**Management's Discussion of Annual Report**
**Financial Year Ending November 30, 2015**

**Herborium Group, Inc.**

February 29, 2016

The following statements are of importance to current and potential investors regarding Herborium's financial year ending November 30, 2015. In addition, the statement contains major objectives for the plan of operations for 2016.

Plan of Operations:

The following guidelines will direct the activities of Herborium Group, Inc. during 2016:

- **The Company plans to continue increasing market share and revenue from AcnEase®, the Company's all botanical acne treatment through a number of e-Commerce initiatives and Traditional Distribution.**
- To support this objective, in 2015, the Company developed an independent French website (www.acnease.fr) and deployed a number of aggressive Social Media events and tactics including establishing the blog and Facebook presence in France that reached over 2,000 likes by the end of 2015.
- The Company's Acne blog was ranked on "The Best Skincare Blogs of 2015" by Healthline.
- The Social Media outreach in the USA and Canada has significantly improved. The Company has gained significant recognition on Instagram, Pinterest and Twitter and has more than 10,000 followers on Facebook.
- The Social Media strategy in France focused mainly on recruiting bloggers, v-bloggers, and you-tubers. Herborium gained the recognition of top French bloggers including Coline at Et Pourqios Coline and Sandrea26.
- In February of 2015, AcnEase® and Herborium's women's and men's sexual formulas were endorsed by Dr. Christian Jessen (UK Dr. Oz) in Great Britain.
- At the end of 2015, the Company signed the agreement with a highly acclaimed agency managing a large network of you-tubers in France and will work with them in 2016 to further grow sales and brand recognition for AcnEase® and Herborium in the French markets (France, Luxemburg, Monaco, Belgium, Morocco, Canada, etc.).

- French Sephora and 3 other major distributors are interested in bringing AcnEase® to France on a retail level and the Company will be working with them to achieve this in 2016.
- AcnEase® Skin Management Masks are debuting in the US, French and UK markets in 2016.
- Herborium plans to join super-sellers network on Amazon in 2016.
- Amazon sales will deploy on EU platform in 2016. The Amazon International Marketplace, anchored in the UK and targeting the entire European Union, represents over 85 million users.
- In 2015, the Company joined the International Resellers' Network and will be pursuing international distribution contracts provided via network in Europe, Asia, USA, Canada and Latin America
- In 2015, AcnEase® sales to HUT, LLC, increased by nearly 40%. HUT, LLC is the largest e-commerce platform in UK and among the three largest in Europe. In 2016, Herborium and HUT will focus on further increasing sales and nearing a target of 500,000 £ in sales within the next 24 months.
- The Company is pursuing the licensing of its unique women's formula. This may represent significant revenue potential for the Company.

The Achievements in 2015:

- Herborium's revenue increased 4% in comparison to 2014 and with approximately $712,000 in revenue in 2015, the goal of exceeding $1M is very realistic in 2016.
- The Company's margin grew from 62.9% in 2014 to 64% in 2015.
- The Company's gross profit increased from $430K in 2014 to $456K in 2015, 6% more than 2014.
- The Company's net loss decreased from $115K in 2014 to $87K in 2015. This represents almost a 30% decrease in net loss and therefore more productive and streamlined operations that are expected to be profitable in 2016.
- Work capital deficiency decreased from $130K in 2014 to $113K in 2015, representing a 24% decrease.

Outlook for 2016:

Herborium remains very optimistic about growing its business, sales and product awareness due to the steady growth of the AcnEase® brand in the US and abroad, as well as new products to enter the market in 2016. The Company continues its efforts to increase market penetration in both retail and wholesale sectors and to decrease costs and retire debt. The Company is still recognizing the expenses associated with launching new products and the associated upfront costs. Herborium continues to retire debt, thus increasing the Company's ability to raise outside funds. There is a rising interest in Botanical Therapeutics® among consumers and the financial community that is expected to prevail.

/s/ Dr. Agnes P. Olszewski _____

Dr. Agnes Olszewski
President & CEO