LIFESTYLE DELIVERY SYSTEMS INC.

MANAGEMENT'S DISCUSSION

AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 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 November 29, 2017, and should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and nine months ended September 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 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 cannabis-infused strips "CannaStrips™" (similar to breath strips), based on the Company's proprietary technology, that allows production of a delivery mechanism that is a safer, healthier alternative 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 of the issued and outstanding shares of Canna Delivery Systems Inc. ("CDS"), a company incorporated in the State of Nevada, and changed its name to "Lifestyle Delivery Systems Inc." pursuant to the British Columbia Business Corporations Act (the "Acquisition"). After the 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") 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 California nonprofit mutual benefit organizations controlled by the same parties.

Pursuant to the terms of the Original MOU, the Company agreed to design and retrofit a 20,000 square-foot facility (the "Adelanto Facility") located in the City of Adelanto to meet California energy efficiency

standards 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 and 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 and in September of 2017 the majority of required improvements were completed, allowing the Company to schedule a required facility inspection.

In preparation for the JV with CSPA and NHMC, in January of 2017 the Company incorporated two additional subsidiaries, LDS Agrotech Inc. ("LDS Agrotech") and LDS Scientific Inc. ("LDS Scientific"). LDS Agrotech would manage the cultivation division under the CUP granted to NHMC and consult on third party projects. The Company believed that the third party projects would provide contract revenue and grower relationships to supply bio-mass to CSPA Group. LDS Scientific would manage the extraction and manufacturing division operated pursuant to the CUP granted to CSPA. The Company holds 75% of the issued and outstanding shares of each subsidiary and holds options to purchase the remaining shares.

On September 13, 2017, the fire department of San Bernardino County completed inspection of the Adelanto Facility, and on September 18, 2017, CSPA Group received a Certificate of Occupancy. The approval of the facility in Adelanto, California allowed CSPA Group, Inc. to begin operations managed by LDS Scientific.

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 entered into a management services agreement with NHMC, whereby LDS Agrotech will act as the sole manager of NHMC's medicinal marijuana cultivation operations. Concurrently, LDS Scientific entered into a substantially identical management services agreement with CSPA, whereby LDS Scientific will act as the sole manager of CSPA's medicinal marijuana extraction and manufacturing operations. Under the terms of the management services agreements, LDS Agrotech and LDS Scientific will supervise and manage 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 the excess of revenues over operating expenses, as defined in the respective management services agreements, with NHMC and CSPA retaining 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 third quarter ended September 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 and receive the membership earlier than scheduled. The agreements provide that 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.

On September 18, 2017, CSPA received its Certificate of Occupancy; as such, the Company recorded $1,560,000 associated with fair value of 3,000,000 shares issued as part of the Membership Agreement with CSPA and made a partial cash payment of $187,575 (US$150,000).

NHMC has yet to receive its Certificate of Occupancy. Due to the delays in receiving the Certificates of Occupancy by NHMC and CSPA, the Issuer and the parties involved are renegotiating the extension of the escrow agreements, which were originally set to expire on August 31, 2017. As the parties have not reached the final agreements, the shares continue to remain in escrow and no additional payments have been made.

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 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 (both options are referred hereto as the "LDS Options"). The LDS Options were amended on July 31, 2017 and August 31, 2017 to extend the deadlines for exercise of each option.

To exercise the LDS Options, LDS is required to:

a) issue to Mr. Fergusson and Ms. Elrod a total of 2,500,000 LDS common shares, each; 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 January 31, 2018, as amended, or
    b. US$1,000,000 in cash each, if the options are exercised after January 31, 2018, but on or before January 31, 2019, as amended.

    (the "Option Price").

The LDS Options, 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 Options, in whole or in part, LDS will have the immediate right to vote and receive distributions on the LDS Agrotech and/or LDS Scientific shares acquired, with the Option Price being payable in five annual installments from the date of exercise. The LDS Options expire on January 31, 2019, 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, and 25% interest in LDS Scientific held by Ms. Elrod. The first rights of refusal expire January 31, 2022.

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 online marketing services. The agreements were for a four-month term ending on June 6, 2017. Due to extended May Offering with Canaccord Genuity Corp., Lifestyle reached a verbal agreement to extend the commencement of the services until after the closing of the Offering. 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 was subsequently reduced to US$50,000 and 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. Additional $124,990 (US$100,000) was paid in October 2017. The services commenced in September 2017 and will be provided for the duration of six months. As of the date of this MD&A the Company is finalizing the agreement with MAPH.

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 with Skanderbeg Capital Advisors Inc. ("Skanderbeg") for capital markets advisory and investor relations services (the "Skanderbeg Agreement"). 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.

Extension of Financial Milestones for Escrow Agreements

On November 3, 2017, the Company's board of directors resolved to extend the deadline for satisfying certain financial milestones set out under the terms of its escrow agreements with the former shareholders of CDS. Under the terms of the escrow agreements, a total of 7,800,000 common shares issued to the former shareholders of CDS (the "Performance Shares") were held in escrow, subject to release upon the Company achieving certain financial milestones within 30 months after the acquisition of Canna (as amended on April 30, 2017). The Company agreed to extend the deadline for satisfying the financial milestones until December 31, 2017. As of the date of this MD&A, a total of 2,100,000 Performance Shares remain subject to escrow, of which 840,000 Performance Shares are held by the Company's CEO, Brad Eckenweiler.

Acquisition of Additional Properties in Adelanto, California

During the three-month period ended September 30, 2017, pursuant to its planned business expansion strategy, the Company entered into four separate land purchase agreements to acquire land in close proximity to the Production Facility and to the land parcel the Company acquired during its June fiscal quarter.

On July 21, 2017, the Company closed on a 4.25-acre land parcel for a total cash consideration of $93,900 (US$74,726). This property is within close proximity of the Adelanto Facility and in close proximity to all other development projects the Compnay is planning, to date. The Company intends 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 airfield. The Company is in the process of obtaining building permits.

On August 23, 2017, the Company closed on a 4-acre land parcel for a total cash consideration of $137,102 (US$108,496). This property is intended to be developed as a cultivation property suitable for up to five, separate, 20,000 square foot cultivation facilities. The Company is in the process of obtaining 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 to 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 $96,018 (US$75,000) in escrow to acquire an additional 20-acre land parcel in Adelanto. On October 4, 2017, the purchase agreement and the underlying escrow agreement to acquire the 20-acre lot were cancelled.

All of the properties that the Company has contracted to purchase or has acquired are located in the City of Adelanto Green Zone (or pending designated Green Zone), have roads and utilities onsite or within close proximity. The Green Zone location and current access makes these properties more valuable as compared to properties outside the Green Zone in southern California's High Desert.

The above properties are held by LDS Development Corporation, the Company's wholly-owned subsidiary incorporated on July 20, 2017. The Company will use LDS Development to hold and develop 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.

Incorporation of New Subsidiaries

During July 2017, pursuant to its planned business expansion strategy, the Company incorporated the following wholly-owned subsidiaries:

Incorporation Date	State of Incorporation	Name	Function
July 7, 2017	California	Adelanto Agricultural Advisors Inc.	Cultivation and biomass extraction
July 19, 2017	California	Lifestyle Capital Corporation	Financing
July 20, 2017	California	LDS Development Corporation	Real Estate Holdings

Acquisition of Raw Material

On October 16, 2017, CSPA Group received the first batch of raw fresh frozen whole plant material (the "Biomass") for the purpose of extraction and conversion into medicinal cannabis products. In order to ensure purity of the Biomass, the Biomass was tested by an independent third-party laboratory in Northern California prior to acquisition. The tests showed no trace amounts of pesticides, fungicides, mold or infestation.

Prior to taking the first delivery of the Biomass on behalf of CSPA Group, the LDS Scientific's team completed the laboratory training of its technicians and lab assistants to ensure compliance with all current and proposed legislation and regulations.

Adoption of Advance Notice Policy

On November 3, 2017, the board of directors of the Company approved amendments to the Company's articles to adopt an advance notice policy for the election of directors (the "Advance Notice Policy").

The Advance Notice Policy is intended to facilitate an orderly and efficient annual and/or special meeting process and ensure that all shareholders receive adequate notice and information about director nominees.
The Advance Notice Policy fixes a deadline by which holders of record of the Company's common shares must submit director nominations to the Company prior to any annual or special meeting of shareholders, and sets out the information that a shareholder must include in such notice to the Company. In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days nor more than 65 days prior to the date of the annual meeting, unless the annual meeting is to be held less than 40 days after the meeting was first announced, in which case notice may be made no later than the close of

business on the 10th day after the announcement.

The Company intends to seek shareholder ratification of the Advance Notice Policy at the Company's next annual general meeting, which has been schedule for January 26, 2018. If the Advance Notice Policy is confirmed or confirmed as amended at the meeting, the Advance Notice Policy will continue in effect in the form in which it is so confirmed.

Five Hundred Thousand Dollar Secured Credit Facility

On November 13, 2017, the Company arranged a US$500,000 secured credit facility (the "Credit Facility") with an unrelated third party creditor. Outstanding principal under the Credit Facility accrues interest at a rate of 3% per month, compounded monthly and payable on maturity on May 16, 2018. The Company may prepay the Credit Facility at any time, subject to the payment of $50,000 in minimum interest. The Credit Facility is secured by a general security agreement covering all of the Company's personal property, and first deeds of trust on three parcels of unimproved real property totaling 20.5 acres owned by LDS Development Corporation in the City of Adelanto, San Bernardino County, California.

The Credit Facility will allow the Company to purchase additional raw material to facilitate production in the fourth quarter of 2017 without drawing on its development funds. In the opinion of the Company, the current fall outdoor harvest will represent approximately 80% of the available cannabis production in California until spring 2018. Due to the expected scarcity of clean raw material, in light of the expected testing requirements imposed by the state of California starting on January 1, 2018, the price to acquire additional raw material in December and January may more than double the current outdoor price.

Development of a new 202,500 Square Foot Permitted Cultivation Facility

On November 16, 2017, the Company submitted plans for a cultivation facility to the city of Adelanto planning department. The new facility is to be developed on the Company's ten acre parcel acquired in summer of 2017. The proposed 202,500 square foot cultivation facility is designed to be an environmentally-controlled hybrid greenhouse for growing cannabis plants from seedlings grown in the Adelanto Facility by a nursery managed by Adelanto Agricultural Advisors team. The Company plans to subdivide the facility which will be leased to permitted and licensed cultivation entities that meet the Company's strict requirements.

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 nine months ended September 30, 2017, and the audited consolidated financial statements for the year ended December 31, 2016.

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Working capital	$ 2,249,312	$ 325,190
Total assets	$ 11,518,299	$ 1,669,646
Equipment and production facility	$ 4,837,350	$ 336,693
License	$ 249,600	$ 268,540
Land	$ 2,009,659	$ -
Membership	$ 1,747,575	$ -
Total liabilities	$ 424,803	$ 253,568
Share capital and reserves	$ 23,001,365	$ 6,503,111
Non-controlling interests	$ (68,771)	$ -
Deficit	$ 11,607,448	$ 5,543,027

The statements of financial position as of September 30, 2017, and December 31, 2016, indicated a cash position of $1,775,875 and $440,352, respectively, and total current assets of $2,674,115 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 consisted of production equipment totaling $1,556,138 (2016 - $102,217, in addition to $485,655 in deposits on equipment which was received in Fiscal 2017), costs of building out the Adelanto Facility for a total of $3,281,212 (2016 - $236,260), and $2,009,659 (2016 – Nil) the Company recorded in land acquisition costs associated with 24.5 acres represented by four undeveloped land parcels varying in size from 4 to 10 acres.

In addition, the long-term assets included $249,600 (2016 – $268,540) the Company paid for the CUP license pursuant to the original MOU with NHMC and CSPA, and $1,747,575 in membership acquisition costs the Company incurred with CSPA pursuant to its membership purchase agreement, as the extraction wing was finalized in September 2017 allowing the Company to start its intended operations at the end of October 2017.

At the date of this MD&A the Company continues working on the cultivation wing of the permitted Adelanto Facility.

At September 30, 2017, current liabilities totaled $424,803 (2016 - $253,568) and included $331,573 in accounts payable and accrued liabilities (2016 - $173,087), $83,994 in amounts due to related parties (2016 - $70,582), and $9,236 in advances payable (2016 - $9,899).

At September 30, 2017, the Company had a working capital of $2,249,312 (2016 - $325,190). Based on the current plans of operation, the Company may be required to find an alternative source of financing before it will be in position to support its operations from its extraction and consulting operations, which the Company began in the month of October. Once the construction and 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 cultivation operations in addition to expected revenues from extraction and consulting operations.

Parent shareholders' equity was comprised of share capital of $19,844,971 (2016 - $6,220,229), reserves of $3,156,394 (2016 - $282,882), obligation to issue shares of $4,063 (2016 – $460,599), accumulated other comprehensive loss of $235,713 (2016 - $4,605) and accumulated deficit of $11,607,448 (2016 - $5,543,027) for a total parent shareholders' equity of $11,162,267 (2016 – $1,416,078). In addition, the Company recorded $68,771 (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 nine months ended September 30, 2017, was 78,557,534 (2016 – 26,910,031,430,378) and 62,659,145 (2016 – 28,208,859), respectively.

COMPARISON OF RESULTS OF OPERATIONS

Net Loss

During the three-month period ended September 30, 2017, the Company reported a net loss of $4,037,546 ($0.05 basic and diluted loss per share) and a total comprehensive loss of $4,174,724 compared to a net loss of $716,898 ($0.02 basic and diluted loss per share) and a total comprehensive loss of $711,129 during the three months ended September 30, 2016.

During the nine-month period ended September 30, 2017, the Company reported a net loss of $6,141,941 ($0.10 basic and diluted loss per share) and a total comprehensive loss of $6,370,916 compared to a net loss of $1,417,500 ($0.05 basic and diluted loss per share) and a total comprehensive loss of $1,480,048 during the nine months ended September 30, 2016.

The increased loss during the three and nine months ended September 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, 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 September 30, 2017, the Company did not record any revenue from its operations, as it concentrated on finalizing the construction of the Adelanto Facility in order to bring it to standard required for successful permitting and beginning of operations. The Company did not have any revenue-generating activities during the comparative period.

During the nine-month period ended September 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 nine-month period ended September 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 September 30, 2017, the Company recorded operating expenses of $4,006,387 (2016 - $716,898). The largest factor contributing to the increase in operating expenses was associated with $2,751,336 (2016 - $195,807) in share-based compensation associated with options to acquire up to 7,311,000 common shares the Company granted to its executive officers and directors. The fair value of the options was determined using the Black-Scholes Option pricing model. In addition, research and development fees of $220,715 (2016 - $34,305), advertising and promotion fees of $215,635 (2016 - $74,677), and consulting fees of $213,274 (2016 - $180,948) had the greatest effect on the increase in operating expenses. In addition to the above noted expenses the Company spent $58,743 (2016 - $26,343) on meals and travel expenses, and $75,555 (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 $143,899 (2016 – $6,631) and $83,842 (2016 – $8,605), respectively.

On a year-to-date basis, the Company's operating expenses were $6,313,454 (2016 - $1,440,520). The largest factor contributing to the increase in operating expenses was associated with $2,751,336 (2016 - $195,807) in share-based compensation associated with the options to acquire up to 7,311,000 common shares the Company granted to its executive officers and directors. The fair value of the options was determined using the Black-Scholes Option pricing model. In addition, research and development fees of $1,105,850 (2016 - $52,243), advertising and promotion fees of $368,478 (2016 - $74,677) and consulting fees of $666,057 (2016 - $449,343). In addition to these expenses the Company spent $204,489 on meals and travel expenses (2016 - $42,912) and $185,635 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 $345,067 (2016 – $38,312) and $129,854 (2016 –$27,880), 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 three-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 $4,037,546 net loss the Company recorded during the three months ended September 30, 2017 (2016 - $716,898), total of $51,389 (2016 - $Nil) was attributed to the non-controlling interests associated with 25% control of LDS Agro and LDS Scientific by minority shareholders. In addition, the total other comprehensive loss of $137,178 (2016 – gain of $5,769) included a gain of $1,448 (2016 - $Nil) associated with the non-controlling interests.

Of $6,141,941 net loss the Company recorded during the nine-month period ended September 30, 2017 (2016 - $1,417,500), total of $77,520 (2016 - $Nil) was attributed to the non-controlling interests associated with 25% control of LDS Agro and LDS Scientific by minority shareholders. In addition, the total other comprehensive loss of $228,975 (2016 – $62,548) included a gain of $2,133 (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.

	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Gross Profit	$ -	$ 68,122	$ 177,389	$ 33,034
Net Loss	$ 4,037,546	$ 1,505,318	$ 599,077	$ 1,448,844
Loss per Share	$ 0.05	$ 0.02	$ 0.01	$ 0.03
Technology	$ -	$ -	$ -	$ -
Total Assets	$ 11,518,299	$ 10,407,476	$ 2,252,321	$ 1,669,646
Working Capital	$ 2,249,312	$ 6,426,526	$ (128,354)	$ 325,190

	September 30, 2016	June 30, 2016	March 31, 2016	December 31, 2015
Gross Profit	$ -	$ 14,459	$ 8,593	$ (14,779)
Net Loss	$ 716,898	$ 359,156	$ 341,446	$ 402,831
Loss per Share	$ 0.02	$ 0.01	$ 0.01	$ 0.02
Technology	$ 658,405	$ 698,564	$ 741,970	$ 840,169
Total Assets	$ 2,277,406	$ 1,214,105	$ 1,190,985	$ 1,433,401
Working Capital	$ 141,182	$ (706,406)	$ (509,703)	$ (201,151)

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. The quarters ended September 30, 2017, and September 30, 2016 were also significantly affected by non-cash share-based compensation issued to the Company's management team.

During the quarter ended September 30, 2017, the Company's operating expenses totaled $4,006,387, and included $2,751,336 in share-based compensation the Company recognized in association with the options to acquire up to 7,311,000 common shares the Company granted to its executive officers and directors, consulting fees of $213,274, research and development costs of $220,715, advertising and promotion of $215,635, of which $80,303 was associated with vested portion of options to acquire up to 1,532,900 common shares issued to the consultants for investor relations, office and other general expenses of $215,642, regulatory fees of $83,842, and audit and accounting fees of $26,000. 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 $143,899 in legal fees.

During the quarter ended June 30, 2017, the Company recorded $641,871 in revenue associated with design and construction services provided by LDS Agrotech, the cost of these services amounted to $573,749.

Operating expenses totaled $1,505,318 and included $742,165 in research and development costs, of which $590,000 were associated with a fair value of 1,000,000 common shares the Company issued to Dr. Sanderson for licensing agreement; 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, and accounting fees of $40,500. 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.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had $1,775,875 (2016 – $440,352) in cash and cash equivalents and had a working capital of $2,249,312 (2016 – $325,190). Of this cash $1,500,000 were held in Guaranteed Investment Certificates ("GIC") at floating interest rates with reference to the market. The Company's share capital was $19,844,971 (2016 - $6,220,229) representing 92,050,919 (2016 – 51,304,623) common shares, of which 8,196,000 were held in escrow, reserves of $3,156,394 (2016 - $282,882), and an obligation to issue shares of $4,063 (2016 - $460,599). As at September 30, 2017, the Company had accumulated a deficit of $11,607,448 (2016 – $5,543,027), recorded other comprehensive loss of $235,713 (2016 - $4,605) and allocated a portion of its comprehensive loss totaling $68,771 to non-controlling interests associated with 25% ownership of the LDS Agrotech and LDS Scientific by minority shareholders of these subsidiaries.

During the first part of its Fiscal 2017, the Company began generating revenues from design and construction services provided by LDS Agrotech, however, this revenue is not adequate to fully support the working capital needs of the Company, and as such the Company continues to depend on the equity and debt 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 relying 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 September 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**
Accounts Payable	$ 265,961	$ 265,961	n/a	n/a	n/a
Accrued Liabilities	$ 65,612	$ 65,612	n/a	n/a	n/a
Amounts due to Related Parties	$ 83,994	$ 83,994	n/a	n/a	n/a
Advances Payable	$ 9,236	$ 9,236	n/a	n/a	n/a
Total	**$ 424,803**	**$ 424,803**	n/a	n/a	n/a

Management believes that the Company will be able to generate sufficient cash to meet its current obligations for the next twelve months.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

RELATED PARTY TRANSACTIONS

		September 30, 2017	December 31, 2016
Management consulting fees	a)	$ 404,580	$ 220,913
Consulting services for research and development	b)	$ 283,337	$ -
Share-based compensation	c)	$ 2,751,336	$ 195,807
Shares issued for license and recorded as part of research and development fees	d)	$ 590,000	$ -

a) Management consulting services consist of the following:

- $293,108 (2016 – $152,387) 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.

- $58,622 (2016 – $59,526) 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.

- $52,850 (2016 - $9,000) 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:

- $149,159 (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.

- $114,638 (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.

- $19,540 (2016 – $Nil) in consulting fees paid or accrued to Dr. Sanderson, Chief Science Officer (the "CSO") of the Company. On July 1, 2017, the Company and Dr. Sanderson entered into a consulting agreement for US$5,000 per month extending for a term of three years expiring on June 30, 2020, with automatic renewals for successive one year periods thereafter.

c) On July 27, 2017, the Company granted options to purchase up to 7,311,000 common shares to its executive officers and directors. The options were valued at $2,751,336 and may be exercised at a price of $0.50 per share expiring on July 27, 2019.

d) Shares issued for license:

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:

	September 30, 2017	December 31, 2016
Brad Eckenweiler	$ 77,847	$ 58,247
James Pakulis	-	3,335
Dr. Sanderson	6,147	-
Yanika Silina	-	9,000
Total payable to related parties	**$ 83,994**	**$ 70,582**

During the nine-month period ended September 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 in a non-brokered transaction as part of the May Financing, and remaining $86,964 (US$68,245) in outstanding principal and $658 (US$838) in accrued interest to exercise his option to acquire up to 1,450,000 shares of the Company's common stock at $0.12 per share as to a portion of those shares.

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 September 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, September 30, 2017	Balance, December 31, 2016
	$	$	$	$	$
Cash	275,875	-	-	275,875	842,331
Term deposit	1,500,000	-	-	1,500,000	-
Cash and cash equivalents	1,775,875	-	-	1,775,875	842,331

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

Type	Amount	Exercise Price	Expiry Date
Common shares[(1),(2)]	92,310,119	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	17,387,776	$0.75	May 31, 2018
Warrants	2,019,540	$0.75	June 27, 2018
Broker warrants	67,800	$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)]	759,710	$0.50	May 31, 2018
Broker warrants[(3)]	53,550	$0.50	June 27, 2018
Broker warrants	235,200	$0.75	November 22, 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
	125,621,920		Total shares outstanding (fully diluted)

(1) Authorized: Unlimited common shares without par value.

(2) Of 92,310,119 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 813,260 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

The following are certain risk factors relating to the business carried out by the Company which prospective investors should carefully consider before deciding whether to purchase the Company's Shares. The risks presented below may not be all of the risks that the Company may face. The Company will face a number of challenges in the development of its business. Due to the nature of the Company's business and present stage of the business, the Company may be subject to significant risks. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers should not rely upon forward-looking statements as a prediction of future results. Readers should carefully consider all such risks, including those set out in the discussion below.

Regulatory Risks

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.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis and cannabis-related products as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

As of the date of this MD&A, twenty-nine states and the District of Columbia allow the use of cannabis. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. While the Company believes that the number of states legalizing the use of cannabis will increase, there is no assurance of the trend. There is no assurance that the twenty-nine existing states or the District of Columbia will not reverse their position on cannabis and revoke the legal use of cannabis. These changes will materially impact the growth of the Company's business and the Company may experience declining revenues as the market for its product and services declines.

Even in areas where the recreational and/or medicinal use of cannabis is legal under state law, there are local laws and regulations that affect the Company's licensees. In some municipalities, a retail cannabis dispensary is prohibited from being located within a certain distance from schools, community centers and/or churches. These local laws and regulations may cause some of the licensee's customers to close, which will impact the revenue of the Company and have a material effect on the Company's business and operations. The enforcement of identical rules or regulations with respect to cannabis may vary from municipality to municipality or city to city.

While the impact of such changes is uncertain and highly dependent on the specific laws, regulations or guidelines being changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on the Company's operations that are materially different than the effect on similar-sized companies in the same business as the Company.

Internet websites are accessible everywhere, not just in jurisdictions where the activities described therein are considered legal. The assets of the Company include several domain names and websites which provide information about the Company's business and products. The Company may face legal action from a state or other jurisdiction for engaging in activity that is illegal in that state or jurisdiction by way of its website.

Risks Related to 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 Company, it will affect the Company's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Company's business and operations.

Risks Related to Ability to Establish and Maintain Bank Accounts in the US and Canada

The US federal prohibitions on the sale of marijuana may result in restrictions to access the US banking system making it impossible to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate such restrictions being imposed on its bank accounts, banking restrictions could nevertheless affect its business through its vendors, producers, or potential customers, should they become a subject to banking restrictions. Producers at times do not have deposit services or may be at risk having their bank accounts closed at any time.

Such risks increase costs to the Company and producers they work with. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts. In the event financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that producers the Company works with may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

Lack of Operating History

The Company has only recently started to carry on its business and is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. The failure by the Company to meet any of these conditions could have a material adverse effect on the Company and may force it to reduce, curtail, or discontinue operations. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. The Company may not successfully address all of the risks and uncertainties or successfully implement its existing and new products and services. If the Company fails to do so, it could materially harm its business and impair the value of its common stock, resulting in a loss to shareholders. Even if the Company accomplishes these objectives, the Company may not generate the anticipated positive cash flows or profits. No assurance can be given that the Company can or will ever be successful in its operations and operate profitably.

Reliance on Management and Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. The Company attempts to enhance its management and technical expertise by recruiting qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees as well as information technology, engineering, and technical support resources could have a material adverse impact on the Company's financial condition and results of operation. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

Additional Financing

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Company's business model requires spending money (primarily on advertising and marketing) in order to generate revenue. Based on the Company's current financial situation, the Company may have difficulty continuing operations at the current level, or at all, if it does not start generating sufficient revenue from its operations in the near future.

In order to execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing or earn revenue to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of current holders of the Company Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other

financial and operational matters, which may make it more difficult for the Company to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Company may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's existing cash flow will be adequate to satisfy its existing operating expenses and capital requirements.

Competition

There is potential that the Company will face intense competition from numerous other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. See "Narrative Description of the Business - Competition" for further details about the competition faced and to be faced by the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Because of early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical or recreational marijuana in the United States increases, the demand for products will increase and the Company expects that competition will become even more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Growth and Consolidation in the Industry

The cannabis industry is undergoing rapid growth and substantial change, which may result in increased consolidation and formation of strategic relationships. The Company expects this consolidation and strategic partnering to continue. Acquisitions or other consolidating transactions could have adverse effects on the Company. The Company could lose strategic relationships if its partners are acquired by or enter into agreements with a competitor, causing the Company to lose access to distribution, content and other resources. The relationships between the Company and its strategic partners may deteriorate and cause an adverse effect on the business. The Company could lose customers if competitors or user of competing technology consolidate with the Company's current or potential customers. Furthermore, the Company's current competitors could become larger players in the market or new competitors could form from consolidations. Any of the foregoing events could put the Company at a competitive disadvantage, which could cause the Company to lose customers, revenue, and market share. Consolidation in the industry could also force the Company to divert greater resources to meet new or additional competitive threats, which could harm the Company's operating results.

Intellectual Property Risks

The Company`s ability to compete largely depends on the superiority, uniqueness, and value of its intellectual property and technology, including both internally-developed technology and the ability to acquire patent protection and/or trademark protection. To protect its proprietary rights, the Company will rely on a combination of trademark, copyright, and trade secret laws, trademark and patent applications, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, certain risks may reduce the value of the Company's intellectual property. The Company's applications for trademarks and copyrights relating to its business may not be granted, and if granted, may be challenged or invalidated. There is no guarantee that issued trademarks and registered copyrights will provide the Company with any competitive advantages. The Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of its technology and may not prevent the development and design by others of products or technology similar to, competitive with, or superior to those the Company develops. There is a risk that another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products.

The Company's business will indirectly rely on the growing of cannabis, an agricultural product. As a result, the business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. There can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Unfavorable Publicity or Consumer Perception

The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the product. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or the Company's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the Company's results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the

Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

The Company's business will be dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components.

Difficulty to Forecast

The Company will have to rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in the United States. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Operating Risk and Insurance Coverage

The Company maintains insurance to protect its assets, operations and employees. Due to the nature of the Company's business, the insurance such as workers compensation, general liability, directors and officers insurance, even though available is more costly. There are no guarantees that the Company will be able to renew current insurance policies or that the cost will be affordable to the Company. While the Company believes its insurance coverage is adequate to protect it from the material risks to which it is exposed as of the date of this MD&A, no assurance can be given that such insurance will be adequate to cover the Company's future liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Growth Management

The Company has, and may in the future, experience rapid growth and development in a relatively short period of time by aggressively marketing its products and services. The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Conflicts of Interest

Certain directors and officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may be forced to litigate, enforce, or defend its intellectual property rights, protect its trade secrets, or determine the validity and scope of other parties' proprietary rights. Such litigation would be a drain on the financial and management resources of the Company which may affect the operations and business of the Company. Furthermore, because the content of most of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue its operations, the market price for Company Shares, and could significantly drain the Company's resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

The market price of the Company Shares may be subject to wide price fluctuations

The market price of the Company Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for Company Shares.

Environmental and Employee Health and Safety Regulations

The Company's operations will be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations. In addition, changes in environmental, employee health and safety, or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which 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.