

FORM 7

MONTHLY PROGRESS REPORT

Name of CNSX Issuer: **Lifestyle Delivery Systems Inc.** (the "Issuer").

Trading Symbol: **LDS**

Number of Outstanding Listed Securities: **34,305,954**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the CNSX Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the CNSX.ca website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the CNSX Policies. The discussion in this report must be factual, balanced and non-promotional.

General Instructions

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

During the month of June, Lifestyle Delivery Systems Inc. continued developing its new smokeless products, primarily for the marijuana industry, and was working on the development of production methods, protocols and equipment for existing products (the "CannaStrips").

The following significant developments occurred during the month of June:

Signing a Deal Point Letter for a Proposed Joint Venture

In June the Issuer and its subsidiary (“CDS”) signed a Deal Point Letter for a proposed joint venture to produce CannaStrips at Cultivation Technologies, Inc.’s 6-acre Coachella, California facility. The proposed joint venture would enable a permitted facility to produce cannabinoid products using the CannaStrips technology together with an operating entity formed under California law. For additional information, please refer to the news release dated June 14, 2016.

Proposed Private Placement

During the month of June the Issuer received CAD\$26,182 (US\$20,000) from a subscription to a non-brokered private placement offering (the “Offering”) at a price of \$0.08 per unit (the “Unit”). Each Unit being subscribed to consisted of one common share of the Issuer and one share purchase warrant entitling a holder to purchase one additional common share, for a period of two years after closing, at an exercise price of \$0.10 per common share. The Issuer closed the Offering on July 6, 2016, when it issued 655,225 Units for gross proceeds of CAD\$52,418. For detailed information, please refer to the news release dated July 6, 2016.

\$100,000 Loan Facility

Effective June 30, 2016, the Issuer secured a \$100,000 credit facility (the “Loan Facility”) with an unrelated third party creditor.

Under the terms of the Loan Facility, the Issuer received an initial advance of \$50,000, and may receive additional advances of up to an additional \$50,000 at the discretion of the lender. The outstanding principal under the Loan Facility accrues interest at a rate of 3% per month, compounded monthly, with the outstanding principal due on or before January 1, 2017. As additional consideration for the initial advance under the Loan Facility, the Company agreed to issue to an affiliate of the lender share purchase warrants for the purchase of up to 700,000 common shares of the Company, exercisable at a price of \$0.08 per share for a period expiring on January 15, 2018. If additional advances are made to the Company by the lender, the Company will be required to issue share purchase warrants for the purchase of 14 additional common shares of the Company for each additional \$1.00 advanced. These additional warrants will be issued at the minimum price permitted by the policies of the Canadian Securities Exchange and will extend for a term ending on January 15, 2018. For detailed information, please refer to the news release dated July 6, 2016.

2. Provide a general overview and discussion of the activities of management.

In the month of June, the Issuer’s management continued working on securing new licensees and joint venture partners for the Issuer’s products

and setting up equipment and production facility to be leased to its licensees.

All significant developments that the Issuer's management was actively involved in have been described in the Item 1 above.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

Not applicable for the preceding month.

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

Not applicable for the preceding month.

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

In June the Issuer and its subsidiary ("CDS") signed a Deal Point Letter for a proposed joint venture with an arms-length third party, Cultivation Technologies, Inc. ("CTI"). The proposed Joint Venture anticipates formation of an operating entity under California law, which will use CTI's 6-acre Coachella, California facility to produce cannabinoid products using the Issuer's CannaStrips technology.

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

Not applicable for the preceding month.

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or

the disposition was to a Related Person of the Issuer and provide details of the relationship.

Not applicable for the preceding month.

8. Describe the acquisition of new customers or loss of customers.

Not applicable for the preceding month.

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trade-marks.

There were no new developments or effects on intangible products.

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

None.

11. Report on any labour disputes and resolutions of those disputes if applicable.

None.

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

None.

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

In the month of June the Issuer secured a \$100,000 credit facility (the “Loan Facility”) with an unrelated third party creditor.

Under the terms of the Loan Facility, the Issuer received an initial advance of \$50,000, and may receive additional advances of up to an additional \$50,000 at the discretion of the lender. The details of the Loan Facility have been fully described under Item 1 of this Monthly Progress Report.

14. Provide details of any securities issued and options or warrants granted.

None.

15. Provide details of any loans to or by Related Persons.
None
16. Provide details of any changes in directors, officers or committee members.
None
17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

Risks Related to Conflicting Federal and State Laws

The cannabis industry is currently conducted in twenty-four states and the District of Columbia. These jurisdictions have passed laws either decriminalizing or legalizing the medicinal or recreational use of cannabis. However, under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis remains illegal. The Federal, and, in some cases, State law enforcement authorities have frequently closed down retail dispensaries, growers, and producers of cannabis products and have investigated or closed physician offices that provide medicinal cannabis recommendations. To the extent that an affected retail dispensary, grower, producer, or physician office is a customer of the Issuer's licensee, it will affect the Issuer's revenue. Enforcement actions that impact new retail dispensaries, growers, producers and physician offices entering the cannabis industry may materially affect the Issuer's business and operations.

Risks Related to the Licensing Model

Under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis is illegal. The Issuer provides services to its licensees who in turn supply goods and/or services to their customers. Both the licensee and their customers are engaged in the possession, use, cultivation and transfer of cannabis. As a result, law enforcement authorities may seek to bring an action or actions against the Issuer, on the basis of, but not limited to, a claim of aiding and abetting another criminal's activities. The Issuer will vigorously defend all such actions but such actions would have a material effect on the Issuer's business and operations.

Regulatory Risks

The activities of the Issuer will be subject to intense regulation by governmental authorities. Achievement of the Issuer'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 Issuer 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 Issuer.

