LIFESTYLE DELIVERY SYSTEMS INC.

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

UNAUDITED – PREPARED BY MANAGEMENT

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED

MARCH 31, 2018 & 2017

NOTICE OF NO AUDITOR REVIEW
OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018 & 2017

The accompanying unaudited condensed consolidated interim financial statements of Lifestyle Delivery Systems Inc. (the "Company") for the periods ended March 31, 2018 and 2017, have been prepared by, and are the responsibility of, the Company's management.

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

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

		March 31, 2018		December 31, 2017
		(Unaudited)		
ASSETS				
Current assets				
Cash and cash equivalents	$	1,325,085	$	2,754,308
Amounts receivable		88,309		77,712
Advances receivable (Note 6)		1,013,110		-
Prepaids and other current assets (Note 4)		554,338		231,168
Total current assets		2,980,842		3,063,188
Property, plant and equipment (Note 3)		13,698,395		10,067,238
TOTAL ASSETS	$	16,679,237	$	13,130,426
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Accounts payable	$	860,615	$	1,103,419
Accrued liabilities		85,946		103,915
Amounts due to related parties (Note 6)		260,453		143,099
Advances payable		9,526		9,282
Notes payable (Note 8)		734,074		655,446
Unearned revenue (Note 5)		231,837		227,289
Total liabilities		2,182,451		2,242,450
Stockholders' equity				
Share capital (Note 7)		31,509,659		23,990,089
Obligation to issue shares (Note 7)		94,063		2,024,063
Reserves (Note 7)		3,640,006		3,698,443
Deficit		(20,118,196)		(18,139,295)
Accumulated other comprehensive income (loss)		120,701		(146,817)
Total parent shareholders' equity		15,246,233		11,426,483
Non-controlling interests (Note 10)		(749,447)		(538,507)
Total shareholders' equity		14,496,786		10,887,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$	16,679,237	$	13,130,426

Subsequent events (Note 11)

"Brad Eckenweiler"
Brad Eckenweiler, Director

"James Pakulis"
James Pakulis, Director

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

LIFESTYLE DELIVERY SYSTEMS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended March 31, 2018	2017
Revenue	$ -	$ 177,389
Expenses		
Accounting fees	28,400	23,200
Advertising and promotion	181,683	112,478
Amortization (Note 3)	2,039	1,537
Consulting fees (Note 6)	440,706	221,346
IT infrastructure	75,992	49,643
Legal fees	172,520	29,406
Meals and travel expenses	75,098	65,703
Office and general	246,830	90,174
Regulatory fees	70,311	22,227
Research and development (Note 6)	528,673	142,970
Share-based compensation (Notes 6 & 7)	301,623	-
Operating expenses	2,123,875	758,684
Foreign exchange gain (loss)	11,653	(17,782)
Interest expense (Notes 8)	(59,236)	-
Interest income	1,142	-
Net loss for the period	$ (2,170,316)	$ (599,077)
Net income (loss) attributable to:		
Shareholders of the Company	(1,978,901)	(608,921)
Non-controlling interests (Note 10)	(191,415)	9,844
	$ (2,170,316)	$ (599,077)
Other comprehensive income (loss)		
Foreign exchange translation	247,993	(1,514)
Total comprehensive loss for the period	$ (1,922,323)	$ (600,591)
Other comprehensive income (loss) attributed to:		
Shareholders of the Company	267,518	(1,568)
Non-controlling interests (Note 10)	(19,525)	54
	$ 247,993	$ (1,514)
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	(1,711,383)	(610,489)
Non-controlling interests (Note 10)	(210,940)	9,898
	$ (1,922,323)	$ (600,591)
Net loss per share - basic and diluted	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	101,201,754	47,470,552

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

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

	Common shares							
	Number of Shares	Amount	Obligation to Issue Shares	Reserves	Deficit	Non-controlling Interests	Accumulated Other Comprehensive Income / (Loss)	Total
Balance at December 31, 2016	51,304,623	$ 6,220,229	$ 460,599	$ 282,882	$ (5,543,027)	$ -	$ (4,605)	$ 1,416,078
Exercise of warrants	3,821,223	272,202	-	-	-	-	-	272,202
Exercise of options	30,000	5,325	-	(1,725)	-	-	-	3,600
Subscription for shares	-	-	276,401	-	-	-	-	276,401
Foreign exchange translation	-	-	-	-		54	(1,568)	(1,514)
Net loss for the period ended March 31, 2017	-	-	-	-	(608,921)	9,844	-	(599,077)
Balance at March 31, 2017	55,155,846	6,497,756	737,000	281,157	(6,151,948)	9,898	(6,173)	1,367,690
Private placements	19,407,316	9,703,658	(427,005)	-	-	-	-	9,276,653
Exercise of warrants	10,755,062	3,311,883	-	(63,445)	-	-	-	3,248,438
Exercise of options	2,875,595	510,406	-	(165,335)	-	-	-	345,071
Share issuance costs - cash and shares	164,100	(673,640)	-	-	-	-	-	(673,640)
Finder's warrants for private placement	-	(218,974)	-	218,974	-	-	-	-
Shares released from escrow for Technology	-	2,520,000	-	-	-	-	-	2,520,000
Shares issued for membership	6,000,000	1,560,000	-	-	-	-	-	1,560,000
Shares issued for patent	1,000,000	590,000	-	-	-	-	-	590,000
Shares issued for finder's fee for the acquisition of Technology	315,000	189,000	(29,531)	-	-	-	-	159,469
Share-based compensation	-	-	-	3,427,092	-	-	-	3,427,092
Subscription for shares	-	-	1,743,599	-	-	-	-	1,743,599
Non-controlling interests in equity	-	-	-	-	-	6,616	-	6,616
Foreign exchange translation	-	-	-	-	-	22,712	(140,644)	(117,932)
Net loss for the period ended December 31, 2017	-	-	-	-	(11,987,347)	(577,733)	-	(12,565,080)
Balance at December 31, 2017	95,672,919	23,990,089	2,024,063	3,698,443	(18,139,295)	(538,507)	(146,817)	10,887,976
Private placement	5,500,000	2,750,000	(2,020,000)	-	-	-	-	730,000
Exercise of warrants	6,343,750	4,654,859	90,000	(158,549)	-	-	-	4,586,310
Exercise of options	133,225	114,711	-	(14,792)	-	-	-	99,919
Cancelled shares issued for membership	(3,000,000)	-	-	-	-	-	-	-
Share-based compensation	-	-	-	114,904	-	-	-	114,904
Foreign exchange translation	-	-	-	-	-	(19,525)	267,518	247,993
Net loss for the period ended March 31, 2018	-	-	-	-	(1,978,901)	(191,415)	-	(2,170,316)
Balance at March 31, 2018	104,649,894	$ 31,509,659	$ 94,063	$ 3,640,006	$ (20,118,196)	$ (749,447)	$ 120,701	$ 14,496,786

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

LIFESTYLE DELIVERY SYSTEMS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

(Unaudited)

	Three Months Ended March 31, 2018	2017
Cash flows used in operating activities		
Net loss	$ (2,170,316)	$ (599,077)
Non cash items		
Amortization	2,039	1,537
Foreign exchange	(35,476)	1,901
Interest on notes payable	59,236	782
Options issued for advertising and promotion	(186,719)	-
Share-based compensation	301,623	-
Changes in operating assets and liabilities		
Amounts receivable	(10,597)	(6,030)
Prepaids and other current assets	(301,220)	(122,498)
Accounts payable and accrued liabilities	(106,123)	30,465
Amounts due to related parties	89,017	70,411
Net cash used in operating activities	(2,358,536)	(622,509)
Cash flows from financing activities		
Advances payable	-	1,324
Notes and advances receivable	(972,439)	83,225
Issuance of common stock for private placements	730,000	-
Proceeds from warrant exercise	4,586,310	727,202
Proceeds from option exercise	99,919	3,600
Subscription to shares	-	276,401
Net cash provided by financing activities	4,443,790	1,091,752
Cash flows used in investing activities		
Advances repaid	-	90,033
Equipment purchased	(610,383)	(802,400)
Investment in license	(1,567,500)	-
Production facility	(1,241,963)	(538,342)
Deposits on equipment	-	474,349
Land acquisition	(3,162)	-
Net cash used in investing activities	(3,423,008)	(776,360)
Effects of foreign currency exchange	(91,469)	3,440
Change in cash and cash equivalents	(1,429,223)	(303,677)
Cash and cash equivalents, beginning	2,754,308	440,352
Cash and cash equivalents, ending	$ 1,325,085	$ 136,675
Cash and cash equivalents are comprised off:		
Cash	$ 62,464	$ 125,175
Term deposit	1,262,621	11,500
Total cash and cash equivalents	$ 1,325,085	$ 136,675

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

(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Lifestyle Delivery Systems Inc. (the "Company" or "LDS") was incorporated on September 14, 2010, pursuant to the provisions of the Business Corporations Act (British Columbia). The Company is a licensed, state-compliant vertically integrated cannabis-related company. The Company's main business activities encompass the complete cannabis production cycle that starts with an isogenic pollination nursery to its cutting edge, state-of-the-art production facility located in Southern California, which uses innovation and science as the backbone to its operations.

The Company's technology produces infused strips (similar to breath strips) that are not only a safer, healthier option to smoking but also a new way to accurately meter the dosage and assure the purity of the product. From start to finish, the production process tests for quality and composition of all the ingredients used in each and every strip, resulting in a delivery system that is safe, consistent and effective.

The Company's head office is located at 1130 West Pender Street, Suite 820, Vancouver, British Columbia, V6E 4A4, Canada. The Company's shares trade on the Canadian Securities Exchange under the trading symbol "LDS", on OTCQX under the trading symbol "LDSYF", and on the Borse Frankfurt Exchange under the symbol "LD6, WKN: A14XHT".

As of the date of these interim consolidated financial statements, the Company's structure is represented by Lifestyle Delivery Systems Inc., parent company incorporated pursuant to the provisions of the Business Corporations Act (British Columbia), and the following subsidiaries:

Name	**Incorporation**	**Incorporation/ Acquisition Date**	**Interest**	**Function**
Canna Delivery Systems Inc.	USA	May 1, 2015	100%	Holding company
LDS Agrotech Inc.	USA	January 24, 2017	75%	Consulting services
LDS Scientific Inc.	USA	January 23, 2017	75%	Extraction and manufacturing
Adelanto Agricultural Advisors Inc.	USA	July 7, 2017	100%	Cultivation
LDS Development Corporation	USA	July 20, 2017	100%	Real estate holdings
Lifestyle Capital Corporation	USA	July 19, 2017	100%	Financing
Optimus Prime Design Corp.	Canada	February 21, 2014	100%	Holding company
0994540 B.C. Ltd.	Canada	February 21, 2014	95%	Dormant entity

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

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going-concern. These adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements were authorized for issue on May 30, 2018, by the Directors of the Company.

Statement of Compliance and Basis of Presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard IAS 34 – Interim Financial Reporting. The unaudited condensed interim financial statements, prepared in conformity with IAS 34, follow the same accounting principles and methods of application as

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

Statement of Compliance and Basis of Presentation (Continued)

the most recent audited annual financial statements. Since the unaudited condensed consolidated interim financial statements do not include all disclosures required by the International Financial Reporting Standards ("IFRS") for annual financial statements, they should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2017.

Basis of Measurement and Use of Estimates

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

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

New Accounting Standards and Interpretations Issued but not yet Adopted

IFRS 9, Financial Instruments – Classification and Measurement: Effective for annual periods on or after January 1, 2018. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value through profit or loss.

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

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

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

(Expressed in Canadian Dollars)

3. PROPERTY, PLANT AND EQUIPMENT

		Property		Equipment		Plant		Total
Cost								
Balance at December 31, 2016	$	-	$	102,217	$	236,260	$	338,477
Additions		2,025,418		2,065,809		4,289,289		8,380,516
Membership		1,747,575		-		-		1,747,575
Foreign exchange		(71,139)		(84,855)		(169,701)		(325,695)
Loss on investment		(64,930)		-		-		(64,930)
Balance at December 31, 2017		3,636,924		2,083,171		4,355,848		10,075,943
Additions		3,162		610,383		1,241,963		1,855,508
Membership		1,567,500		-		-		1,567,500
Foreign exchange		52,623		69,416		88,149		210,188
Balance at March 31, 2018	$	5,260,209	$	2,762,970	$	5,685,960	$	13,709,139
Accumulated Amortization								
Balance at December 31, 2016	$	-	$	1,784	$	-	$	1,784
Amortization		-		6,921		-		6,921
Balance at December 31, 2017		-		8,705		-		8,705
Amortization		-		2,039		-		2,039
Balance at March 31, 2018	$	-	$	10,744	$	-	$	10,744
Net Book Value								
At December 31, 2017	$	3,636,924	$	2,074,466	$	4,355,848	$	10,067,238
At March 31, 2018	$	5,260,209	$	2,752,226	$	5,685,960	$	13,698,395

See Note 8 for details of assets pledged as security. Substantially all of the above assets were under development at March 31, 2018, and were not ready for their intended use. Therefore, no amortization was charged.

CUP

As at March 31, 2018, the Company paid $257,880 (US$200,000) for the conditional use permits ("CUP") issued to CSPA and NHMC (2017 - $250,900). The cost of CUP was included in plant costs as part of property, plant and equipment.

Membership

On May 1, 2017, the Company entered into agreements to purchase the outstanding membership interests of each of NHMC and CSPA (the "Membership Agreements") in exchange for 3,000,000 common shares of the Company and US$1,400,000 in cash each (6,000,000 common shares of the Company and US$2,800,000 cash in total).

The Company issued 6,000,000 shares on May 23, 2017, which were placed in escrow (the "Escrowed Shares") pending receipt of the Certificates of Occupancy (the "COO") and as such no monetary value was attributed to the escrowed shares at the time of the issuance. One-third of the Escrowed Shares and cash for NHMC were to be paid upon the grant of the COO for the cultivation wing of the Adelanto Facility, and one-third of the Escrowed Shares and cash purchase price for CSPA was to be paid upon the grant of the COO for the extraction and manufacturing wing of the Adelanto Facility. The balance of the purchase price and Escrowed Shares for NHMC and CSPA was to be paid in equal annual installments during the two years after the granting of the respective COO's.

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

(Expressed in Canadian Dollars)

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Membership (Continued)

On February 21, 2018, the Company reached an agreement with principals of CSPA and NHMC (the "Sellers") to restructure the membership purchase agreements, whereby the Company agreed to a one-time cash payment of $1,567,500 (US$1,250,000) and a release of 3,000,000 previously escrowed shares of the Company's common stock to members of CSPA. In addition, the Company and the Sellers agreed to an additional payment of $150,480 (US$120,000), to pay the salaries for service as officers of each of NHMC and CSPA up to January 31, 2018.

Three million (3,000,000) shares of the Company's common stock previously granted to NHMC under the Membership Purchase Agreement to acquire membership in NHMC, which were held in escrow pending receipt of COO were returned to the treasury of the Company and were cancelled on March 15, 2018. The Company's obligation to pay an additional US$1,400,000 was also cancelled.

The rights of the Company to purchase the memberships of both NHMC Inc. and CSPA Group Inc. were assigned to a non-arms length party, and the current member of a medical cannabis nursery and a medical cannabis retailer located in Adelanto, CA. In exchange, the Company was granted a five-year option to purchase the NHMC, Inc. and CSPA Group, Inc. memberships for US$100 each. The assignment was required to facilitate the transfer of the permits granted to CSPA and NHMC by the City of Adelanto to a new permittee.

4. PREPAIDS

During the three-month period ended March 31, 2018, the Company entered into a marketing, business advisory and consulting services agreement with an arms length party. The Company paid $320,000 for these services.

5. UNEARNED REVENUE

At March 31, 2018, unearned revenue consisted of $231,837 in deposits the Company received on future services to be provided. Of this amount $135,132 was associated with deposits the Company received from the companies with officers and directors in common.

6. RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

		March 31,	
		2018	**2017**
Management consulting services	a)	$ 202,593	$ 122,142
Consulting services for research and development	b)	$ 122,519	$ 64,866
Share-based compensation	c)	$ 301,623	$ -

a) Management consulting services consist of the following:

- $94,990 (2017 – $99,285) in consulting fees paid or accrued to Mr. Eckenweiler, the CEO and director of the Company pursuant to a consulting agreement with Mr. Eckenweiler. The Company agreed to pay Mr. Eckenweiler US$25,000 per month for his services for a term expiring on February 28, 2021, and automatically renewable for successive one-year periods thereafter. In case the Company decides to terminate the consulting agreement with Mr. Eckenweiler 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 multiplied by 18 months regardless of the length of time remaining under the then current term.

(Expressed in Canadian Dollars)

6. RELATED PARTY TRANSACTIONS (CONTINUED)

- $18,828 (2017 – $19,857) 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 pursuant to a management consulting agreement expiring on May 1, 2019, with automatic renewals for successive one-year periods thereafter.

- $28,246 (2017 - $3,000) in consulting fees paid to Ms. Silina, the Company's Chief Financial Officer (the "CFO"). The Company agreed to pay Ms. Silina US$7,500 per month for her services pursuant to a management consulting agreement expiring May 1, 2019, with automatic renewals for successive one-year periods thereafter.

- $15,000 (2017 - $Nil) in consulting fees paid to Mr. Johannson, a member of the board of directors of the Company. The Company agreed to pay Mr. Johannson $5,000 per month for his services pursuant to a consulting agreement expiring January 1, 2020, with automatic renewals for successive one-year periods thereafter.

- $45,529 (2017 - $Nil) in consulting fees paid to Mr. McEnulty, director and executive officer of the Company's wholly-owned California subsidiaries. The Company agreed to pay Mr. McEnulty US$12,000 per month for his services pursuant to a consulting agreement expiring December 30, 2020, with automatic renewals for successive one-year periods thereafter.

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

- $58,809 (2017 – $35,743) in consulting fees paid 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. In addition to the regular monthly fee, during the three-month period ended March 31, 2018, the Company paid Ms. Elrod US$9,000 performance bonus.

- $43,632 (2017 – $29,123) 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. As of January 1, 2018, the Company agreed to increase Mr. Ferguson's consulting fee to US$11,500 per month.

- $20,078 (2017 – $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 January 11, 2018, the Company granted an option to purchase up to 500,000 common shares to its director and a consultant. The options were valued at $301,623 and may be exercised at a price of $1.15 per share expiring on January 11, 2020 (Note 7).

Related Party Payables at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018	December 31, 2017
Brad Eckenweiler	$ 132,053	$ 116,727
Dr. Sanderson	43,739	17,470
James Pakulis	22,493	3,067
Yanika Silina	-	5,835
Arni Johannson	15,750	-
Frank McEnulty	46,418	-
Total payable to related parties	$ 260,453	$ 143,099

6. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party advances receivable

During the three-month period ended March 31, 2018, the Company advanced a total of $972,439 (US$785,722) to a company with a director in common to acquire equipment. The advance is non-interest bearing, due on demand, and secured by the equipment purchased with the proceeds of the advance. As at March 31, 2018, a total of $1,013,110 was receivable from the related entity.

7. CAPITAL AND RESERVES

A. Common Shares

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

B. Issued share capital

As at March 31, 2018, the Company had 104,649,894 shares issued and outstanding of which 2,196,000 remained in escrow.

During the three months ended March 31, 2018, the Company had the following transactions that resulted in issuance of its common stock:

i. On January 11, 2018, the Company closed a non-brokered private placement financing (the "January Financing") for a total of 5,500,000 units (the "January Units") at a price of $0.50 per January Unit (the "Issue Price") for total gross proceeds of $2,750,000. Each January Unit sold in the January Financing consisted of one common share of the Company (each a "January Unit Share") and one common share purchase warrant (each a "January Warrant"). Each January Warrant entitles the holder to purchase one additional common share (a "January Warrant Share") at a price of $0.75 per January Warrant Share for a period ending one year from the date of issuance. The Company may accelerate the expiration date of the January 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.

ii. During the three months ended March 31, 2018, the Company issued 5,449,740 shares of the Company's common stock on exercise of warrants for total proceeds of $4,087,305, and recorded $90,000 as obligation to issue 120,000 shares on exercise of a warrant, which shares were issued in April 2018.

iii. During the three months ended March 31, 2018, the Company issued 894,010 shares of the Company's common stock on exercise of broker warrants for total proceeds of $409,005. These warrants had an initial fair value of $158,549.

iv. On January 3, 2018, the Company issued 133,225 shares of its common stock for total proceeds of $99,919 on exercise of options the Company issued to an entity engaged in capital markets advisory and investor relations services. These options had an initial fair value of $14,792.

v. On March 15, 2018, the Company returned to treasury and cancelled 3,000,000 shares of the Company's common stock previously granted to NHMC under the Membership Purchase Agreement to acquire membership in NHMC, which were held in escrow pending receipt of COO (Note 3).

C. Stock purchase option compensation plan

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

(Expressed in Canadian Dollars)

7. CAPITAL AND RESERVES (CONTINUED)

C. Stock purchase option compensation plan (Continued)

equal to or above the market price of the common shares on the grant date. Options granted under the Plan, including vesting and the term, are determined by, and at the discretion of, the Board of Directors.

On January 11, 2018, the Company granted an option to acquire up to 500,000 shares of its common stock to its director. The option is exercisable for a two-year period expiring on January 11, 2020, at $1.15 per share (Note 6). The Company recorded $301,623 as share-based compensation associated with this option, which was determined using the Black-Scholes Option pricing model using the following assumptions:

	January 11, 2018
Expected Life of the Option	2 years
Average Risk-Free Interest Rate	1.76%
Expected Dividend Yield	Nil
Average Expected Stock Price Volatility	99%

At March 31, 2018, the Company recorded $124,147 recovery of advertising and promotion expenses, associated with the vested portion of an option to acquire up to 1,000,000 shares the Company granted to its consultant. The options are exercisable for a two-year period expiring on July 27, 2019, at $0.50 per share and vest over a 12-month period beginning on October 27, 2017, at 250,000 shares per quarter. The recovery was determined using the Black-Scholes Option pricing model using the following assumptions:

	January 27, 2018	**March 31, 2018**
Expected Life of the Option	1.5 years	0.5 years
Average Risk-Free Interest Rate	1.82%	1.77%
Expected Dividend Yield	Nil	Nil
Average Expected Stock Price Volatility	106.67%	101.7% - 106.1%

At March 31, 2018, the Company recorded $62,573 recovery of advertising and promotion expenses, associated with the vested portion of an option to acquire up to 532,900 shares the Company granted to its consultant. The options are exercisable for the period of 18 months expiring on January 27, 2019, at $0.75 per share and vest over a 12-month period beginning on October 27, 2017, at 133,225 shares per quarter. The recovery was determined using the Black-Scholes Option pricing model using the following assumptions:

	January 27, 2018	**March 31, 2018**
Expected Life of the Option	1.0 years	0.75 years
Average Risk-Free Interest Rate	1.82%	1.77%
Expected Dividend Yield	Nil	Nil
Average Expected Stock Price Volatility	102.2%	112.2% - 125.5%

(Expressed in Canadian Dollars)

7. CAPITAL AND RESERVES (CONTINUED)

C. Stock purchase option compensation plan (Continued)

A continuity of options for the three-month period ended March 31, 2018, and for the year ended December 31, 2017 is as follows:

	March 31, 2018		December 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of the year	8,868,900	$0.52	2,930,595	$0.13
Granted	500,000	$1.15	8,843,900	$0.52
Exercised	(133,225)	$0.75	(2,905,595)	$0.12
Options outstanding, ending	9,235,675	$0.55	8,868,900	$0.52
Options exercisable, ending	8,469,225	$0.54	7,719,225	$0.51

The options outstanding and exercisable at March 31, 2018, are as follows:

Number Outstanding	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
25,000	25,000	$ 0.80	3.38	August 15, 2021
8,311,000	7,811,000	$ 0.50	1.32	July 27, 2019
399,675	133,225	$ 0.75	0.83	January 27, 2019
500,000	500,000	$1.15	1.78	January 11, 2020
9,235,675	8,469,225	$ 0.54	1.33	

D. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants for the three months ended March 31, 2018, and for the year ended December 31, 2017:

	March 31, 2018		December 31, 2017	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning	21,060,851	$0.69	15,512,523	$0.19
Exercised	(6,343,750)	$0.71	(14,576,285)	$0.24
Expired	-	n/a	(711,213)	$0.44
Issued	6,294,010	$0.75	20,835,826	$0.74
Warrants outstanding, ending	21,011,111	$0.70	21,060,851	$0.69

(Expressed in Canadian Dollars)

7. CAPITAL AND RESERVES (CONTINUED)

D. Share Purchase Warrants (Continued)

The warrants outstanding and exercisable at March 31, 2018, are as follows:

Number of Warrants outstanding	Exercise Price	Weighted Average Remaining Life	Expiration Date
1,000,000	$0.20	0.11	May 9, 2018
655,225	$0.10	0.27	July 6, 2018
11,457,576	$0.75	0.17	May 31, 2018
1,159,010	$0.75	0.17	May 31, 2018
1,205,000	$0.75	0.24	June 27, 2018
34,300	$0.75	0.24	June 27, 2018
5,500,000	$0.75	0.78	January 11, 2019
21,011,111	$0.70	0.33	

E. Escrow shares

As at March 31, 2018, the Company had 2,196,000 common shares held in escrow (2017 – 8,196,000), of which (i) 2,100,000 were held in escrow pursuant to the share exchange agreement between the Company and the original shareholders of Canna Delivery Systems Inc. ("Canna") dated for reference March 20, 2015, pursuant to which the Company agreed to purchase and the original shareholders of Canna agreed to sell all of the issued and outstanding shares of Canna to the Company; and (ii) 96,000 were 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.

8. NOTES PAYABLE

On November 13, 2017, the Company entered into a $637,250 (US$500,000) secured credit facility (the "Credit Facility") with an unrelated third party lender (the "Lender"), which closed on November 16, 2017. The Credit Facility is for a six-month term ending on May 16, 2018, with outstanding principal accruing interest at a rate of 3% per month, compounded monthly and payable on maturity. The Company may prepay the Credit Facility at any time, subject to the payment of minimum interest in the amount of US$50,000.

The Credit Facility is secured by a general security agreement covering all of the Company's personal property, plus deeds of trust covering three parcels of unimproved real property totaling 20.5 acres owned by the Company in the City of Adelanto (Note 3).

During the three months ended March 31, 2018, the Company recorded $59,236 in interest expense associated with the Credit Facility (2017 - $Nil). As at March 31, 2018, the Company owed $734,074 (2017 - $655,446) under the Credit Facility.

Subsequent to March 31, 2018, the Company reached an agreement with the Lender to extend the Credit Facility's maturity beyond May 16, 2018. As of the date of the filing of these interim condensed consolidated financial statements the Credit Facility is due and payable on demand.

9. CAPITAL MANAGEMENT

The Company manages its capital structure, and makes adjustments to it based on the funds available to the Company, in order to support its operations and business development. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

(Expressed in Canadian Dollars)

9. CAPITAL MANAGEMENT (CONTINUED)

The Company has generated only minimal revenue and cash flows since its inception; therefore, the Company is dependent on external financing to fund its future intended business plan. The capital structure of the Company currently consists of common shares. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There was no change to the Company's management of capital during the quarter ended March 31, 2018. The Company is not subject to any externally imposed capital requirements.

10. NON-CONTROLLING INTERESTS

The non-controlling interests as at March 31, 2018, and December 31, 2017, consisted of the following:

	March 31, 2018	December 31, 2017
LDS Scientific (25%)	$ (635,853)	$ (469,680)
LDS Agrotech (25%)	(113,594)	(68,827)
	$ (749,447)	$ (538,507)

The following are the summarized statements of financial position of LDS Scientific and LDS Agrotech as at March 31, 2018:

	LDS Scientific	LDS Agrotech
Current:		
Assets	$ 416,315	$ 142,363
Liabilities	(2,959,726)	(596,740)
Total net assets	$ (2,543,411)	$ (454,377)

The following is the summarized comprehensive loss of LDS Scientific and LDS Agrotech for the three months ended March 31, 2018:

	LDS Scientific	LDS Agrotech
Operating expenses	$ (597,760)	$ (167,898)
Net loss	(597,760)	(167,898)
Other comprehensive income (loss)	(57,868)	(11,169)
Comprehensive loss	$ (655,628)	$ (179,067)

11. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, the Company issued 3,724,960 shares of the Company's common stock on exercise of warrants for total proceeds of $2,030,553.