

## FORM 7

### **MONTHLY PROGRESS REPORT**

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

Trading Symbol: **LDS**

Number of Outstanding Listed Securities: **51,304,623**

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 December, Lifestyle Delivery Systems Inc. was concentrating on renovation and improvement of the permitted facility in Adelanto, California to start manufacturing CannaStrips in a joint venture partnership with CSPA Group Inc.**

The following significant developments occurred during the month of December 2016:

**Commission Fee Agreement**

On December 27, 2016 the Issuer entered into a commission fee agreement with Skanderbeg Capital Advisors Inc. ("Skanderbeg") to assist the Issuer with its capital raising initiatives.

The Issuer agreed to pay Skanderbeg a 6 % cash finder's fee on gross cash proceeds received by the Issuer from the financing introduced by Skanderbeg as well as to issue Skanderbeg finder's warrants to acquire that number of common shares of the Issuer that is equal to 6% of the total number of units issued by the Issuer to investors introduced to the Issuer by Skanderbeg.

In addition to the finder's fees, upon receipt of the aggregate financing proceeds of \$5,000,000, the Issuer agreed to enter into a consulting agreement with Skanderbeg, whereby Skanderbeg will provide the Issuer with capital markets advisory services for an initial period of 12 months in exchange for a monthly consulting fee of \$7,500 per month, and an option to acquire up to 350,000 shares of the Issuer's common stock at the then current market price.

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

In the month of December, the Issuer's management was overseeing build-up of the permitted facility in Adelanto, California. In addition, management was working on securing additional avenues to attract equity financing in order to support the Issuer's ongoing operating requirements, and reached an agreement with Cultivation Technologies Inc. to cancel its joint venture in City of Coachella, California.

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 December.**

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 December.**

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 December the Issuer entered into a commission fee agreement with Skanderbeg Capital Advisors Inc. ("Skanderbeg") to assist the Issuer with its capital raising initiatives.**

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.

**In December 2016 the Issuer reached an agreement with Cultivation Technologies Inc. to cancel its joint venture in City of Coachella, California.**

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 month of December.**

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

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

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 December.**

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

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

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.

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

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

Security	Number Issued	Details of Issuance	Use of Proceeds <sup>(1)</sup>
Common Shares	500,000	Warrant exercise at \$0.12 per common share for a total proceeds of \$60,000	Aggregate proceeds of \$60,000 Intended allocation: Working Capital
Common Shares	864,800	Warrant exercise at \$0.10 per common share for a total proceeds of \$86,480	Aggregate proceeds of \$86,480 Intended allocation: Working Capital
Common Shares	426,111	Warrant exercise at \$0.18 per common share for a total proceeds of \$76,700	Aggregate proceeds of \$76,700 Intended allocation: Working Capital
Common Shares	86,600	Warrant exercise at \$0.45 per common share for a total proceeds of \$38,970	Aggregate proceeds of \$38,970 Intended allocation: Working Capital

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-seven 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 JV partner and / or its licensees who in turn supply goods and/or services to their customers. Both the JV Partner, 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.

## 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 January 9, 2017

Yanika Silina  
Name of Director or Senior  
Officer

"Yanika Silina"  
Signature  
CFO  
Official Capacity

<b>Issuer Details</b>	For Month End	Date of Report
Name of Issuer		YY/MM/DD
Lifestyle Delivery Systems Inc.	December 31, 2016	17/01/09
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@lifestyledeliverysystem.com	www.lifestyledeliverysystems.com	