LIFESTYLE DELIVERY SYSTEMS INC.

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED

MARCH 31, 2017 & 2016

NOTICE OF NO AUDITOR REVIEW
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2017 & 2016

The accompanying unaudited condensed consolidated interim financial statements of Lifestyle Delivery Systems Inc. (the "Company") for the period ended March 31, 2017, 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 consolidated 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, 2017	December 31, 2016
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 136,675	$ 440,352
GST receivable	25,513	19,483
Advances receivable	-	90,632
Prepaid expenses	139,089	28,291
Total current assets	301,277	578,758
License (Note 4)	266,200	268,540
Equipment and production facility (Note 5)	1,684,844	336,693
Deposits on equipment	-	485,655
TOTAL ASSETS	$ 2,252,321	$ 1,669,646
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 150,309	$ 126,958
Accrued liabilities	41,631	46,129
Amounts due to related parties (Note 7)	140,572	70,582
Advances payable	11,149	9,899
Related party loans payable (Note 7)	85,970	-
Total liabilities	429,631	253,568
Stockholders' equity		
Share capital (Note 8)	6,952,756	6,220,229
Obligation to issue shares (Note 3, 8)	737,000	460,599
Reserves	281,157	282,882
Deficit	(6,151,948)	(5,543,027)
Accumulated other comprehensive loss	(6,173)	(4,605)
Total parent shareholders' equity	1,812,792	1,416,078
Non-controlling interests (Note 9)	9,898	-
Total shareholders' equity	1,822,690	1,416,078
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,252,321	$ 1,669,646

Subsequent events (Note 10)

"Brad Eckenweiler"
Brad Eckenweiler, Director

"James Pakulis"
James Pakulis, Director

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

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

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Revenue	$ 177,389	$ 8,593
Expenses		
Accounting fees	23,200	22,500
Advertising and promotion	112,478	-
Amortization (Notes 5)	1,537	48,169
Consulting fees (Note 7)	221,346	139,290
IT infrastructure	49,643	-
Legal fees	29,406	16,680
Meals and travel expenses	65,703	7,244
Office and general	90,174	104,854
Regulatory fees	22,227	8,556
Research and development (Note 7)	142,970	2,714
Operating expenses	758,684	350,007
Foreign exchange loss	(17,782)	(32)
Net loss for the period	$ (599,077)	$ (341,446)
Net income (loss) attributable to:		
Shareholders of the Company	(608,921)	(341,446)
Non-controlling interests	9,844	-
Net loss attributable to controlling interest	$ (599,077)	$ (341,446)
Other comprehensive loss		
Foreign exchange translation	(1,514)	(66,398)
Total comprehensive loss for the period	$ (600,591)	$ (407,844)
Other comprehensive income (loss) attributable to:		
Shareholders of the Company	(1,568)	(66,398)
Non-controlling interests	54	-
	$ (1,514)	$ (66,398)
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	(610,489)	(407,844)
Non-controlling interests	9,898	-
	$ (600,591)	$ (407,844)
Net loss per share - basic and diluted	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	47,470,552	26,250,729

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

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

	Common shares		Obligation				Accumulated		
	Number of Shares	Amount	to Issue Shares	Reserves	Deficit	Noncontrolling Interest	Other Comprehensive Income / (Loss)	Total	
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	
Private placements	8,281,003	1,345,058	-	-	-	-	-	1,345,058	
Share issuance costs - cash	-	(1,575)	-	-	-	-	-	(1,575)	
Finder's warrants for private placement	-	(8,246)	-	8,246	-	-	-	-	
Exercise of warrants	9,972,891	1,248,981	-	(23,027)	-	-	-	1,225,954	
Exercise of options	500,000	88,748	-	(28,748)	-	-	-	60,000	
Share-based compensation	-	-	-	195,807	-	-	-	195,807	
Subscription for shares	-	-	427,005	-	-	-	-	427,005	
Foreign exchange translation	-	-	-	-	-	-	38,987	38,987	
Net loss for the period ended December 31, 2016	-	-	-	-	(2,524,898)	-	-	(2,524,898)	
Balance at December 31, 2016	51,304,623	6,220,229	460,599	282,882	(5,543,027)	-	(4,605)	1,416,078	
Exercise of warrants	3,821,223	727,202	-	-	-	-	-	727,202	
Exercise of options	30,000	5,325	-	(1,725)	-	-	-	3,600	
Subscription for shares	-	-	276,401	-	-	-	-	276,401	
Foreign exchange translation	-	-	-	-	-	54	(1,568)	(1,514)	
Net loss for the period ended March 31, 2017	-	-	-	-	(608,921)	9,844	-	(599,077)	
Balance at March 31, 2017	55,155,846	$ 6,952,756	$ 737,000	$ 281,157	$ (6,151,948)	$ 9,898	$ (6,173)	$ 1,822,690	

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, 2017	Three Months Ended March 31, 2016
Cash flows used in operating activities		
Net loss	$ (599,077)	$ (341,446)
Non cash items		
Amortization	1,537	48,169
Foreign exchange	1,901	(2,268)
Interest on notes payable	782	-
Changes in operating assets and liabilities		
GST receivable	(6,030)	15,822
Prepaid expenses	(122,498)	10,367
Accounts payable and accrued liabilities	30,465	120,508
Amounts due to related parties	70,411	61,188
Unearned revenue	-	(8,593)
Net cash used in operating activities	(622,509)	(96,253)
Cash flows from financing activities		
Advances payable	1,324	6,485
Notes received	83,225	-
Proceeds from warrant exercise	727,202	-
Proceeds from option exercise	3,600	-
Subscription to shares	276,401	-
Net cash provided by financing activities	1,091,752	6,485
Cash flows used in investing activities		
Advances repaid	90,033	-
Equipment purchased	(802,400)	(26,697)
Production facility	(538,342)	-
Deposits on equipment	474,349	-
Net cash used in investing activities	(776,360)	(26,697)
Effects of foreign currency exchange	3,440	600
Change in cash and cash equivalents	(303,677)	(115,865)
Cash and cash equivalents, beginning	440,352	119,261
Cash and cash equivalents, ending	$ 136,675	$ 3,396
Cash and cash equivalents are comprised off:		
Cash	$ 125,175	$ 3,396
Term deposit	11,500	-
Total cash and cash equivalents	$ 136,675	$ 3,396

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

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 manufacturing of cannabis-infused strips "CannaStrips" (similar to breath strips), based on the patent-pending technology, that are not only a safer, healthier option to smoking, but also a new way to accurately meter the dosage and assure the purity of the product. In addition, the Company is directly involved in the growing of medicinal ingredients for, and the manufacturing of, its products. The Company's head office is located at 820 – 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4, 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, 2017. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "LDS", on OTCQB 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 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 "Acquisition"). Upon acquisition, CDS became a wholly-owned subsidiary of LDS (Note 3).

On January 23, 2017, the Company incorporated a new subsidiary, LDS Scientific Inc. ("LDS Scientific"), under the laws of the state of Nevada, and on January 24, 2017, the Company incorporated an additional subsidiary, LDS Agrotech Inc. ("LDS Agrotech"), under the laws of the state of Nevada. The Company holds 75% of the issued and outstanding shares of each subsidiary. LDS Agrotech will form cultivation and biomass production division of the Company and LDS Scientific will form extraction and formulation division of the Company (Notes 4 and 10).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to realize its assets and discharge its liabilities is dependent upon the Company obtaining the necessary financing and ultimately upon its ability to achieve profitable operations. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

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 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 financial statements were authorized for issue on May 30, 2017, by the Directors of the Company.

Statement of Compliance and Basis of Presentation

These 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, 2016.

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

These unaudited condensed consolidated interim financial statements include the accounts of the Company and the following subsidiaries:

	Country of Incorporation	% of Interest
Canna Delivery Systems Inc.	USA	100%
LDS Agrotech Inc.	USA	75%
LDS Scientific Inc.	USA	75%
0994537 B.C. Ltd.	Canada	100%
0994540 B.C. Ltd.	Canada	95%

All intercompany transactions and balances between subsidiaries have been eliminated on consolidation.

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.

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 on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss.

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. ACQUISTION

On May 1, 2015 (the “Closing Date”), 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, in exchange for 7,800,000 shares of the Company (the “Shares”), subject to certain conditions (the “Acquisition”). Upon acquisition, CDS became a wholly-owned subsidiary of LDS.

(Expressed in Canadian Dollars)

3. ACQUISTION (Continued)

On the Closing Date the Shares were placed in escrow to be released upon CDS achieving certain milestones (the "Milestones") over a period of 24 months from the Closing Date as follows:

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

On April 30, 2017, the Company extended the period eligible for release of shares based on achievement of Milestones from 24 months to 30 months..

Subsequent to March 31, 2017, the Company released 4,200,000 shares upon achievement of the second and third Milestones.

The Company incurred $80,398 in costs associated with the Acquisition, and is to issue 648,333 shares of the Company with an estimated fair value of $67,344 in finder's fees as follows:

	Number of shares to be issued
At the Closing Date	83,333 (issued)
USD $50,000 in cumulative gross revenues	141,667 (milestone 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

Subsequent to March 31, 2017, the Company released 315,000 finders' shares upon achievement of the second and third Milestones.

As at March 31, 2017, the Company had recorded an obligation to issue shares of $33,594 for the remaining finders' shares to be issued upon successful completion of the milestones.

4. LICENSE

On October 6, 2016, the Company entered into a memorandum of understanding (the "October MOU") for a joint venture (the "Joint Venture") to produce cannabis infused strips capable of delivering accurately measured doses of medicinal marijuana based on the technology acquired from CDS (the "CannaStrips", or "CannaStrips Technology") with CSPA Group Inc. ("CSPA"). On May 1, 2017, the MOU was superseded by formal binding management agreements with CSPA and NHMC, Inc. ("NHMC"), related nonprofit mutual benefit corporations having the same sole members, whereby LDS, through its majority owned subsidiaries, LDS Agrotech Inc. ("LDS Agrotech") and LDS Scientific Inc. ("LDS Scientific"), will manage medicinal marijuana cultivation, extraction and manufacturing operations on behalf of NHMC and CSPA in the City of Adelanto, California (Note 10). NHMC is the holder of permits granted by the City of Adelanto for the operation of an indoor medicinal marijuana cultivation facility (the "Adelanto Facility"), while CSPA is the holder of permits granted by the City of Adelanto for the operation of an indoor medicinal marijuana extraction and manufacturing facility. As at March 31, 2017, the Company recorded $266,200 (2016 – $268,540) for the conditional use permits held by CSPA and NHMC.

Under the terms of the management services agreements, LDS Agrotech and LDS Scientific will perform all functions related to the cultivation, extraction and manufacturing operations of NHMC and CSPA, respectively. LDS Agrotech and LDS Scientific will be primarily responsible for advancing the operating costs of those operations, and will be reimbursed for such operating costs out of NHMC's and CSPA's respective revenues. In addition, LDS Agrotech and LDS Scientific will receive management fees equal to 75% of revenues over operating expenses, as defined in the respective management services agreements, with NHMC and CSPA receiving the remaining 25% balance. Neither

(Expressed in Canadian Dollars)

4. LICENSE (Continued)

NHMC nor CSPA may disburse funds held by them without the consent of LDS Agrotech or LDS Scientific, respectively.

5. EQUIPMENT AND PRODUCTION FACILITY

	Equipment	Adelanto Facility	Total
Cost			
Balance at December 31, 2015	$ 418,566	$ -	$ 418,566
Additions	104,641	236,260	340,901
Impairments	(388,833)	-	(388,833)
Foreign exchange – December 31, 2016	(32,157)	-	(32,157)
Balance at December 31, 2016	$ 102,217	$ 236,260	$ 338,477
Additions	802,400	538,342	1,340,742
Foreign exchange – March 31, 2017	8,076	870	8,946
Balance at March 31, 2017	$ 912,693	$ 775,472	$ 1,688,165
Accumulated Amortization			
Balance December 31, 2015	$ -	$ -	$ -
Amortization	1,784	-	1,784
Balance at December 31, 2016	$ 1,784	$ -	$ 1,784
Amortization	1,537	-	1,537
Balance at March 31, 2017	$ 3,321	$ -	$ 3,321
Net Book Value			
At December 31, 2016	100,433	$ 236,260	$ 336,693
At March 31, 2017	$ 909,372	$ 775,472	$ 1,684,844

No deprecation was taken for strip coating equipment or the production equipment for the three months ended March 31, 2017.

As part of the agreement with CSPA and NHMC, the Company agreed to make all necessary upgrades and renovations to the Adelanto Facility leased by NHMC and CSPA under the CUP issued by the City of Adelanto, California, which included build out of a medical marijuana manufacturing warehouse. As at March 31, 2017, the Company had recorded $775,472 as cost for building out the Adelanto Facility (2016 - $236,260).

6. AGREEMENTS FOR INVESTOR RELATION SERVICES

In February 2017, the Company engaged Future Money Trends, LLC, and Wealth Research Group, LLC. to provide the Company with an online marketing services. The agreements were for a four-month term ending on June 6, 2017, which were verbally extended to commence subsequent to closing of the proposed brokered private placement with Canaccord Genuity Corp. (Note 8F). The Company agreed to pay Future Money Trends, LLC US$350,000, of which $165,362 (US$125,000) has been paid in February 2017. The Company agreed to pay Wealth Research Group, LLC US$175,000, which amount remains outstanding.

(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:

		March 31,	
		2017	**2016**
Management consulting services	a)	$ 122,142	$ 51,255
Consulting services for research and development	b)	$ 64,866	$ -

a) Management consulting services consist of the following:

- $99,285 (2016 – $27,633) in consulting fees paid or 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. On February 28, 2017, the Consulting Agreement was further amended to extended the initial term to February 28, 2021, with automatic renewals for successive one year periods thereafter. In case of the termination of the Consulting Agreement by the Company without due cause, the Company agreed to pay Mr. Eckenweiler a lump sum amount equal to the product of monthly remuneration otherwise payable to Mr. Eckenweiler under the Consulting Agreement (USD$25,000 per month, as amended on July 31, 2016) multiplied by 18 months regardless of the length of time remaining under the then current term.
- $19,857 (2016 – $20,622) 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 US$5,000 per month for his services (Note 10).
- $3,000 (2016 - $3,000) 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 (Note 10).

b) Consulting services for research and development consist of the following:

- $35,743 (2016 – $Nil) in consulting fees paid or accrued to Ms. Elrod, President and a 25% shareholder of LDS Scientific. The Company agreed to pay Ms. Elrod at US$12,500 per month for her services.
- $29,123 (2016 – $Nil) in consulting fees paid or accrued to Mr. Ferguson, President and a 25% shareholder of LDS Agrotech. The Company agreed to pay Mr. Ferguson at US$11,000 per month for his services.

A summary of amounts payable to related parties is as follows:

	March 31, 2017	**December 31, 2016**
Brad Eckenweiler	$ 120,838	$ 58,247
Jim Pakulis	7,578	3,335
Yanika Silina	12,156	9,000
Total payable to related parties	$ 140,572	$ 70,582

Amounts are unsecured, due on demand and bear no interest.

Related party loans payable

During the three-month period ended March 31, 2017, the Company borrowed $83,225 (US$64,000) from its CEO and director. The advance is due on demand, unsecured and bears interest at 6% per annum. CEO, at his own discretion, can convert an amount up to US$64,000 with accrued interest thereon into shares of the Company's common stock as part of a private placement offering conducted by the Company upon the same terms and conditions of such offering. During the three months ended March 31, 2017, the Company accrued $782 (2016 - $Nil) in interest expense on the note payable to the CEO.

(Expressed in Canadian Dollars)

8. CAPITAL AND RESERVES

A. Common Shares

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

B. Issued share capital

During the three months ended March 31, 2017, the Company had the following transactions that resulted in issuance of its common stock:

i. During the three months ended March 31, 2017, the Company issued a total of 3,821,223 shares of its common stock upon exercise of 3,821,223 warrants for total proceeds of $727,202.

ii. During the three months ended March 31, 2017, the Company issued a total of 30,000 shares of its common stock upon exercise of 30,000 options granted to Ms. Silina, the Company's CFO for total proceeds of $3,600. These options had an initial fair value of $1,725.

iii. As at March 31, 2017, the Company had received $703,406 in subscription for shares not yet issued and recorded an obligation to issue 1,406,812 shares.

C. Stock purchase option compensation plan

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, with the exercise price of each option being equal to or above the market price of the common shares on the grant date.

Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

A continuity of options for the three months ended March 31, 2017 and the year ended December 31, 2016 is as follows:

	March 31, 2017		**December 31, 2016**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning	2,930,595	$0.13	82,500	$0.94
Granted	-	n/a	3,405,595	$0.12
Exercised	(30,000)	$0.12	(500,000)	$0.12
Expired	-	n/a	(57,500)	$1.00
Options outstanding and exercisable, ending	2,900,595	$0.13	2,930,595	$0.13

The options outstanding and exercisable at March 31, 2017 are as follows:

Number Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
25,000	$ 0.80	4.38	August 15, 2021
2,875,595	$ 0.12	0.28	July 13, 2017
2,900,595	$ 0.13	0.32	

(Expressed in Canadian Dollars)

8. CAPITAL AND RESERVES (Continued)

D. Share purchase warrants

The following table summarizes the continuity of share purchase warrants for the three months ended March 31, 2017 and the year ended December 31, 2016:

	March 31, 2017		**December 31, 2016**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	15,512,523	$0.16	15,704,411	$0.16
Exercised	(3,821,223)	$0.19	(9,972,891)	$0.12
Issued	-	n/a	9,781,003	$0.16
Warrants outstanding, ending	11,691,300	$0.20	15,512,523	$0.19

The warrants outstanding and exercisable at March 31, 2017 are as follows:

Number of Warrants outstanding	Exercise Price	Weighted Average Remaining Life	Expiration Date
1,628,497	$0.45	0.08	May 1, 2017
1,760,000	$0.10	0.14	May 22, 2017
2,091,800	$0.15	0.70	December 11, 2017
1,000,000	$0.20	1.11	May 9, 2018
100,000	$0.12	1.11	May 9, 2018
655,225	$0.10	1.27	July 6, 2018
1,893,000	$0.18	0.40	August 25, 2017
2,562,778	$0.18	0.44	September 9, 2017
11,691,300		0.49	

E. Escrow shares

As at March 31, 2017, the Company had 6,300,000 common shares held in escrow (December 31, 2016 – 6,300,000) to be release as outlined in Note 3.

F. Proposed brokered private placement

On February 6, 2017, the Company entered into an agreement with Canaccord Genuity Corp. (the "Agent"), pursuant to which the Agent agreed to sell, on a commercially reasonable efforts basis, up to 20,000,000 units of the Company (the "Units"), at a price of $0.50 per Unit for aggregate gross proceeds to LDS of up to $10,000,000 (the "Offering"), subject to the Agent’s completion of satisfactory due diligence. Subsequently, the Company elected to increase the size of the Offering by an additional 4,000,000 Units, for total gross proceeds of up to $12,000,000. Each Unit will consist of one common share of the Company (a "Common Share") and one warrant. Each warrant will entitle the holder to purchase one additional common share for a period of one year from the date of issuance at an exercise price of $0.75 per share.

As consideration for the Offering, the Company agreed to pay the Agent a cash commission equal to 7% of the aggregate gross proceeds of the Offering, which can be paid in cash, Units or a combination of cash and Units, as requested by the Agent. In addition to the cash commission, the Company also agreed to issue to the Agent the agent warrants to acquire up to 7% of the number of Units sold, exercisable at $0.50 per Unit for a period of one year from closing date.

(Expressed in Canadian Dollars)

9. NON-CONTROLLING INTERESTS

The non-controlling interests as at March 31, 2017, consisted of the following:

LDS Scientific (25%)	$ (1,107)
LDS Agrotech (25%)	11,005
	$ 9,898

The following are the summarized statements of financial position of LDS Scientific and LDS Agrotech as at March 31, 2017:

	LDS Scientific	LDS Agrotech
Current:		
Assets	$ 666	$ 67,422
Liabilities	(5,094)	(23,402)
Total net assets	$ (4,428)	$ 44,020

The following is the summarized comprehensive loss of LDS Scientific and LDS Agrotech for the period from acquisition to March 31, 2017:

	LDS Scientific	LDS Agrotech
Revenue	$ -	$ 177,389
Net income (loss)	(4,405)	43,782
Other comprehensive income (loss)	(23)	238
Comprehensive income (loss)	$ (4,428)	$ 44,020

10. SUBSEQUENT EVENTS

Subsequent to the three-month period ended March 31, 2017, the Company issued a total of 2,807,284 shares of the Company's common stock on exercise of 2,807,284 warrants for proceeds of $612,178.

Subsequent to the three-month period ended March 31, 2017, pursuant to its agreements with CSPA and NHMC (Note 4), the Company paid approximately $441,111 (US$325,976) in renovations and improvement costs. In addition, the Company paid approximately $115,000 (US$85,000) for HVAC system to be installed in the Adelanto Facility.

Subsequent to the three-month period ended March 31, 2017, the Company borrowed $201,898 (US$150,000) from its CEO and director. The advances are due on demand, are unsecured and bear interest at 6% per annum. CEO, at his own discretion, can convert any and all amounts advanced into a private placement offering conducted by the Company upon the same terms and conditions of such offering.

On May 1, 2017, concurrent with the execution of the management services agreements (Note 4), the Company entered into separate agreements to purchase the sole outstanding membership interests of each of NHMC and CSPA (the "Membership Agreements"). LDS has agreed to purchase the sole membership interest of each of NHMC and CSPA in exchange for 3,000,000 common shares of LDS and US$1,400,000 in cash, each (6,000,000 LDS common shares and US$2,800,000 in cash total). The Company issued 6,000,000 shares on May 23, 2017, which shares were placed in escrow. One-third (1/3) of the share consideration and cash purchase price for NHMC will be paid upon the grant of a Certificate of Occupancy for the cultivation wing of the Adelanto Facility, and one-third (1/3) of the share consideration and cash purchase price for CSPA will be paid upon the grant of a Certificate of Occupancy for the extraction and manufacturing wing of the Adelanto Facility. The balance of the purchase price for NHMC and CSPA will be paid in equal annual installments during the two years after the granting of the respective Certificates of Occupancy. LDS has the right to accelerate payment of the purchase price for NHMC and CSPA earlier than scheduled. If the Certificates of Occupancy are not granted on or prior to August 31, 2017, the members of NHMC and CSPA will forfeit their rights to

10. SUBSEQUENT EVENTS (Continued)

the share consideration, and the purchase price for each will consist solely of the cash consideration. If, at any time prior to the payment of the full purchase price, NHMC or CSPA breach their respective management services agreements or the provisions of their governing documents, or their respective cultivation and extraction and manufacturing permits are revoked, then LDS will have the right to acquire NHMC or CSPA without the payment of any additional consideration.

On May 1, 2017, the Company entered into separate option and first right of refusal agreements with each of Mr. Fergusson, President and 25% interest holder of LDS Agrotech, and Ms. Elrod, President and 25% interest holder of LDS Scientific, pursuant to which LDS was granted options to purchase the remaining 25% of each of LDS Agrotech and LDS Scientific from Mr. Fergusson and Ms. Elrod, respectively (the "LDS Agrotech Option" and the "LDS Scientific Option", respectively).

To exercise the LDS Agrotech Option and the LDS Scientific Option, the Company will be required to:

(a) issue to Mr. Fergusson and Ms. Elrod 2,500,000 LDS common shares, respectively; and
(b) make the following cash payments to Mr. Fergusson and Ms. Elrod:
   (i) US$500,000 in cash each, if the options are exercised on or before July 31, 2017, or
   (ii) US$1,000,000 in cash each, if the options are exercised after July 31, 2017, but on or before July 31, 2018
   (the "Option Price").

The LDS Agrotech Option and the LDS Scientific Option may be exercised in whole or in part, with the Option Price being allocated pro rata to the number of shares being purchased. Upon exercise of the LDS Agrotech Option and the LDS Scientific Option, in whole or in part, LDS will have the immediate right to vote and receive distributions on the LDS Agrotech and LDS Scientific shares acquired, with the Option Price being payable in 5 annual installments from the date of exercise. The LDS Agrotech Option and the LDS Scientific Option expire on July 31, 2018, after which LDS will have a right of first refusal over any proposed sale of the 25% interest in LDS Agrotech held by Mr. Fergusson, or in LDS Scientific held by Ms. Elrod, expiring July 31, 2021.

On May 3, 2017, the Company entered into an exclusive worldwide license agreement with the Company's Chief Science Officer, Dr. John D. Sanderson, and Nanostrips, Inc., a company controlled by Dr. Sanderson (the "Sanderson License Agreement"). Under the terms of the Sanderson License Agreement, LDS has been granted a worldwide exclusive license to the technology described in the provisional patent application relating to the transmucosal delivery of biologically active substances filed by Dr. Sanderson on November 6, 2016, and any technologies deriving therefrom, in the field of cannabis and cannabis extract related products. In consideration for this license, LDS has agreed to issue to Dr. Sanderson 1,000,000 LDS common shares (issued on May 23, 2017), with an additional 1,000,000 LDS common shares issuable upon the granting of a United States patent containing claims directed to the new and innovative subject matter described in the provisional patent application filed on November 6, 2016.

Subsequent to the three months ended March 31, 2017, the Company paid a $67,850 (US$50,000) refundable deposit to set up an escrow account for an offer to acquire additional land parcel in Adelanto. The estimated cost of the property is $780,000 and the Company has until August 25, 2017, to conduct due diligence on the property. The Company intends to use the land parcel as the operational location for a marijuana transportation permit.

Subsequent to the quarter ended March 31, 2017, the Company received US$430,000 in revenue on account of design and building services provided by LDS Agrotech Inc.

On May 1, 2017, the Company and Mr. Pakulis, the Company's President and a director, entered into a management consulting agreement for US$5,000 per month extending for a term of two years expiring on May 1, 2019, with automatic renewals for successive one year periods thereafter (Note 7).

10. SUBSEQUENT EVENTS (Continued)

On May 1, 2017, the Company and Ms. Silina, the Company's CFO, entered into a management consulting agreement for US$7,500 per month extending for a term of two years expiring on May 1, 2019, with automatic renewals for successive one year periods thereafter (Note 7).

On May 16, 2017, the Company entered into a financial media and investor visibility campaign agreement with CFN Media Group. ("CFN") to develop an investor communication and outreach program. The Company agreed to reimburse CFN at a rate of US$10,000 per month for the duration of three months for its services.