

## FORM 7

### **MONTHLY PROGRESS REPORT**

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

Trading Symbol: **LDS**

Number of Outstanding Listed Securities: **92,050,919**

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 October, Lifestyle Delivery Systems Inc. continued its work on setting up the production line at the permitted facility in Adelanto, California (the "Facility"). On October 3, 2017, the Issuer received its 2nd generation oral strip packaging equipment - the final piece in the production sequence of CannaStrips which will allow for additional variations in packaging as well as increased production speed.**

During October the installation crew was working on the assembly, calibration, and integration of this machine into the production process to enable LDS Scientific's (the Issuer's subsidiary) extraction team, who has undergone a complete laboratory training, to begin its production operations on behalf of CSPA Group Inc.

On October 16, 2017, LDS Scientific received the first shipment of raw fresh frozen whole plant material for extraction and conversion into medicinal cannabis products. The Issuer commissioned an independent third party laboratory in Northern California to test the raw material for trace amounts of pesticides, fungicides, mold or infestation. On October 26, 2017, the LDS Scientific's team began extraction and distillation of plant material for conversion into medicinal cannabis products.

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

During October the Issuer's management was closely involved with the completion of the production line set up at its permitted Facility. Alongside with the setup, the management was selecting possible vendors for sourcing its raw fresh frozen whole plant material for extraction and conversion into medicinal cannabis products. To ensure the quality and integrity of the product the management team commissioned an independent third party laboratory in Northern California to test the raw material before its acquisition.

On October 19, 2017, the Issuer held a ribbon-cutting ceremony at its Facility.

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 month of October.**

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 month of October.**

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 October the Issuer selected several vendors in Northern California for sourcing its raw fresh frozen whole plant material for extraction and conversion into medicinal cannabis products. The arrangements were made on a per-shipment basis, and no long-term contracts were entered into. The vendors will supply the material to facilitate a seamless production until such time that NHMC Inc., under the management of the Issuer's subsidiary LDS Agrotech, is capable of producing sufficient quantity of raw material in its Facility to support the CSPA's production volume without interruption.

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 month of October.**

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.

**On October 4, 2017, the Issuer cancelled its escrow agreement to acquire an additional 20-acre land parcel in the City of Adelanto. The Issuer had deposited \$96,018 (US\$75,000) into escrow, of which approximately \$32,000 (US\$25,000) was refunded.**

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

**Not applicable for the month of October.**

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.

**Not applicable for the month of October.**

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

**Not applicable for the month of October.**

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

**Not applicable for the month of October.**

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.

**Not applicable for the month of October.**

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

**Not applicable for the month of October.**

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

| Security | Number Issued | Details of Issuance | Use of Proceeds <sup>(1)</sup> |
|----------|---------------|---------------------|--------------------------------|
| n/a      | n/a           | n/a                 | n/a                            |

15. Provide details of any loans to or by Related Persons.

**Not applicable for the month of October.**

16. Provide details of any changes in directors, officers or committee members.

**Not applicable for the month of October.**

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

## **Risks Related to the Current Operating Model**

Under U.S. Federal law, the possession, use, cultivation, and transfer of cannabis is illegal. The Issuer provides its technology and equipment to its licensees who in turn supply goods and/or services to their customers. Both the licensees 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.

## **Risks Associated with Clearing Shares of Cannabis Companies with U.S. assets.**

The Canadian Depository for Securities (CDS) is currently reviewing a possibility to change its policy which would allow CDS to refuse to settle trades in a small group of cannabis firms with American investments. If implemented, this policy change would make it difficult for the Issuers' current investors to trade the Issuer's stock. The statement from the CSE made on Friday, August 4, 2017, noted that it continues to accept new stock listings of companies in the cannabis industries as long as these companies meet disclosure rules and other listing standards. The Issuer believes that it is in compliance with all required standards and has provided its shareholders with all regulatory and risk disclosures that may apply to it.

## Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated November 9, 2017

Yanika Silina  
Name of Director or Senior  
Officer

"Yanika Silina"  
Signature

CFO  
Official Capacity

|                                         |                                  |                            |
|-----------------------------------------|----------------------------------|----------------------------|
| <b>Issuer Details</b><br>Name of Issuer | For Month End                    | Date of Report<br>YY/MM/DD |
| Lifestyle Delivery Systems Inc.         | October 31, 2017                 | 17/11/09                   |
| Issuer Address                          |                                  |                            |
| 820 – 1130 West Pender Street           |                                  |                            |
| City/Province/Postal Code               | Issuer Fax No.                   | Issuer Telephone No.       |
| Vancouver, BC V6E 4A4                   | (604) 648-0517                   | (866) 347-5058             |
| Contact Name                            | Contact Position                 | Contact Telephone No.      |
| Yanika Silina                           | CFO                              | (604) 648-0522             |
| Contact Email Address                   | Web Site Address                 |                            |
| yana@lifestyledeliverysystems.com       | www.lifestyledeliverysystems.com |                            |