LIFESTYLE DELIVERY SYSTEMS INC.

MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2017

INTRODUCTION

The following Management Discussion and Analysis ("MD&A") of Lifestyle Delivery Systems Inc. (the "Company" or "LDS"), has been prepared by management, in accordance with the requirements of National Instrument 51-102 as of August 29, 2017, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six months ended June 30, 2017, 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 AND DESCRIPTION OF BUSINESS

The Company was incorporated on September 14, 2010, pursuant to the *Business Corporations Act,* British Columbia. The Company's principal business activity is manufacturing of cannabis-infused strips "CannaStrips" (similar to breath strips), based on the proprietary technology, that allows to produce not only a safer, healthier alternatives to smoking, but also provides 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 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.

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. Under the original MOU, the JV was to be conducted under a conditional use permit (the "CUP"), which was issued to NHMC 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 nonprofit mutual benefit organizations controlled by the same parties.

Pursuant to the terms set out in the Original MOU, the Company agreed to redesign and retrofit a 20,000 square-foot facility located in the City of Adelanto (the "Adelanto Facility") 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.

On August 24, 2017, the Company submitted a requested with the San Bernardino County Fire Department for inspection of the Adelanto Facility. This inspection is required by the new ordinance for extraction in the City of Adelanto and the subsequent issuance of a Certificate of Occupancy, which is required prior to commencing manufacturing operations at the Adelanto Facility. The San Bernardino County Fire Department has scheduled the inspection for September 1, 2017. Once the Fire Department has approved the building for extraction operations, the Company will be required to request the City of Adelanto's Building and Safety Department to conduct a final inspection. The Certificate of Occupancy will be granted only once all required inspections have been successfully passed.

In preparation for the JV with CSPA and NHMC, in January of 2017 the Company incorporated two additional subsidiaries, LDS Agrotech Inc. ("LDS Agrotech"), which will operate the cultivation division under the CUP granted to NHMC, and consult on third party projects with the intent of creating contract revenue and growers to supply bio-mass to LDS Scientific for extraction and manufacturing, and LDS Scientific Inc. ("LDS Scientific"), which will operate the extraction and manufacturing division under the CUP granted to CSPA. The Company holds 75% of the issued and outstanding shares of each subsidiary.

On May 1, 2017, in an effort to solidify its business relationship with NHMC and CSPA, the Company, through LDS Agrotech and LDS Scientific, entered into separate binding definitive agreements with NHMC and CSPA.

LDS Agrotech has entered into a management services agreement with NHMC, whereby LDS Agrotech will act as the sole operator of NHMC's medicinal marijuana cultivation operations. Concurrently, LDS Scientific has entered into substantially identical management services agreement with CSPA, whereby LDS Scientific will act as the sole operator of CSPA's medicinal marijuana extraction and manufacturing operations. 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 NHMC nor CSPA may disburse funds held by them without the consent of LDS Agrotech or LDS Scientific, respectively. Both NHMC/LDS Agrotech's cultivation operations and CSPA/LDS Scientific's extraction and manufacturing operations will be operated out of the same indoor Adelanto Facility.

RECENT CORPORATE EVENTS

In addition to the business developments discussed above, the following corporate developments have occurred during the second quarter ended June 30, 2017, and up to the date of the filing of this MD&A:

Membership Purchase Agreements with NHMC and CSPA

Concurrent with the execution of the management services agreements, LDS entered into separate agreements to purchase the sole outstanding membership interests of each of NHMC and CSPA. 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). 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 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.

As of the day of the filing of this MD&A, the Company is negotiating an extension of the escrow agreements with NHMC and CSPA, which are expected to be finalized before August 31, 2017.

LDS Agrotech and LDS Scientific

As discussed in the "*Company Overview and Description of Business*" section of this MD&A, LDS owns a 75% interest in each of LDS Agrotech and LDS Scientific. The remaining 25% of LDS Agrotech is owned by its CEO, Matt Fergusson, and the remaining 25% of LDS Scientific is owned by its CEO, Crystal Elrod. Effective May 1, 2017, Mr. Fergusson and Ms. Elrod are employed by LDS Agrotech and LDS Scientific, respectively, at a salary of US$132,000 and US$150,000 per year, respectively.

On May 1, 2017, LDS has entered into separate option and first right of refusal agreements with each of Mr. Fergusson and Ms. Elrod, 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, LDS will be required to:

a) issue to Mr. Fergusson a total of 2,500,000 LDS common shares; and
b) make the following cash payments to Mr. Fergusson and Ms. Elrod:
    a. US$500,000 in cash each, if the options are exercised on or before July 31, 2017 (this date was extended to October 31, 2017, per amended agreements with Mr. Fergusson and Ms. Elrod) or
    b. US$1,000,000 in cash each, if the options are exercised after October 31, 2017, but on or before October 31, 2018, as amended.

(the "Option Price").

The LDS Agrotech Option, as amended, 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, in whole or in part, LDS will have the immediate right to vote and receive distributions on the LDS Agrotech shares acquired, with the Option Price being payable in 5 annual installments from the date of exercise. The LDS Agrotech Option expires 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, expiring October 31, 2021.

The LDS Scientific Option, as amended, is exercisable on the same terms as the LDS Agrotech Option, as amended, with LDS also having a right of first refusal extending to October 31, 2021, over any proposed sale of the 25% interest in LDS Scientific held by Ms. Elrod if the LDS Scientific Option is not exercised on or prior to July 31, 2018.

License Agreement with Dr. John Sanderson

On May 3, 2017, LDS entered into an exclusive worldwide license agreement with its 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, the Company 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. The technology developed by Dr. Sanderson relates to infusing cannabis extracts in thin film oral delivery strips. In consideration for this license, LDS has agreed to issue to Dr. Sanderson 1,000,000 LDS common shares, which shares have been 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. The Sanderson License Agreement extends for a term expiring on the expiration of the last patent issued in relation to the technology licensed by Dr. Sanderson to the Company.

Cannastrips Canadian Trademark Applications

On April 25, 2017, the Company filed trademark applications with the Canadian Intellectual Property Office to register the trademarks CANNASTRIPS and CANNASTRIPS SMOKEFREE PAIN RELIEF & Design. The applications were filed on the basis of proposed use of the trademarks in Canada in association with various goods related to the transmucosal delivery of biologically active substances.

Private Placement Financing

On February 9, 2017, the Company announced a brokered private placement of up to 20,000,000 units (the "Units") at a price of $0.50 per Unit for total gross proceeds of up to Cdn$10,000,000 (the "Offering"), led by Canaccord Genuity Corp. (the "Agent"), which was later increased to 24,000,000 units for total gross proceeds of up to $12,000,000.

The Company closed the Offering on May 31, 2017. A total of 14,213,000 units (the "Units") were sold in the Brokered Private Placement at a price of $0.50 per Unit (the "Issue Price") for total gross proceeds of $7,106,500. Each Unit sold in the Brokered Private Placement consisted of one common share of the Company (each a "Unit Share") and one common share purchase warrant (each a "Warrant") entitling the holder to purchase one additional common share (a "Warrant Share") at a price of $0.75 per Warrant Share for a period ending on May 31, 2018. The Company may accelerate the expiration date of the Warrants if the daily volume weighted average share price of the Company's common shares on the Canadian Securities Exchange (or such other stock exchange as the Company's common shares are then trading on) is equal to or greater than $1.50 for 10 consecutive trading days.

In consideration of its services, the Agent received a commission equal to 7.0% of the gross proceeds, paid by issuance of 164,100 Units and $415,405 in cash. As additional consideration, the Company issued to the Agent 994,910 broker warrants ("Broker Warrants") representing 7.0% of the aggregate number of Units sold under the brokered tranche of the Offering. Each Broker Warrant is exercisable into one Unit at $0.50 per Unit expiring on May 31, 2018. The fair value of Broker's Warrants was calculated to be $211,706, and was determined using the Black-Scholes Option pricing model at the date of issuance using the following assumptions: expected warrant life of one year, average risk-free interest rate of 0.69%, and an average expected stock price volatility of 112%. In addition to the broker fees, the Company incurred $238,189 in legal and regulatory costs associated with the Offering.

The securities issued under the Offering are subject to a hold period expiring on October 1, 2017, pursuant to applicable Canadian securities laws.

Concurrent with the closing of the Offering, the Company sold a total of 3,174,776 Units at a price of $0.50 per Unit in the concurrent Non-Brokered Private Placement for total gross proceeds of $1,587,388. The Units sold in the Non-Brokered Private Placement have substantially the same terms as the Units sold in the Brokered Private Placement. No commissions or fees were paid in connection with the offer and sale of Units in the Non-Brokered Private Placement.

On June 27, 2017 the Company closed a non-brokered private placement (the "June Offering") for a total of 1,919,540 units (the "June Units") at a price of $0.50 per June Unit (the "June Issue Price") for total gross proceeds of $959,770. Each June Unit sold in the June Offering consisted of one common share of the Company (each a "June Unit Share") and one common share purchase warrant (each a "June Warrant") entitling the holder to purchase one additional common share (a "June Warrant Share") at a price of $0.75 per June Warrant Share for a period ending on June 27, 2018. The Company may accelerate the expiration date of the June Warrants if the daily volume weighted average share price of the Company's common shares on the Canadian Securities Exchange (or such other stock exchange as the Company's common shares are then trading on) is equal to or greater than $1.50 for 10 consecutive trading days.

In connection with the June Offering, the Company has agreed to pay cash commissions of $26,775 pursuant to the agency agreement entered into as part of the Brokered Private Placement, of which $17,150 has been remitted to the Agent and $9,625 has been accrued; in addition, the Company issued 53,550 finder's warrants to the Agent (the "June Finder's Warrant"). Each June Finder's Warrant is exercisable for one June Unit at $0.50 per June Unit for a period expiring on June 27, 2018. The fair value of June Broker's Warrants was calculated to be $11,347, and was determined using the Black-Scholes Option pricing model at the date of issuance using the following assumptions: expected warrant life of one year, average risk-free interest rate of 0.97%, and an average expected stock price volatility of 111%.

The securities issued under the June Offering are subject to a hold period expiring on October 28, 2017, pursuant to applicable Canadian securities laws.

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. Due to extended closing of the brokered private placement with Canaccord Genuity Corp., the Company reached a verbal agreement to extend the commencement of the services after the closing of the Brokered Private Placement Financing. The Company agreed to pay Future Money Trends, LLC US$350,000, of which $165,362 (US$125,000) was paid in February 2017 and $232,720 (US$225,000) was paid in June 2017.

The Company agreed to pay Wealth Research Group, LLC US$175,000, which amount was amended to US$50,000 subsequent to the closing of the Brokered Private Placement Financing, and which was paid on June 15, 2017.

On June 26, 2017, the Company paid $132,680 (US$100,000) to MAPH Enterprises, LLC. ("MAPH") for business advisory and consulting services to create market awareness for the Company. The Company is negotiating the final details of the engagement with MAPH, and expects to finalize the agreement for commencement in September 2017 for duration of six months. In exchange for its services, the Company may pay MAPH up to USD$200,000, of which USD$100,000 has been paid as noted above. In addition, the Company may issue MAPH up to 200,000 shares of its common stock as fully paid and non-assessable.

On June 3, 2017, the Company finalized a six-month market awareness and public relations services contract with Sutton Ventures Ltd. The Company paid Sutton Ventures $20,000 for the services.

In July 2017, the Company entered into a consulting agreement (the "Skanderbeg Agreement") with Skanderbeg Capital Advisors Inc. ("Skanderbeg") for capital markets advisory and investor relations services. The Skanderbeg Agreement is for a 12-month period beginning on July 1, 2017, and may be renewed on a month-to-month basis thereafter. The Company agreed to pay Skanderbeg $181,000, payable in advance for the initial period of 12 months, and to grant Skanderbeg options to acquire up to 532,900 shares of the Company's common stock at $0.75 per share expiring on January 27, 2019. Pursuant to the Company's stock option plan, the options vest over a 12-month period beginning on October 27, 2017 at 133,225 shares per quarter.

Release of Escrowed Securities

On May 15, 2017, the Company announced that year-to-date it had generated US$564,000 in gross revenue through its services provided by LDS Agrotech, reaching the 2nd and the 3rd performance milestones as set out in the share exchange agreement with CDS. As such on May 24, 2017, the Company released 4,200,000 shares of its common stock, of which 1,584,000 were released to Mr. Brad Eckenweiler, the Company's CEO and Director, and 96,000 shares, eligible for release to Mr. Eckenweiler, continue to be escrowed in accordance with the policies of the of the Canadian Securities Exchange (the "CSE"), which contemplate a time release for escrowed shares issued to insiders of a reporting issuer. At the same time, the Company issued 315,000 finders' shares, as contemplated under the finders' fee agreement for the share exchange agreement with CDS.

Acquisition of Additional Properties in Adelanto, California

During the period covered by this MD&A, pursuant to its planned business expansion strategy, the Company entered into five separate land purchase agreements to acquire land in close proximity to the Production Facility.

On June 19, 2017, the Company closed on a 10-acre land parcel paying $663,220 (US$501,556) in total cash acquisition costs. The 10-acre land parcel is suitable for approximately ten individual 20,000 square foot cultivation facilities, which will form a part of the Company's contract cultivation projects. The Company intends to develop these cultivation facilities based on the design similar to the current Production Facility; once built, they will be leased to permitted cultivation entities that hold Conditional Use Permits in Adelanto. As of the filing of this MD&A, the Company is in the process of obtaining approval for the building permits.

On July 21, 2017, the Company closed on a 4.25-acre land parcel for a total cash consideration of $83,890 (US$74,726). This property is within close proximity of our Adelanto Facility and in close proximity to all other development projects we are planning, to date. We intend to develop this parcel as a commercial office space and the Company's main project center. The property is in a gated community with a private air field. We are in the process of obtaining approval for the building permits.

On August 23, 2017, the Company closed on a 4-acre land parcel for a total cash consideration of $127,102 (US$108,496). This property is intended to be developed into an additional contract grower property suitable for up to five, separate, 20,000 square foot cultivation facilities. We are in the process of obtaining approvals for the building permits.

On August 24, 2017, the Company closed on a 6.5-acre land parcel for a total cash consideration of $1,035,177 (US$820,655). This property is strategically located in close proximity from Highway 395 making it visible to over 130,000 vehicles each day. LDS intends to develop this site to include a dispensary and ancillary businesses. We are in the process of obtaining approvals for the building permits.

In addition to the above acquisitions, the Company executed a purchase agreement and deposited $64,730 (US$50,000) in escrow to acquire an additional 20-acre land parcel in Adelanto. The estimated cost of the property is US$1,249,000 and the Company expects to close on this acquisition on or before October 15th, 2017. The Company intends to develop twenty four individual 20,000 square foot contract grower facilities on this site.

All of the properties that we have contracted to purchase or have acquired are located in the City of Adelanto Green Zone (or pending designated Green Zone), have roads and utilities onsite or within close proximity. Making them highly valuable as compared to other properties in southern California's High Desert.

The above properties were registered in the name of LDS Development Corporation, the Company's wholly owned subsidiary incorporated on July 20, 2017, which will be used to hold all LDS real estate holdings.

Option Grants

On July 27, 2017, the Company granted options to purchase up to 8,311,000 shares of the Company's common stock to its executive officers, directors, and a consultant. The options granted may be exercised at a price of $0.50 per share and expire on July 27, 2019. Options to acquire up to 7,311,111 common shares vested immediately, and options to acquire up to 1,000,000 common shares issued to a consultant for investor relations services vest over a 12-month period beginning on October 27, 2017 at 250,000 shares per quarter.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017, and the audited consolidated financial statements for the year ended December 31, 2016.

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Working capital	$ 6,426,526	$ 325,190
Total assets	$ 10,997,476	$ 1,669,646
Equipment and production facility	$ 2,493,404	$ 336,693
License	$ 259,540	$ 268,540
Intangibles	$ 590,000	$ -
Land	$ 663,220	$ -
Total liabilities	$ 564,786	$ 253,568
Share capital and reserves	$ 17,575,835	$ 6,503,111
Non-controlling interests	$ (18,830)	$ -
Deficit	$ 7,031,291	$ 5,543,027

The statements of financial position as of June 30, 2017, and December 31, 2016, indicated a cash position of $6,119,492 and $440,352, respectively, and total current assets of $6,991,312 and $578,758, respectively. The increase in total current assets was mainly associated with $9,703,658 in gross cash receipts from our Brokered and Non-brokered Private Placement Financings we closed in May and June, and to a minor extent from warrant and option exercises. These cash injections were offset by the funds we spent on retrofitting and additional improvements to the Adelanto Facility in order to facilitate the Company's anticipated operations; and to acquire additional land parcels, as part of our business expansion initiative.

The long-term assets of the Company were represented by the equipment and production facility totaling $2,493,404 (2016 - $336,693 associated with the equipment and production facility and $485,655 in deposits on additional equipment which was received in Fiscal 2017) and the license of $259,540 (2016 – $268,540). At the date of this MD&A the permitted Adelanto Facility, continued being retrofitted pursuant to the agreements with NMHC and CSPA. Major part of construction of the extraction and manufacturing wings of the joint use Adelanto Facility were finalized in the end of August 2017, and the Company has applied for the site inspection in order to receive certificates of occupancy, which will allow to start production and cultivation operations.

In addition to the above, the Company has recorded $663,220 in cost of additional land parcel the Company acquired in June of 2017; and $590,000 as fair value of 1,000,000 shares the Company issued to Dr. Sanderson, Company's Chief Science Officer, pursuant to the exclusive worldwide license agreement with Dr, Sanderson and Nanostrips, Inc., a company controlled by Dr. Sanderson.

At June 30, 2017, current liabilities totaled $564,786 (2016 - $253,568) and included $234,569 in accounts payable and accrued liabilities (2016 - $173,087), $205,681 in amounts due to related parties (2016 - $70,582), and $35,538 in advances payable (2016 - $9,899). In addition to the above, at June 30, 2017, the Company's current liabilities included $88,998 associated with notes payable (the "Notes") the Company issued to Mr. Eckenweiler for the funds he lent to the Company for working capital. The Notes are due on demand and accumulate interest at 6% per annum compounded monthly.

At June 30, 2017, the Company had a working capital of $6,426,526 (2016 - $325,190). Management's short-term plans are to fund the Company's day-to-day operations from cash received from May and June private placement offerings. Once the retrofitting and additional improvements of the Adelanto 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 from ongoing revenue.

Parent shareholders' equity was comprised of share capital of $17,087,470 (2016 - $6,220,229), reserves of $488,365 (2016 - $282,882), obligation to issue shares of $4,063 (2016 – $460,599), accumulated other comprehensive loss of $97,087 (2016 - $4,605) and accumulated deficit of $7,031,291 (2016 - $5,543,027) for a net parent shareholders' equity of $10,451,520 (2016 – $1,416,078). In addition, the Company recorded

$18,830 (2016 – $Nil) in non-controlling interests associated with 25% allocation of LDS Agro and 25% allocation of LDS Scientific, which are controlled by minority shareholders.

The weighted average number of common shares outstanding for the three and six months ended June 30, 2017, was 58,833,086 (2016 – 26,910,070) and 53,183,207 (2016 – 26,580,399), respectively.

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the three-month period ended June 30, 2017, the Company reported a net loss of $915,318 ($0.02 basic and diluted loss per share) and a net comprehensive loss of $1,005,601 compared to a net loss of $359,156 ($0.01 basic and diluted loss per share) and net comprehensive loss of $361,075 during the three months ended June 30, 2016.

During the six-month period ended June 30, 2017, the Company reported a net loss of $1,514,395 ($0.03 basic and diluted loss per share) and a net comprehensive loss of $1,606,192 compared to a net loss of $700,602 ($0.03 basic and diluted loss per share) and net comprehensive loss of $768,919 during the six months ended June 30, 2016.

The increased loss during the three and six months ended June 30, 2017, was mainly associated with the overall increase in a business activity related to the current operations of the Company, which resulted in increased research and development, consulting, and legal fees, as well as fees for IT development. In order to bring awareness about the Company to a general public the Company increased its expenditures on corporate communication and marketing activities.

Revenue

During the three-month period ended June 30, 2017, the Company recognized $641,871 in revenue from design and construction services provided by LDS Agrotech to its customers. The Company recorded $573,749 in costs associated with the construction project for one of its customers, which resulted in $68,122 in gross profit during the three-month period ended June 30, 2017. During the comparative period the Company recognized $14,459 in revenue, of which $7,800 was associated with the allocated portion of an annual license fee the Company received pursuant to the License Agreement with Healthy Asylum ("HA") dated for reference June 25, 2015, and $6,659 from the sale of its packaging materials to Wisdom Homes of America, Inc. Due to the change in its business strategy, the Company allowed the License Agreement with HA to expire in June of 2016.

During the six-month period ended June 30, 2017, the Company recognized $819,260 in revenue from design and construction services provided by LDS Agrotech to its customers. The Company recorded $573,749 in costs associated with the construction project for one of its customers, which resulted in $245,511 in gross profit during the six-month period ended June 30, 2017. During the comparative period the Company recognized $23,052 in revenue, of which $16,393 was 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, and $6,659 from the sale of its packaging materials to Wisdom Homes of America, Inc. Due to the change in its business strategy, the Company allowed the License Agreement with HA to expire in June of 2016.

Operating Expenses

During the three-month period ended June 30, 2017, the Company recorded operating expenses of $959,165 (2016 - $373,615). The largest factors contributing to the increase in operating expenses were research and development fees of $152,165 (2016 - $15,224), advertising and promotion fees of $40,365 (2016 - $Nil) and consulting fees of $231,437 (2016 - $129,105). In addition to these expenses the Company spent $80,043 (2016 - $9,325) on meals and travel expenses, and $60,437 (2016 - $Nil) on setting up its IT infrastructure. The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in increased legal and regulatory fees, which totaled $171,762 (2016 – $15,001) and $23,785 (2016 – $10,719), respectively.

On a year-to-date basis, the Company's operating expenses were $1,717,067 (2016 - $723,622). The largest factors contributing to the increase in operating expenses were research and development fees of $295,135

(2016 - $17,938), advertising and promotion fees of $152,843 (2016 - $Nil) and consulting fees of $452,783 (2016 - $268,395). In addition to these expenses the Company spent $145,746 on meals and travel expenses (2016 - $16,569) and $110,080 on setting up its IT infrastructure (2016 - $Nil). The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in increased legal and regulatory fees, which totaled $201,168 (2016 – $31,681) and $46,012 (2016 –$19,275), respectively.

As the Company's current operations do not generate significant revenues, until such time that the building 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. The Company's current cash reserves are sufficient to be able to support its operations for the next 3- to 6-month period. Should anticipated revenue from production be delayed, the Company will be required to seek additional financing either through debt or equity. There can be no assurance that such financing, 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.

Non-controlling Interests

Of $915,318 net loss the Company recorded during the three months ended June 30, 2017, total of $35,975 (2016 - $Nil) was attributed to the non-controlling interests associated with 25% control of LDS Agro and 25% control of LDS Scientific by minority shareholders. In addition, the total other comprehensive loss of $90,283 included a gain of $631 (2016 - $Nil) associated with the non-controlling interests.

Of $1,514,395 net loss the Company recorded during the six months ended June 30, 2017, total of $91,797 (2016 - $Nil) was attributed to the non-controlling interests associated with 25% control of LDS Agro and 25% control of LDS Scientific by minority shareholders. In addition, the total other comprehensive loss of $91,797 included a gain of $685 (2016 - $Nil) associated with the non-controlling interests.

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.

	June 30, 2017	March 31, 2017	December 31, 2016	September 30, 2016
Gross Profit	$ 68,122	$ 177,389	$ 33,034	$ -
Net Loss	$ 915,318	$ 599,077	$ 1,448,844	$ 716,898
Loss per Share	$ 0.02	$ 0.01	$ 0.03	$ 0.02
Technology	$ -	$ -	$ -	$ 658,405
Total Assets	$ 10,997,476	$ 2,252,321	$ 1,669,646	$ 2,277,406
Working Capital	$ 6,426,526	$ (128,354)	$ 325,190	$ 141,182

	June 30, 2016	March 31, 2016	December 31, 2015	September 30, 2015
Gross Profit	$ 14,459	$ 8,593	$ (14,779)	$ 40,790
Net Loss	$ 359,156	$ 341,446	$ 402,831	$ 336,695
Loss per Share	$ 0.01	$ 0.01	$ 0.02	$ 0.02
Technology	$ 698,564	$ 741,970	$ 840,169	$ 1,363,686
Total Assets	$ 1,214,105	$ 1,190,985	$ 1,433,401	$ 2,068,522
Working Capital	$ (706,406)	$ (509,703)	$ (201,151)	$ (89,247)

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

During the quarter ended June 30, 2017, the Company recorded $641,871 in revenue associated with the design and construction services provided by LDS Agrotech, the cost of these services amounted to $573,749. Operating expenses totaled $959,165 and included consulting fees of $231,437, amortization expense of $1,554, office and other general expenses of $157,117, of which $146,269 was associated with the rental fees the Company paid for its Adelanto Facility and the office facility, regulatory fees of $23,785, accounting fees of $40,500, and research and development costs of $152,165. The restructuring of the Company's organization and setting up strategic partnerships to streamline the operations in anticipation of the completion of the Adelanto Facility resulted in $171,762 legal fees.

During the quarter ended March 31, 2017, the Company recorded $177,389 in revenue which was associated with the design and building services provided by LDS Agrotech. Operating expenses totaled $758,684 and included consulting fees of $221,346, amortization expense of $1,537, office and other general expenses of $90,174, of which $55,725 was associated with the rental fees the Company paid for its Adelanto Facility and the office facility, regulatory fees of $22,227, accounting fees of $23,200, legal fees of $29,406 and research and development costs of $142,970.

During its first and second quarters of Fiscal 2017 the Company was working with Canaccord Genuity Corp. on due-diligence process for its Brokered Private Placement, which closed on May 31, 2017. The Company incurred a total $238,189 in legal and regulatory fees, which were offset against the proceeds received on the close of the financing. In addition, the Company continued working on retrofitting and rebuilding its Adelanto Facility, for which majority of fees has been capitalized as part of the equipment and production facility costs.

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 parts 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. As a result of modifications in the Company's plan of operations and acquisition of the License during the quarter ended December 31, 2016, the CannaStrips Technology, as originally acquired from CDS, was impaired, resulting in $618,937 impairment charge.

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.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had $6,119,492 (2016 – $440,352) in cash and cash equivalents, with the working capital of $6,426,526 (2016 – $325,190). Of this cash $5,011,500 were held in Guaranteed Investment Certificates ("GIC") at floating interest rates with reference to the market. The Company's share capital was $17,087,470 (2016 - $6,220,229) representing 85,358,546 (2016 – 51,304,623) common shares, of which 8,196,000 were held in escrow, reserves of $488,365 (2016 - $282,882), and an obligation to issue shares of $4,063 (2016 - $460,599). As at June 30, 2017, the Company had accumulated a deficit of $7,031,291 (2016 – $5,543,027), recorded other comprehensive loss of $97,087 (2016 - $4,605) and allocated net comprehensive loss of $18,830 to non-controlling interests associated with 25% ownership of the LDS Agrotech and LDS Scientific by minority shareholders of these subsidiaries.

During the first quarter of its Fiscal 2017, the Company began generating revenues from its design and construction division of its operations, however, this revenue is not adequate to fully support the working capital needs of the Company, as such the Company continues to depend on the equity markets as its additional source of 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 June 30, 2017, 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	$ 153,875	$ 153,875	n/a	n/a	n/a
Accrued Liabilities	$ 80,694	$ 80,694	n/a	n/a	n/a
Amounts due to Related Parties	$ 205,681	$ 205,681	n/a	n/a	n/a
Advances Payable	$ 35,538	$ 35,538	n/a	n/a	n/a
Related Party Loans Payable	$ 88,998	$ 88,998			
Total	**$ 564,786**	**$ 564,786**	n/a	n/a	n/a

In addition to the above, the Company is committed to paying US$1,199,000 to acquire a 20-acre land parcel in close proximity of the Adelanto Facility, which payment will have to be made on or before October 15, 2017.

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

		June 30, 2017	December 31, 2016
Management consulting fees	a)	$ 264,189	$ 99,485
Consulting services for research and development	b)	$ 176,128	$ -
Shares issued for intangibles	c)	$ 590,000	$ -

a) Management consulting services consist of the following:

- $200,145 (2016 – $53,534) 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 US$25,000 per month. On February 28, 2017, the Consulting Agreement was further amended to extend 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 (US$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.
- $40,029 (2016 – $39,951) 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 US$5,000 per month for his services. On May 1, 2017, the Company and Mr. Pakulis, 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.
- $24,015 (2016 - $6,000) in consulting fees paid or accrued to Yanika Silina, the Company's Chief Financial Officer (the "CFO"). The Company agreed to pay Ms. Silina $1,000 per month for her services. On May 1, 2017, the Company and Ms. Silina 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.

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

- $102,741 (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 US$12,500 per month for her services.
- $73,387 (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 US$11,000 per month for his services.

c) Shares issued for intangibles:

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 the license, the Company issued Dr. Sanderson 1,000,000 common shares of the Company (issued on May 23, 2017), valued at $590,000. In addition, upon the grant 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, the Company agreed to issue Dr. Sanderson an additional 1,000,000 shares of its common stock.

Related Party Payables:

	June 30, 2017	December 31, 2016
Brad Eckenweiler	$ 161,004	$ 58,247
James Pakulis	29,008	3,335
Yanika Silina	15,669	9,000
Total payable to related parties	**$ 205,681**	**$ 70,582**

During the six-month period ended June 30, 2017, the Company borrowed $285,123 (US$214,000) from its CEO and director. The loans were due on demand, unsecured and bore interest at 6% per annum compounded monthly. At May 31, 2017, Mr. Eckenweiler chose to convert $200,000 of the amounts owed to him into 400,000 units of the Company's common stock as part of a concurrent Non-Brokered Private Placement.

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, amounts due to related parties, and related party loans payable have been classified as other financial liabilities.

Assets measured at fair value on a recurring basis were presented on the Company's statement of financial position as at June 30, 2017 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, June 30, 2017	Balance, December 31, 2016
	$	$	$	$	$
Cash	1,107,992	-	-	1,107,992	440,352
Term deposit	5,011,500	-	-	5,011,500	-
Cash and cash equivalents	6,119,492	-	-	6,119,492	440,352

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 August 29, 2017, the Company had the following securities issued and outstanding:

Type	Amount	Exercise Price	Expiry Date
Common shares[(1),(2)]	90,237,808	n/a	Issued and outstanding
Warrants	2,000,000	$0.15	December 11, 2017
Warrants	1,000,000	$0.20	May 9, 2018
Warrants	655,225	$0.10	July 6, 2018
Warrants	1,813,111	$0.18	September 9, 2017
Warrants	17,387,776	$0.75	May 31, 2018
Warrants	2,019,540	$0.75	June 27, 2018
Broker warrants	91,800	$0.15	December 11, 2017
Broker warrants	100,000	$0.12	May 9, 2018
Broker warrants	164,100	$0.75	May 31, 2018
Broker warrants[(3)]	994,910	$0.50	May 31, 2018
Broker warrants[(3)]	53,550	$0.50	June 27, 2018
Stock options	25,000	$0.80	August 15, 2021
Stock options	8,311,000	$0.50	July 27, 2019
Stock options	532,900	$0.75	January 27, 2019
	125,386,720		Total shares outstanding (fully diluted)

(1) *Authorized: Unlimited common shares without par value.*
(2) *Of* 90,237,808 *shares issued and outstanding 2,100,000 remain in escrow pending release to original shareholders of CDS upon achievement of financial milestones, 6,000,000 shares remain in escrow pending the receipt of certificates of occupancy by NHMC and CSPA, and 96,000 shares remain to be released per additional escrow covenants with Brad Eckenweiler, in accordance with the policies of the CSE, which contemplate a time release for escrowed shares issued to insiders of a reporting issuer.*
(3) *Broker warrants to acquire up to 1,048,460 Units at $0.50 per Unit; each unit, once exercised, will entitle the holder to purchase one additional Warrant Share at a price of $0.75 per Warrant Share for a period expiring one year from the exercise of the Unit.*

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 associated with 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 construction of Adelanto Facility and equipment. Although the Company has been successful in the past in obtaining financing through equity and, to a minor extent, debt, and current cash reserves are sufficient to support the ongoing operations; there can be no assurance that the Company will be able to obtain adequate financing in the future, if required, or that the terms of such financing will be favorable. Failure to obtain 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-nine 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 Issuer or Issuer's licensee, it will affect the Issuer's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Issuer's business and operations.

Regulatory Risk 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
Crystal Elrod – President of LDS Scientific Inc.
Matt Ferguson – President of LDS Agrotech Inc.
Frank McEnulty – Secretary of LDS Scientific Inc. and LDS Agrotech Inc.

ADDITIONAL INFORMATION

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