NATURALLY SPLENDID ENTERPRISES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Six Months Ended

June 30, 2017 and 2016

This Management's Discussion and Analysis ("MD&A") is management's interpretation of the results and financial condition of Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") for the six months ended June 30, 2017 and includes events up to August 25, 2017, the date of this MD&A. It should be read in conjunction with the unaudited condensed consolidated interim financial statement of the Company for the six months ended June 30, 2017 (the "Interim Financial Statements") and with the audited financial statement of the Company for the year ended December 31, 2016 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements.

COMPANY OVERVIEW

Naturally Splendid is a biotech and consumer products company focusing on plant-based proteins, oils and seeds primarily derived from the hemp plant. Combined with other super food products we market, we strive to provide nutritious and sustainable foods options in retail and commercial applications both domestically and internatinally. More specifically, while most distribution has historically been in Canada, the Company has expanded its distribution network into the United States in 2015, into Korea in 2016 and is developing additional international markets in Japan, Germany and Australia in 2017.

The Company's common shares are listed on the TSX Venture Exchange under the symbol "NSP" and on the Frankfurt Stock Exchange under the symbol "50N". The Company is also quoted on the US OTCQB board under the symbol "NSPDF"

PROSNACK ACQUISITION

On August 10, 2017, the Company signed definitive agreements to acquire all of the shares of Prosnack Natural Foods Inc. and expects to complete the acquisition of Prosnack in early September, 2017. Prosnack's operating results are not included in the Company's results to date.

Prosnack's innovative "Elevate Me™ " brand focuses on lifestyle and healthy meal replacement products that include energy bars and on-the-go oatmeals that are currently distributed throughout North America. The Elevate Me™ brand can be found in over 1,000 retail stores. A unique feature of Prosnack is its ongoing success strategy of private labelling for major retailers in North America and co-packing for other manufacturers globally. The combination of Elevate Me™ products and private label clients is almost $8 million in sales over the past four years.
Prosnack cost saving opportunities through raw material and fixed & variable cost consolidation activities have begun, providing significant reductions in fixed overhead costs estimated to take effect Q4 2017.

ACQUISITION TARGETS

As the company focuses more on developing strong retail brands, we will leverage opportunities to acquire companies that share our vision of plant-based products, with strong management and brands to drive faster and stronger growth of the company.

SALES & MARKETING

Alan Maddox leads North American sales for NSE and is presenting both NATERA® & PROsnack products to existing PROsnack clients which represents over 1,000 stores in Canada and the US. **NATERA®** is now in 37 Overwaitea Food Group stores in BC along with Urban Fare, Donald's Markets and IGA stores and this list continues to grow each week.

Continued focus on developing new products will result in eight new products being introduced at the CHFA East show in September 2017. These products will expand our retail and ecommerce offering and augment the Company's hemp seed and protein lineup. The NATERA 369 product contains a combination of HempOmega™ and hemp protein.

New products launching at the CHFA East in Toronto, September 16 & 17, 2017 include:

NATERA®369 Chocolate Banana & Vanilla Caramel
NATERA® Organic; whole & toasted seeds, protein, oil, flour
NATERA® Salted and Maple hemp seeds in 227g sizes
NATERA® Conventional hemp oil
PawsitiveFX™ Conventional hemp oil

CHII sales continue to outpace last years sales and is a growth strategy serving as a template for Amazon sales for **NATERA** and **Pawsitive FX** domestically.

NSE USA intends to implement a business strategy to leverage the cannabinoid technologies that were licensed to and acquired by NSE USA. The Company had minimal activity in the USA during 2017 and will address US market opportunities as internal resources allow.

First Step Japan has submitted samples to Japanese Customs and are awaiting approval for three initial products: two CBD capsules and one energy gum. Once approved, sales can commence First Step Japan. Japan is recognized as one of the most difficult countries to export given their rigorous screening process, yet it is the world's third largest economy making it very lucrative once established. We anticipate sales will begin as early as Q3 or into Q4. Once these three products are launched, future products will be launched in sets of three thus allowing for more effective project management with Japanese Customs.

> **The Company will market the CBD products only in jurisdictions where such products are legally permitted and in accordance with all regulatory and licensing requirements. Accordingly, the Company will not be marketing these products in Canada unless and until permitted by law, and will comply with any and all applicable regulatory and licensing requirements which may be required at the time such products are permitted.**

Germany has received an order of NATERA branded products and Soletek, a German ecommerce platform, will market these products to the German consumer. The Amazon based ecommerce site is completed and waiting for listing to begin selling NSE products estimated to start in Q3. Germany has 84 million people and is the EUs largest consumer demographic making this an excellent opportunity for the NATERA brand.

South Korea sales for bulk hemp seeds has reduced top line sales this quarter, and this trend will continue for the balance of 2017. While some opportunities to ship bulk seed do exist, and these will be pursued, they will not be the primary focus for the company moving forward given the lower margins and higly competitive marketplace.

Australia will be opening its domestic borders to imports of hemp products November 1, 2017. While this transition remains dynamic, Aussies are currently being marketed hemp products but under the guise of "not for human consumption" labeling. In anticipation, advanced discussions to import NATERA branded products into Australia have begun with a major distributor with access in five consumer sectors. NATERA will be represented at the Fine Food Show in Sydney, Australia Sept 11-14, 2017.

OPERATIONS

The 12,000 sq. ft. Pitt Meadows facility has been in operation since August 2016 and is strategically located close to many vendors. It provides the Company with increased space to meet the growing operations of the Company's various divisions and product lines. The lease term commenced June 1, 2016 and terminates on June 30, 2026. The rent is payable in advance at a rate of $8,093 per month plus its proportionate share of operating costs and property taxes, currently amounting to $2,572 per month.

CO-PACKING OPERATIONS

The $2Million packaging system continues the Company's strategy of becoming more vertically integrated and has many potential benefits for the Company to control inventory and costs, to launch additional product lines and to test and develop new products. The main packaging line has expanded to two shifts per day, five days per week to meet our clients needs as their products enter retail markets both domestically and internationally.

Additional partners have expressed interest in utilizing our facility as we work towards HACCP approval in Q3 which will further expand production on the main zipper line and the other two packaging lines

POS BPC

As previously stated, the Company has signed an agreement with BPC to provide research and development services to Naturally Splendid for hemp based research, process and product development. As a result of on going research and development, the Company has developed an 80% hemp protein isolate and has submitted applications for a patent on this process. Preparations for pilot scale production and samples are being designed and market research into the size and scale of demand are being executed.

MANAGEMENT, BOARD OF DIRECTORS & ADVISORY BOARD ACTIVITIES

There were no changes to management or Directors during the second quarter of 2017.

SUMMARY OF QUARTERLY RESULTS

Certain comparative information has been restated to reflect the current presentation in the financial statements. All periods listed below were prepared in accordance with IFRS and are expressed in Canadian dollars.

	Three months ended			
	June 30, 2017	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**
Total Revenue	481,746	587,203	1,013,286	1,235,580
Gross Margin	119,208	151,473	(683,596)	266,420
Loss from operations	(1,085,646)	(954,223)	(2,513,719)	(713,455)
Comprehensive loss income	(1,087,497)	(942,055)	(2,478,063)	(724,524)
Basic and diluted (loss) per share	(0.01)	(0.01)	(0.04)	(0.01)

	Three months ended			
	June 30, 2016	**March 31, 2016**	**December 31, 2015**	**September 30, 2015**
Total Revenue	3,657,852	1,440,028	(8,818)	200,571
Gross Margin	1,596,383	80,353	(47,083)	38,758
Income (loss) from operations	895,452	(513,604)	(1,213,511)	(912,384)
Comprehensive income (loss)	885,301	(458,293)	(3,884,965)	(891,033)
Basic and diluted income (loss) per share	0.02	(0.01)	(0.07)	(0.02)

DISCUSSION OF OPERATIONS

Overview

During the six months ended June 30, 2017, the Company had significantly lower bulk sales, particularly export sales. Retail sales were steady and online sales were higher. Operations at the POS BPC facility were intermittent, though higher than in early 2016 as there were no sales from PBC in the first quarter of 2016. In 2016, the Company initiated sales of bulk product to South Korea. Korean sales at a strong pace, peaking in Q2 and reducing during through Q3 and Q4. Bulk sales reductions in the second half of 2016 were due to limitations at the Company's contract processor and other factors which have resulted in a more competitive market and reduced margins. Today the international bulk sales market is highly price competitive and margins continue to shrink.

Q2 Results

Operating results for the three months ended June 30, 2017 saw a significant decrease in bulk sales revenue, tight margins and increases in several expense categories. Office and compensation costs, including share based compensation, increased as the Company added staff and management. A number of inventory adjustments were recognized during the quarter resulting in higher cost of goods. The Company also wrote down its inventory value by $147,192 to reflect the lower international prices on bulk hemp seeds.

Revenue

Revenue during the three and six months ended June 30, 2017 was $481,746 and $1,068,949 (2016: $3,657,852 and $5,097,880). The large majority of this decrease was due to lower sales of bulk hemp seed sales to South Korea, partially offset by inclusion of the POS-BPC operations which commenced in the second quarter of 2016. Sales of the Company's North American retail products and ingredients were steady to increasing over the periods.

Costs of Sales and Gross Profit

Cost of Sales during the three and six months ended June 30, 2017 was $362,538 and $798,304 respectively, compared to $2,061,469 and $3,421,144 in 2016. The Company significantly changed its sales mix in 2017 with a reduction of approximately $4.0 million of export bulk seed sales, which, since the second quarter of 2016, have been generally sold at a lower gross margin percentage. Profit margins on bulk sales continued to trend lower in the latter part of 2016 and into 2017 due to an increasingly competitive market. The Company is focused on its higher margin products and new commercial opportunities. Gross profits during the three and six months ended June 30, 2017 was $119,208 (24.7% of sales) and $270,645 (25.3%) compared to $1,596,383 (43.6%) and $1,676,736 (32.9%) in 2016 when the Company was able to realize some unusually high margins on its bulk export sales.

Selling and Distribution Expenses

		Three-month period ended June 30,		Six month period ended June 30,	
		2017	**2016**	**2017**	**2016**
	Note	**$**	**$**	**$**	**$**
Selling and distribution expenses					
Facility		69,162	71,961	155,606	126,625
Freight and delivery		23,220	-	33,454	-
Product development, net of grants		25,981	42,261	56,335	13,557
Product promotion and trade shows		17,397	16,928	30,608	113,055
Inventoy write-down and bad debts		147,192	-	147,192	56
		282,952	131,150	423,195	253,293

Selling and distribution expenses during the three and six months ended June 30, 2017 were generally higher than in 2016, except for product development which was lower due to the timing of receipt of grants. The Company was active across a broader range of markets in 2017, though less active in the bulk market. The Company attended two trade shows in early 2017, verses none in 2016. Freight and delivery was higher due to a credit in 2016. Facility expenses related to the POS BPC facility operations, which were not in full operation in early 2016. The Company also wrote down its inventory value by $147,192 to reflect the lower international prices on bulk hemp seeds.

Administrative Expenses

	Three-month period ended June 30, 2017	2016	Six month period ended June 30, 2017	2016
	$	$	$	$
Administrative expenses				
Accounting and audit	67,770	71,595	103,027	100,936
Amortization	82,901	29,720	165,370	54,631
Bank charges, interest and accretion	27,109	32,394	47,673	63,562
Consulting	215,159	66,570	393,132	101,848
Legal	20,301	10,739	58,270	22,742
Management fees	36,000	94,920	72,000	189,840
Office, rent and salaries	250,095	147,838	448,080	298,430
Promotion	81,630	94,158	186,871	118,408
Share-based payments	116,206	8,249	355,565	55,322
Transfer agent and filing fees	7,900	3,409	24,569	24,008
Travel	16,831	10,189	32,762	11,868
	921,902	569,781	1,887,319	1,041,595

Administrative expenses were broadly higher in both of the first two quarters of 2017 compared to 2016, due to increased activities across a wider range of markets this year and the Company is developing a number of new commercial ingredient products which have a longer sales cycle and is working to develop a number of international markets. Also, as the Company completed commissioning of its packing line in preparation for full commercial production.

Accounting and audit fees were similar in the period and fluctuate mainly due to the timing of billings. *Amortization* has increased significantly, which reflects the addition of depreciable including packaging equipment and related leasehold improvements as well as addition of expenses from the POS BPC facility and the amortization of intangible assets; *Bank charges and interest accretion* was lower as the Company paid off its long-term debt in December 2016; *Consulting* fees, which represent outside business consultants and certain officers of the Company, were higher as the Company has additional senior management in the current year; *Legal* fees are higher in 2017 as the Company had more active commercial agreements and other activities; *Management fees* were lower in 2016 with management the United States now being minimized, offset partially by fees related to POS-BPC; *Office rent and salaries* reflects the cost of the warehouse premises, administrative staff, and the general increase in costs as the company moved to a larger head office and engaged in expanding its products and operations; *Promotion* increased over the six month period but were slightly lower in the latest quarter as corporate promotional activities regarding corporate and general product awareness campaigns were generally more active; *Share based payments* were higher, mainly reflecting the significant issuance of 3,040,000 options and other compensation in January 2017; *Transfer agent and filing fees* were up slightly in the second quarter of 2017 but similar during the first six months; *Travel* has increased in both of the first two quarters 0f 2017 over 2016, reflecting the higher level of activity at trade shows and in developing new international markets.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2017, the Company had cash of $45,252 (December 31, 2016: $362,649) and a working capital deficit of $158,022 (December 31, 2016, working capital of $1,101,366). During April and May 2017, the Company received advances totaling $300,000 from related parties and a shareholder. These funds are unsecured, repayable on demand and bear interest at 6%. On August 23, 2017, the Company completed the initial tranche of its proposed $1.25 million private placement financing by issuing a total of 3,643,277 units (the "Units") for gross proceeds of $655,789. Each Unit is comprised of one common share of Naturally

Splendid and one-half of one common share purchase warrant, with each whole Warrant entitling the holder to purchase one additional common share at $0.27 per share for a period of two years from the date of the issue. The net proceeds from this financing was received as $522,419 in cash and $124,730 in conversion of debt and accounts payable.

As at the date of this MD&A, the Company has working capital of approximately $200,000.

Cash flows - six months ended:

	June 30, 2017	June 30, 2016
Operating activities	(829,693)	(134,371)
Investing activities	(816,181)	(54,399)
Financing activities	1,349,689	99,685
Net change in cash and cash equivalents	(296,185)	(89,085)
Cash, beginning of period	314,599	34,330
Cash, end of period	18,414	(54,755)
Cash consists of:		
Cash (bank indebtedness)	45,252	(54,755)
Cheques issued in excess of bank deposits	(26,838)	-
	18,414	(54,755)

Please see Note 19 to the Company's June 30, 2017 financial statements for additional detail on the Company's equity financing activities during the period.

In March 2017, Naturally Splendid received $445,425 in cash and $120,000 in accounts payable settlement from the exercise of warrants previously granted. The warrants were exercised at prices of $0.30, $0.35 and $0.40 for a total of 1,464,500 common shares being issued. Following the issuance of these shares, Naturally Splendid had 76,010,649 common shares outstanding.

The Company's future capital requirements will depend upon many factors including, without limitation, consumer demand, raw material supply and prices and costs of sales. Since the Company expects to generate limited revenues from operations in the near future, it must continue to rely upon the sale of its equity and debt securities to raise capital, which would result in further dilution to the shareholders. There is no assurance that financing, whether debt or equity, will be available to the Company in the amount required by it at any particular time or for any period and that such financing can be obtained on terms satisfactory to it or at all.

OUTSTANDING SHARE DATA

On January 27, 2017, the Company issued 3,040,000 common share purchase options to employees Directors and consultants of the Company. The options are exercisable into common shares of the Company at $0.35 per share, with 20% vesting on issue and 40% vesting on each of the first and second anniversaries of issue. In April 2017, 662,450 warrants and 50,000 option expired unexercised. 3,703 options were exercised in May 2017 for cash proceeds of $1,296 and in June, 212,500 shares were issued at a deemed price of $0.18 per share to an officer as compensation.

On August 23, 2017, the Company completed the initial tranche of its proposed $1.25 million private placement financing by issuing a total of 3,643,277 units (the "Units") for gross proceeds of $655,789. In addition, 48,000 agent warrant were issued in relation to this private placement. Each Unit is comprised of one common share of Naturally Splendid and one-half of one common share purchase warrant, with each whole Warrant entitling the holder to purchase one additional common share at $0.27 per share for a period of two years from the date of the issue.

As of the date of this MD&A, the Company had 79,870,129 common shares outstanding, plus 5,515,500 share purchase options and 7,060,408 warrants.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not engaged in off-balance sheet arrangements.

PROPOSED TRANSACTIONS

None.

TRANSACTIONS BETWEEN RELATED PARTIES

Key management compensation

The remuneration of directors and other members of key management were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	$	$	$	$
Consulting fees	152,697	79,920	301,085	159,840
Share-based payments	166,951	-	345,565	19,108
	319,648	79,920	646,650	178,948

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the period.

Related party transactions

Management fees were paid to a company controlled by the Company's former Chief Financial Officer and consulting fees were paid to a company controlled by a director. Transactions with related parties were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
	$	$	$	$
Management fees	-	15,000	-	30,000
Consulting fees	7,000	10,500	17,500	21,000
	7,000	25,500	17,500	51,000

During the quarter ended June 30, 2017, management and Directors advanced $150,000 to the Company as unsecured demand loans with an interest rate of 6%.

POS Management Corporation is a company subject to common control. During period ended June 30, 2017, the Company incurred management fees expense of $72,000 (2016 - $48,000).

Included in accounts payable and accrued liabilities are the following amounts due to/from related parties:

- $2,000 (December 31, 2016 - $3,754) due to management and consultants for fees outstanding.
- $1,188 (December 31, 2016 - $126,785) due to POS Pilot Plant Corp., a company subject to common control, relating to management fees outstanding.
- $335,461 due to (December 31, 2016 - $66,880) due to POS Management Corp., a company subject to common control, relating to subcontractor fees.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Please refer to note 3 in the annual audited financial statements for the year ended December 31, 2016 for a detailed discussion of accounting policies and estimates. There was no effect from the adoption of these standards.

ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Recoverability of accounts receivable</u>
Provisions are made against accounts that, in the estimation of management, may be uncollectible. The recoverability assessment of accounts receivable is based on a range of factors, including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted quarterly. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payments. To the extent that future events impact the financial condition of the customers these provisions could vary significantly.

<u>Share-based payments</u>
The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Income taxes</u>
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

<u>Interest rates</u>
The Company estimates a fair value interest rate in determining the fair value of the loans payable.

Recovery of deferred tax assets
The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Valuation of inventory
Management makes estimates of future customer demand for products when establishing appropriate provisions for inventory obsolescence. In making these estimates management considers the life of inventory and profitability of recent sales.

Useful lives of intangible assets and equipment
Depreciation and amortization of the Company's equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates may change as market conditions change and the future economic benefits from the use of the asset changes, thereby impacting the useful life and residual value of the equipment or intangible asset. Any revisions to useful life are accounted for prospectively.

Impairment of goodwill and Licensed IP
Determining the impairment of goodwill and Licensed IP requires an estimation of the recoverable amount, which is defined as the higher of fair value less cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments.

The allocation of fair value of assets acquired
The determination of fair value of assets acquired requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets and liabilities acquired require judgment and include estimates of future cash flows.

The assessment of the transactions as an asset acquisition or business combination
Management has had to apply judgments relating to the Transaction with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

Going concern
The assessment of the Company’s ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

FINANCIAL INSTRUMENTS

Categories of financial instruments

	June 30, 2017 $	December 31, 2016 $
Financial Assets		
Fair value through profit or loss, at fair value		
Cash	45,252	362,649
Loans and receivables, at amortized cost		
Trade and other receivables	225,934	356,516
Restricted cash	22,883	60,435
Long-term deposits	36,002	75,703
Total financial assets	330,071	855,303
Financial Liabilities		
Other liabilities, at amortized cost		
Cheques issued in excess of bank deposits	26,838	48,050
Trade and other payables	1,653,176	1,636,250
Due to related parties	353,341	193,665
Long-term loan and capital lease obligation	689,721	183,026
Total financial liabilities	2,723,076	2,060,991

Fair value

The fair value of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these condensed consolidated interim financial statements to approximate their fair values due to the short-term maturity of these instruments.

Management of financial risks

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments that potentially subject the Company to credit risk consist of cash and trade receivables. The Company deposits cash with major Canadian commercial banks. In order to reduce its credit risk in relation to trade receivables, the Company has adopted credit policies that include the analysis of the financial position of its customers and the regular review of their respective credit limits.

Liquidity risk
Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows and matches the maturity dates of its cash to capital and operating needs.

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at June 30, 2017, the Company had a working capital deficit of $158,022 (December 31, 2016, working capital of $1,101,366).

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

There are $300,000 of unsecured demand loans payable as at June 30, 2017, which are at a fixed interest rate of 6%. As a result, the Company is not exposed to interest rate risk. $80,000 of these loans were converted into Company equity as part of the private placement that closed on August 23, 2017.

Other risk
Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency or other risk. The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of foreign currency, commodity price or interest rate market risks.

FURTHER INFORMATION

Risk Factors

An investment in the Company is speculative and involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below, in addition to the other information contained in this document, before making any decision to invest in the Company. The directors consider the following risks and other factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the directors may also have an adverse effect on the Company's business.

Limited Operating History

Although the Company earns revenues, the Company has not been profitable to date and there is no assurance that it will do so in the future. The Company's business operations are at an early stage and its success will be largely dependent upon its ability to market its products, increase sales and, if warranted, develop new products. There is no assurance that the Company will be successful in its ability to increase sales and develop new products.

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful develop its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Management of Growth

The Company may be subject to growth-related risks including pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

Success of Products is Dependent on Public Taste

The Company's revenues are substantially dependent on the success of its products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which the Company has little, if any, control. A significant shift in consumer demand away from the Company's products or its failure to expand its current market position will harm its business. Consumer trends change based on a number of possible factors, including nutritional values, a change in consumer preferences or general economic conditions. Additionally, there is as a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, and this could result in a decrease in the demand for food products and ingredients that the Company imports from western Canadian region. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on the Company's business.

Raw Materials

The Company's products are derived from hemp. Accordingly, the Company and/or its manufacturers must acquire sufficient hemp so that the products can be produced to meet the demand of its customers. A hemp shortage could result in loss of sales and damage to the Company. The Company may be required to source other industrial hemp producers in the event that consumer demand increase. Also, if the Company and/or its manufacturers become unable to acquire commercial quality hemp on a timely basis and at commercially reasonable prices, and are unable to find one or more replacement suppliers with the regulatory approvals to produce hemp at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company will likely be unable to meet customer demand.

Limited Number of Products

The Company is heavily reliant on the production and distribution of hemp and related products. If they do not achieve sufficient market acceptance, it will be difficult for us to achieve consistent profitability.

The Company's revenue is derived exclusively from sales of hemp based products, and the Company expects that its hemp based products will account for substantially all of its revenue for the foreseeable future. If the hemp market declines or hemp fails to achieve substantially greater market acceptance than it currently enjoys, the Company will not be able to grow its revenues sufficiently for it to achieve consistent profitability.

Even if products to be distributed by the Company conform to international safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of hemp. Adverse publicity about hemp based products that the Company sells may discourage consumers from buying products distributed by the Company.

Consumer Perception of Hemp

The Company is highly dependent upon consumer perception of hemp and hemp based products. Hemp is a term reserved for low tetrahydrocannabinol ("THC") strains of the cannabis plant. Accordingly, the public may associate hemp with high TCH cannabis plants, which are prohibited substances. Additional negative perception also occurs due to the fact that some countries, including the United States, prohibit the growing of the hemp plant even though consumption of hemp-based food products is allowed. The Company's revenues may be negatively impacted due to the fact the market does not fully accept hemp as a food product.

Brand Awareness

Historically, the Company's products were primarily sold in Canada. In 2016, the Company commenced selling its shelled hemp seed in South Korea. As the Company is in the early stages of marketing and distributing in South Korea, brand awareness has been limited. The Company's efforts to enter the United States market are in the formulation stage, there is no assurance that it will be able to achieve brand awareness across South Korea, or to successfully enter the United States or other markets with its brands and products. In addition, the Company must develop successful marketing, promotional and sales programs in order to sell its products. If the Company is not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on the business, financial condition and operating results.

Development of New Products

The Company's success will depend, in part, on its ability to develop, introduce and market new and innovative products. In the event that there is a shift in consumer demand, the Company must meet such demand through new and innovative products or else its business will fail. The Company's ability to develop, market and produce new products is subject to it having substantial capital. There is no assurance that the Company will be able to develop new and innovative products or have the capital necessary to develop such products.

Dependence on Management Team

The Company will depend on certain key senior managers to oversee the core marketing, business development, operational and fund-raising activities and who have developed key relationships in the industry. Their loss or departure in the short-term would have an adverse effect on the Company's future performance.

Reliance on Third-Party Manufacturers

The Company relies on outside sources to manufacture its products. The failure of such third-party manufacturers to deliver either components or finished goods on a timely basis could have a material adverse effect on the business. The Company does not intend to develop its own manufacturing capacity in the short term. As these are third parties over which the Company will have little or no control, the failure of such third parties to provide components or finished goods on a timely basis could have a material adverse effect on the business, financial condition and operating results.

Reliance on Distributors and Key Customers

The Company relies on third-party distributors for the sale and distribution of a significant portion of its products. We plan to sell our products through an extensive regional sales and distribution network throughout Canada and internationally. To the extent that our distributors are distracted from selling our products or do not expend sufficient efforts in managing and selling our products, our sales will be adversely affected. Our ability to maintain our distribution network and attract additional distributors will depend on a number of factors, many of which are outside of our control. Some of these factors include: (i) the level of demand for our brand and products in a particular distribution area; (ii) our ability to price our products at levels competitive with those offered by competing products and (iii) our ability to deliver products in the quantity and at the time ordered by distributors.

In the first six months of 2017, no one customer represented more than 30% of sales. While the Company will seek to diversify its customer base, the loss of any one of its large customers will result in a material adverse effect on the Company's business and may adversely affect revenues going forward.

Development of Generic In-House Brands

Large retail stores often develop in-house generic brands when name brand products have been successful. The Company currently distributes a significant portion of its products to large retail stores. As a result of generic brand competition, these stores could cause the Company to lose a significant portion of its sales in a very short period of time.

Product Liability Insurance

The Company carries limited product liability insurance coverage. Even though the Company is not aware of any product liability claims at this time, the Company's business exposes it to potential product liability, recalls and other liability risks that are inherent in the sale of food products. The Company can provide no assurance that such potential claims will not be asserted against it. A successful liability claim or series of claims brought against the Company could have a material adverse effect on its business, financial condition and results of operations.

Although the Company reviews its insurance coverage with its agent and internally, and it believes it has adequate product liability insurance, the Company cannot provide any assurances that it will be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities. Claims or losses in excess of any product liability cover that may be obtained by the Company could have a material adverse effect on its business, financial conditional and results of operations.

Product Recall

The sale of products for human consumption involves inherent risks. The Company could decide to, or be required to, recall products due to suspected or confirmed contamination or product tampering. A product recall could adversely affect product sales financial condition and results of operation as well as the Company's general reputation in the industry.

Trademark Protection

The Company currently has obtained trademarks on ""Naturally Splendid", "NATERA", "Taking Responsibility for Your Health", "Your Health is Serious", "It's For Everybody" as well as the "NS" and "NATERA" design. The loss of any of these trademarks could require the Company to rebrand its products resulting in a material adverse impact on its business.

Patent Infringement

While the Company believes that its products and operations do not violate the intellectual property rights of third parties, other parties could bring legal actions against the Company claiming damages and seeking to enjoin the manufacture, sale and distribution of the Company's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Company and diversion of effort by its management and technical personnel. If any such actions are successful, in addition to any potential liability for damages, the Company could be required to obtain a license in order to continue to market the affected products. There can be no assurance that the Company would prevail in such action or that any license required under any such patent would be available on acceptable terms, if at all. Failure to obtain needed patents, licenses or proprietary information held by others may have material adverse effect on the Company's business. In addition, if the Company were to become involved in such litigation, it could consume a substantial portion of the Company's time and resources.

Government Regulation

The processing, manufacturing, packaging, labeling, advertising and distribution of the Company's products is subject to regulation by one or more federal agencies, and various agencies of the provinces and localities in which our products are sold. These government regulatory agencies may attempt to regulate any of our products that fall within their jurisdiction. Such regulatory agencies may not accept the evidence of safety for any new ingredients that the Company may want to market, may determine that a particular product or product ingredient presents an unacceptable health risk and may determine that a particular statement of nutritional support that we want to use is an unacceptable claim. Such a determination would prevent the Company from marketing particular products or using certain statements of nutritional support on its products. The Company also may be unable to disseminate third-party literature that supports its products if the third-party literature fails to satisfy certain requirements.

In addition, a government regulatory agency could require the Company to remove a particular product from the market. Any future recall or removal would result in additional costs to the Company, including lost revenues from any products that we are required to remove from the market, any of which could be material. Any such product recalls or removals could lead to liability, substantial costs and reduced growth prospects.

Government Regulation relating to the CBD Technology

If the Company elects to produce, sell or market any products utilizing the CBD Technology after it has obtained a satisfactory opinion on the legality of these products and the acceptance of the TSXV, it will be subject to variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of CBD products in the United States and elsewhere.

Currently, sixteen states in the United States allow the limited use of low THC CBD oil. There is no assurance that these states will not reverse their position on the use of CBDs. Although CBDs are not specifically set forth in the schedule of prohibited substances in the Controlled Substances Act (United States), the Drug Enforcement Agency has asserted authority to regulate the use of CBDs. Until such time as U.S. Federal law clarifies the position on the use of CBDs, the Company may be unable to sell any products utilizing the CBD Technology.

Competition

The Company faces competition in the markets in which it operates. Some of the Company's competitors may also be better positioned to develop superior product features and technological innovations and able to better adapt to market trends than the Company. The Company's ability to compete depends on, among other things, high product quality, short lead-time, timely delivery, competitive pricing, range of product offerings and superior customer service and support. Increased competition may require the Company to reduce prices or increase costs and may have a material adverse effect on its financial condition and results of operations. Any decrease in the quality of the Company's products or level of service to customers or any occurrence of a price war among the Company's competitors and the Company may adversely affect the business and results of operations.

Product Liability Claims

The Company may be required to pay for losses or injuries purportedly or actually caused by its products. Historically, there have been no product liability claims; however, there is no assurance that this trend will continue in the future. In the event that the Company's products are found to cause any injury or damage, the Company will be subject to substantial liability. This liability may exceed the funds available by the Company and result in the failure of its business.

Global Economic Conditions

Current global economic conditions could have a negative effect on the Company's business and results of operations. Market disruptions have included extreme volatility in securities prices, as well as diminished liquidity and credit availability. An economic crisis may adversely affect the Company in a variety of ways. Access to lines of credit or the capital markets may be severely restricted, which may preclude the Company from raising funds required for operations and to fund continued expansion. It may be more difficult for the Company to complete strategic transaction with third parties. Financial and credit market turmoil could also negatively impact suppliers, customers and banks with whom the Company does business. Such developments could decrease the Company's ability to source, produce and distribute its products or obtain financing and could expose it to risk that one of its suppliers, customers or banks will be unable to meet their obligations under agreements with them. If economic conditions worsen, it is possible these factors could significantly impact the Company's financial conditions.

Smaller Companies

Market perception of junior companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds through the issue of further common shares or otherwise. The share price of publicly traded smaller companies can be highly volatile. The value of the common shares may go down as well as up and, in particular, the share price may be subject to sudden and large falls in value given the restricted marketability of the common shares.

Forward Looking Statements

Certain statements contained in this management discussion and analysis constitute "forward-looking statements." These statements, identified by words such as "plan," "anticipate," "believe," "estimate," "should," "expect" and similar expressions include our expectations and objectives regarding our future financial position, operating results and business strategy. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; lack of brand awareness; dependence on consumer taste; reliance on third party suppliers and third party distributors; limited operating history of the Company; market fluctuations; potential product liability claims and retention of key personnel, as well as those factors discussed in the section titled "*Risk Factors*" above.

Forward looking statements are based on a number of material factors and assumptions, including consumer buying patterns will increase in specialty and grocery stores, economic conditions in Canada will continue to show modest improvement in the near to medium future, the average cost of whole hemp seed will fluctuate in line with historical trends, no material change to competitive environment in the distribution of hemp-based food additives and supplements, the Company will be able to access sufficient qualified staff, there will be no material changes with the Company's larger customers and there will be no material changes to the tax and other regulatory requirements governing the Company. While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "*Risk Factors*" above.

The Company intends to discuss in its quarterly and annual reports any events or circumstances that occurred during the period to which such documents relate that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this Filing Statement. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement.

The Company advises you to carefully review the reports and documents we file from time to time with the applicable securities commissions. Additional Information relating to the Company can be found on SEDAR at www.sedar.com.