.09 basic and diluted loss per share) and a net comprehensive loss of $2,893,755 compared to a net loss of $1,206,673 ($0.08 basic and diluted loss per share) and net comprehensive loss of $1,183,867 during the year ended December 31, 2015. The increased loss during the year ended December 31, 2016, was mainly associated with the increased business activity associated with the CannaStrips Technology the Company acquired during the second quarter of its Fiscal 2015, which resulted in the change of the Company's business model and operations, increasing its cash requirements to support its new operations, research and development activities as well as due diligence on potential joint venture partners.

Revenue

During the year ended December 31, 2016, the Company recognized $56,086 (2015 - $58,298) in revenue. This revenue consisted of $16,570 associated with the allocated portion of an annual license fee the Company received pursuant to the License Agreement with HA dated for reference June 25, 2015, $6,376 the Company recorded from the net sales of its packaging material to Wisdom Homes of America, Inc., and $33,140 from the annual license fee the Company received pursuant to its memorandum of understanding with an arm's length party dated for reference July 30, 2015, which was previously recorded as unearned revenue. The Company did not renew the License Agreement with HA which expired at the end of June 2016, nor has it entered into a formal definitive agreement with the arm's length party.

Operating Expenses

During the year ended December 31, 2016, the Company recorded operating expenses of $1,996,649 (2015 - $1,130,139). The largest factors contributing to the increase in operating expenses were consulting fees of $648,123 (2015 - $422,210), and office and general expenses of $365,914 (2015 – $114,085), followed by the share-based compensation of $195,807 (2015 - $Nil), and accounting fees of $155,560 (2015 - $81,008). The increase in general expenses was mainly attributed to the rental fees for production facility the Company began to rent in October of 2015. In addition, the Company recorded amortization of the Technology acquired from CDS of $187,564 (2015 - $121,507), advertising and promotion fees of $112,870 (2015 - $8,774), regulatory fees of $93,466 (2015 - $67,480), and research and development fees of $65,079 (2015 - $59,062). Above expenses were offset by the reduced legal fees of $50,699 (2015 - $147,557), and meals and travel expenses of $71,857(2015 - $88,447). In addition, absence of finance fees during the Company's Fiscal 2016, as opposed to

$20,009 recorded during the Fiscal 2015, further offset the negative impact of certain increases in operating expenses described above.

As the Company's current operations do not generate significant revenues, until such time that the retrofitting of the Facility is completed and equipment is successfully installed, the Company will continue relying 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 during its Fiscal 2016 and Fiscal 2015 years.

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue net of Cost	$ 33,034	$ -	$ 14,459	$ 8,593
Net Loss	$ 1,448,844	$ 716,898	$ 359,156	$ 341,446
Loss per Share	$ 0.03	$ 0.02	$ 0.01	$ 0.01
Technology	$ -	$ 658,405	$ 698,564	$ 741,970
Total Assets	$ 1,669,646	$ 2,277,406	$ 1,214,105	$ 1,190,985
Working Capital	$ 325,190	$ 141,182	$ (706,406)	$ (509,703)

	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	$ 0.02	$ 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

Overall, consulting, accounting, legal, regulatory fees, amortization, research and development, and office and general expenses were the major components that caused variances in net losses from quarter to quarter.

During the quarter ended December 31, 2016, the Company recorded $33,034 in revenue which was associated with the non-refundable annual license fee the Company received pursuant to the MOU with an unrelated party dated for reference July 30, 2015. Operating expenses totaled $556,129 and included consulting fees of $198,780, amortization expense of $47,802, office and other general expenses of $72,300, of which $47,722 was associated with the rental fees the Company paid for its production facility, regulatory fees of $65,586, accounting fees of $57,500, legal fees of $12,387 and research and development costs of $12,836. In addition, at December 31, 2016, the Company recorded an impairment of $388,833 on certain pieces of its production equipment, as certain modifications in the Company's business plans rendered its originally acquired strip coating equipment not capable of operating under required capacity; inventory was impaired by $14,784. During the quarter ended December 31, 2016, the CannaStrips Technology, as originally acquired from CDS, was superseded as a result of the modifications in the Company's business plans and acquisition of the License, as such the Company recorded impairment of $618,937 associated with its CannaStrips Technology.

During the quarter ended September 30, 2016, the Company did not generate any revenue from its operations. Its operating expenses totaled $716,898 and included $195,807 in share-based compensation associated with the grant of options to its officers and directors, $180,948 in consulting fees, $92,727 in office and general expenses as well as $74,677 in advertising and promotion fees.

During the quarter ended June 30, 2016, the Company recorded $14,459 in revenue which was associated with the allocated portion of an annual license fee the Company received pursuant to the License Agreement with HA, as well as with the sale of the packaging materials. Operating expenses totaled $373,615 and included consulting fees of $129,105, amortization expense of $45,148, office and other general expenses of $96,033, of which $91,887 was associated with the rental fees the Company paid for its production facility, accounting fees of $53,060, legal fees of $15,001 and research and development costs of $15,224.

During the quarter ended March 31, 2016, the Company recorded $8,593 in revenue which was associated with the allocated portion of an annual license fee the Company received pursuant to the License Agreement with HA. Operating expenses totaled $350,007 and included consulting fees of $139,290, amortization expense of $48,169, office and other general expenses of $104,854, of which $94,861 was associated with the rental fees the Company paid for its production facility, accounting fees of $22,500, legal fees of $16,680 and research and development costs of $2,714.

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 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 totaled $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 totaled $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.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company had $440,352 (2015 – $119,261) in cash and cash equivalents, with the working capital of $325,190 (2015 – working capital deficiency of $201,151). The Company's share capital was $6,220,229 (2015 - $3,547,263) representing 51,304,623 (2015 – 32,550,729) common shares, of which 6,300,000 were held in escrow, reserves of $282,882 (2015 - $130,604), and an obligation to issue shares of $460,599 (2015 - $33,594). As at December 31, 2016, the Company had accumulated a deficit of $5,543,027 (2015 – $2,676,683) and recorded other comprehensive loss of $4,605 (2015 - other comprehensive income of $22,806).

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, 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.

CONTRACTUAL OBLIGATIONS

A summary of the Company`s contractual obligations at December 31, 2016, 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	$ 126,958	$ 126,958	n/a	n/a	n/a
Accrued Liabilities	$ 46,129	$ 46,129	n/a	n/a	n/a
Amounts due to Related Parties	$ 70,582	$ 70,582	n/a	n/a	n/a
Advances Payable	$ 9,899	$ 9,899	n/a	n/a	n/a
Total	**$ 253,568**	**$ 253,568**	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

		December 31, 2016	December 31, 2015
Management consulting fees	a)	$ 343,665	$ 70,475
Share-based compensation	b)	$ 195,807	$ -
Corporate advisory services	c)	$ -	$ 172,500

a) Management consulting services consist of the following:

- $252,129 (2015 – $69,475, of which $25,972 was paid or accrued to Mariscos Del Mar Inc., a company controlled by Brad Eckenweiler) in consulting fees accrued to Mr. Eckenweiler, the CEO and director of the Company. 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. Effective July 1, 2016, the Company agreed to extend the agreement for an additional one year term for USD$25,000 per month;
- $79,536 (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 pay Mr. Pakulis at USD$5,000 per month for his services.
- $12,000 (2015 - $1,000) in consulting fees accrued to Yanika Silina, the Company's Chief Financial Officer (the "CFO"). The Company agreed to pay Ms. Silina at $1,000 per month for her services.

b) On July 13, 2016 the Company granted options to purchase up to 3,405,595 common shares to its executive officers and directors. The options were valued at $195,807 and may be exercised at a price of $0.12 per share expiring on July 13, 2017. During the year ended December 31, 2016, Mr. Pakulis, exercised his option to acquire 500,000 shares of the Company's common stock.

c) During the year ended December 31, 2015, the Company incurred $172,500 on account of corporate advisory services with Baron Global Financial Canada Ltd. ("Baron"). The corporate advisory services were provided pursuant to an agreement between the Company and Baron, which was terminated on December 31, 2015.

Related Party Payables:

	December 31, 2016	December 31, 2015
Baron Global Financial Canada Ltd.[1]	$ -	$ 69,300
Brad Eckenweiler [2]	58,247	63,389
James Pakulis	3,335	-
FindTec, Inc. [1]	-	6,189
Mariscos Del Mar Inc.	-	830
Yanika Silina	9,000	1,000
Total payable to related parties	**$ 70,582**	**$ 140,708**

(1) During the year ended December 31, 2015, Baron Global Financial Canada Ltd. and FindTec, Inc. ceased to be related parties. During the year ended December 31, 2016, the amount owing to Baron Global Financial Canada Ltd. was forgiven and is included as a gain on settlement of debt. As at December 31, 2016, the amounts owed to FindTec, Inc. have been included as part of accounts payable.

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, 2016.

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, and receivables have been classified as loans and receivable;
b) Accounts payable, accrued liabilities, advances payable, 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, 2016 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, 2016 $	Balance, December 31, 2015 $
Cash	440,352	-	-	440,352	107,761
Term deposit	-	-	-	-	11,500
Cash and cash equivalents	440,352	-	-	440,352	119,261

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.

OUTSTANDING SHARE DATA

As of April 28, 2017, the Company had the following securities issued and outstanding:

Type	Amount	Exercise Price	Expiry Date
Common shares[2]	56,098,346[1]	n/a	Issued and outstanding
Warrants	680,000	$0.10	May 22, 2017
Warrants	1,260,213	$0.45	May 1, 2017
Warrants	2,000,000	$0.15	December 11, 2017
Warrants	1,000,000	$0.12/$0.20	These warrants may be exercised at $0.12 per share until May 9, 2017 and at $0.20 per share until May 9, 2018
Warrants	655,225	$0.10	July 6, 2018
Warrants	1,893,000	$0.18	August 25, 2017
Warrants	2,562,778	$0.18	September 9, 2017
Broker warrants	400,000	$0.10	May 22, 2017
Broker warrants	105,784	$0.45	May 1, 2017
Broker warrants	91,800	$0.15	December 11, 2017
Broker warrants	100,000	$0.12	May 9, 2018
Stock options	25,000	$0.80	August 15, 2021
Stock options	2,875,595	$0.12	July 13, 2017
Obligation to issue shares for provisional patent license	2,000,000	n/a	1,000,000 shares were to be issued by March 27, 2017; however, these shares remain unissued. 1,000,000 shares are to be issued upon a Patent grant
	15,649,395		Total shares outstanding (fully diluted)

[1] *Of 56,098,346 shares issued and outstanding 6,300,000 remain in escrow.*
[2] *Authorized: Unlimited common shares without par value.*

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, 2016. 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 when required for further research and development of its Technology, as well as renovation and upgrades of production facility and equipment. Although the Company has been successful in the past in obtaining financing through equity and, to a minor extent, debt; 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 favorable. Failure to obtain such additional financing could result in the delay of further research and development of its Technology as well as revenue generating operations.

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-four 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 Joint Venture or 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 will act as a supplier of equipment and technology as well as management provider to its Joint Venture partner(s) who in turn will supply goods and/or services to their customers. The Company's Joint Venture partner 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 Company`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.

CONTINGENCIES
There are no contingent liabilities.

DIRECTORS AND OFFICERS

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

Brad Eckenweiler - Director and CEO

Mr. Eckenweiler, age 62, has served as Director of the Company since the close of the Acquisition 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 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 53, 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 67, 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 38, 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.