NATURALLY SPLENDID ENTERPRISES LTD.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2014

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of Naturally Splendid Enterprises Ltd. (the "Company" or "Naturally Splendid") for the year ended December 31, 2014 and 2013, and the related notes thereto. All of the consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), and are presented in Canadian dollars unless otherwise noted.

This management discussion and analysis is dated April 29, 2015 and is in respect of the year ended December 31, 2014.

OVERVIEW

Naturally Splendid is in the business of distributing hemp-based food and health products across North America. Historically, the Company focused on the distribution of hemp based products in British Columbia and Alberta. During the year, the Company signed with two national distributors in addition to its regional distributors, expanding its marketing and distribution across Canada. The Company also signed an agreement with a Canadian based distributor for its products in the United States. On February 24, 2015, the Company acquired a license on certain technologies with respect to HempOmega™ and other related products, and also commenced research on other product lines to diversify its product range.

The Company was incorporated as Race Capital Corp. on December 21, 2010 as a capital pool company ("CPC") as defined by Policy 2.4 of the TSX Venture Exchange (the "Exchange"). On August 10, 2011, Race completed its initial public offering. The common shares were listed for trading on the Exchange under the symbol "RCE.P" on August 15, 2011. On March 7, 2013 Race, having completed its Qualifying Transaction with Naturally Splendid Enterprises Ltd. ("NS"), started trading on the Exchange under the symbol "NSP". As a result of the Qualifying Transaction, the former shareholders of NS owned in excess of 50% of the outstanding shares of the amalgamated entity. For accounting purposes NS is considered to be the accounting acquirer and therefore, the corporate merger has been accounted for similar to a reverse takeover. For financial reporting purposes, the Company is considered a continuation of NS, a legal subsidiary, except with regard to authorized and issued share capital which is that of the Race, the legal parent. Consequently comparative amounts in the financial statements and this MD&A are those of NS unless otherwise noted.

On February 5, 2014 the Company listed on the Frankfurt Stock Exchange under the symbol "50N".
On July 16, 2014 the Company was quoted on the US OTCQB board under the symbol "NSPDF".

On July 22, 2014, the Company announced the formation of a new Colorado subsidiary, Naturally Splendid USA Ltd. The new subsidiary is intended to facilitate the development of markets for the Company's products and licensed technologies in the United States. See "New Products" below.

On October 1, 2014 the Company announced the results of its Annual General Meeting, where all existing directors and officers were reappointed. Mr. Bryan Carson, the VP Operations of the Company was also appointed as a director at the AGM held September 30, 2014.

On October 20, 2014 the Company announced that Charles R. Brink had been appointed as the President of Naturally Splendid USA Ltd. Mr. Brink was appointed as a director of Naturally Splendid on February 24, 2015. Mr. Brink is also the Chairman of Boreal Technologies Inc. ("Boreal"), and Managing Director of Full Spectrum Laboratories Ltd., two companies with which Naturally Splendid has contractual relationships. On March 2, 2015, the Company announced that Mr. David Racz had been appointed as President of Naturally Splendid USA Ltd, replacing Mr. Brink. Both Mr. Brink and Mr. Racz were also appointed to the board of directors of the Company.

Retail Products

NATERA™

Naturally Splendid distributes the following hemp-based food products under the NATERA™ brand:

- **Premium Shelled Hemp Seed.** Naturally Splendid Premium Shelled Hemp Seeds are a versatile, superfood that can be consumed on its own as a snack or meal replacement, or can be added to recipes to enhance taste and improve dietary profiles.

- **Premium Hemp Protein Powder and Flavoured Protein Powders.** Naturally Splendid Premium Hemp Protein Powder is easily digestible and an excellent source of protein. It can replace all other protein sources and is packed with live enzymes, EFA's, EAA's, vitamins and minerals. Hemp Protein Powder complements any juice or smoothie and is ideal for vegans and vegetarians. Naturally Splendid has also developed chocolate, berry and vanilla flavoured proteins.

- **Hemp Seed Snack Packs**. Naturally Splendid has developed and launched flavoured hemp seed snack packs in natural, maple and Himalayan pink salt flavours.

All NATERA™ brand products meet NON-GMO Project Certification requirements for both Canada and the United States. The certified products are listed on the NON-GMO project website at http://www.nongmoproject.org/find-non-gmo/search-participating-products/search/?brandId=789 Naturally Splendid is also an official member of the Canada Brand Program.

Pawsitive FX™

On February 26, 2015 the Company announced the launch of a 100% owned hemp-based pet care line trademarked Pawsitive FX™.

The initial Pawsitive FX™ product line consists of three formulations for topical applications as well as 3 formulated shampoo products.

Happy Paws™ is a balm formulated to soothe dry, cracked, chapped or rough paws, helping to prevent irritation, moisturize, and maintain the health of paws. The product is made with 100% natural ingredients that are safe for pets.

Strong Paws™ is ideal for protecting dog pads in all terrains. Hot or cold, rock or salty, this all-natural, wax-based formula is intended to help keep feet strong.

Happy Snouts™ is formulated with all-natural ingredients to provide gentle and soothing assistance with chapped, cracked or dry noses. It is unscented and made with 100% natural ingredients that will not harm pets.

Happy Coats™ is an all-natural line of shampoos that is effective and safe for even the most sensitive skin. The line currently features a Conditioning Shampoo for general maintenance, as well as a Flea and Tick Shampoo that contains natural bug repellents. Artificial perfumes have not been added.

The Company plans to generate sales of Pawsitive FX™ products by utilizing its existing distribution network, and by developing additional pet specific distribution networks as well as with on-line sales.

Technology License Agreement (Hemp and Cannabinoid Formulations)

Closing of the License Agreement

On November 20, 2014, the Company announced that Naturally Splendid USA Ltd. ("NSE USA"), its wholly owned subsidiary, had entered into a Novation Agreement with Full Spectrum Laboratories Limited ("FSL"), Boreal Technologies, Inc. ("Boreal") and Naturally Splendid whereby Boreal has agreed to assign, and NSE USA has agreed to assume, all rights, title and interest in and to a Restated and Amended License Agreement between FSL and Boreal (the "License Agreement").

On February 24, 2015, the Company closed the Novation Agreement whereby Boreal assigned all of its right, title and interest in and to the Novation Agreement to NSE USA. As a result of closing of the Novation Agreement, NSE USA is now the licensee under the License Agreement.

Under the terms of the Novation Agreement, NSE USA paid $725,000 to Boreal and Naturally Splendid issued 2,928,571 common shares to Full Spectrum Partners, LLLP (an entity controlled by FSL).

The License Agreement provides that the licensee has a worldwide license to manufacture, commercialize and sell products based on certain proprietary technology relating to (1) omega extraction and formulations (the "Omega Technology") and (2) cannabinoid extraction and formulations (the "CBD Technology").

In consideration of the License, NSE USA will be required to pay to FSL, on a quarterly basis, a 4.5% gross revenue royalty (the "Royalty"). For each year after the second anniversary of the License Agreement, Naturally Splendid USA will be required to pay a minimum Royalty of USD $1.6 million (the "Minimum Royalty"). The License Agreement provides that no Royalties will be payable to FSL on the first $1,750,000 of royalties payable under the License Agreement. Therefore, in the event that no revenues are earned under the License Agreement, the Minimum Royalty provision will not apply until November 17, 2018. Failure to pay the Minimum Royalty on November 17, 2018 may result in termination of the License Agreement.

The term of the License Agreement is for a period of 10 years and may, at the option of Naturally Splendid USA, be renewed for an additional 5 years.

FSL will have the right to terminate the License Agreement in the event that (i) NSE USA fails to make a payment due under the License Agreement and remains in default of such nonpayment, (ii) NSE USA is in breach of a material term of the License Agreement, (iii) NSE USA becomes insolvent, or (iv) a change of "Control" in NSE USA. "Control" is defined as the issuance of fifty percent (50%) of the issued and outstanding shares of NSE USA.

The Omega and CBD Technology

The Omega Technology and the CBD Technology are comprised of:

(a) on an exclusive basis, (i) the terpene, hemp oil and cannabinoid formulation technology, (ii) the omega formulation technology, (ii) protein formulation technology, (iv) the cannabinoid technology, and (v) the tongkat ali formulations; and
(b) on a non-exclusive basis, (i) the Supercritical CO2 and plant oil extraction technology, (ii) genetic plant and artificial seed technology, (iii) biosynthesis of cannabinoids, and (iv) liposomal encapsulation of cannabinoid oils. (the "License")

In addition, the Omega Technology and the CBD Technology are comprised of the U.S. Provisional Patent Applications and U.S. Patent Applications set forth below as well as all know-how, intellectual property and standard operating procedures:

Name and Number	*Type*	*Owner*
Cannabis Toxins US 61/817,584 US 61/986,707	US Provisional	Full Spectrum Laboratories Limited
Synthesis of Cannabinoids and Cannabinoid Formulations US 61/770,776 PCT/US14/18944	US Provisional & PCT	Full Spectrum Laboratories Limited
Terpene, Hemp Oil and Cannabinoid Formulations US 61/773,637 US 61/898,024	US Provisional	Full Spectrum Laboratories Limited
Cannabinoid Formulations 13/547,039	US Patent Application	Full Spectrum Laboratories Limited

The Company will market these 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.

Furthermore, the Company will not produce, sell or market any products utilizing the CBD Technology until it has obtained a satisfactory opinion on the legality of these products and the acceptance of the TSXV.

Naturally Splendid will focus its resources on selling those products developed utilizing the Omega Technology, such as, HempOmega™.

HempOmega™ and other Powdered Plant Based Omega Oils

Prior to the closing of the Novation Agreement as set forth above, Naturally Splendid, in conjunction with Boreal, investigated a process to commercialize and market powdered plant based omega oils including hemp oil. Unlike powdered hemp protein, powdered hemp seed oil contains all of hemp's omega 3 and 6 essential fatty acids. In 2012 and 2013, the Company and Boreal, in conjunction with funding from the Canadian National Research Council ("NRC") conducted a study to investigate the process of producing and marketing powdered hemp seed oil and to study commercial scale production. This was followed by two sales agreements between the Company and Boreal in 2013. The Exclusive Sales Agreement with Boreal granted the Company access to the full complement of patent pending, plant based omega products created by Boreal at the University of British Columbia on an exclusive basis in Canada and the United States. The products covered in the Exclusive Sales Agreement have been expanded from HempOmega™ and H2Omega™ to now include FlaxOmega™, CanolaOmega™, ChiaOmega™, plant based omega products created from flax, canola and chia. These novel products utilize the same microencapsulation and liposome technologies as HempOmega™ and will also be available in both the powder format and an aqueous solution for increased flexibility in ingredient applications and/or stand-alone products. As the Company has assumed the License Agreement, it has the right to fully exploit, including the right to manufacture, HempOmega™ and H2Omega™ to now include FlaxOmega™, CanolaOmega™, ChiaOmega™.

Naturally Splendid anticipates that it will add HempOmega™ to its products, including flavored proteins and any future product line, to provide them with omega 3 and 6 essential fatty acids. In addition, Naturally Splendid intends to market HempOmega™ as an ingredient to be added to existing commercial products not belonging to Naturally Splendid. Research indicates a significant commercial opportunity in the dairy market and in specific areas such as senior and infant markets and sports nutrition.

On March 11, 2014, the Company announced that Boreal had completed the first pilot scale production run of HempOmega™. The successful completion of this production run allows the Company to now offer commercial sized production quantities. The Company is now also able to start development of additional retail products which will utilize HempOmega™ to compete in the omega nutrition marketplace.

On July 30, 2014, the Company announced that it had ordered the first shipment of HempOmega™. Subsequently, one metric tonne of HempOmega™ was received and, as of the date of this report, is being evaluated by the Company and various third parties as a commercially produced ingredient. This is a necessary step as it demonstrates commercial production of the product in quantities that would meet the needs of potential purchasers.

On September 4, 2014 the Company announced the results of a poultry study conducted at the University of Manitoba, where an increase of 637% in natural omega content as achieved from chickens that consumed HempOmega™ in their feed compared to a current commercial feed product.

On September 11, 2014, and updated on January 28, 2015, the Company announced a service agreement with the Alberta provincial government's Agriculture and Rural Development's Food and Bio Processing Division to determine the efficacy and nutritional benefits of incorporating HempOmega™ in proprietary, private label and ingredient products for the pet food industry. The study is intended to develop pet superfoods fortified with HempOmega. Management is of the opinion that FSTC is the ideal facility to help develop this new product line, and with the assistance of Boreal, the Company hopes to optimize the potential benefits of encapsulation technology in this new pet food line. Funding for this project will come in part from the National Research Council of Canada.

On January 6, 2015 the Company announced a strategic alliance with Nature's Health Products Canada Corp. ("NHPCC"), a member of the POS Group of Companies based in Saskatoon, Saskatchewan, to capitalize on immediate opportunities to sell bulk volumes of HempOmega™ to selected clients. The agreement executed between the two companies is a three year Contractor Agreement, which requires NHPCC will take commercially reasonable measures to:

a. identify opportunities for Naturally Splendid to sell HempOmega™; and
b. introduce Naturally Splendid to potential purchasers of HempOmega™ in order to enable the Company to negotiate and conclude sales agreements with such purchasers.

POS Bio-Sciences, an NHPCC affiliate and contract R&D / custom manufacturer has been working with Boreal for over eighteen months fine tuning the manufacturing process for HempOmega™ to meet Naturally Splendid's strict requirements. NHPCC is a member of the POS Group of Companies and responsible for commercializing internal POS research through ingredient marketing and distribution. Founded in 2012, NHPCC works with global distributors to market POS's internally developed ingredients, as well as helping to link clients who may have mutual interests. POS specializes in extraction, fractionation, purification and modification of bio-based materials. POS conducts a wide range of R&D projects relating to bioprocessing industries such as food ingredients.

On March 30, 2015 the Company announced the signing of a binding letter of agreement ("Agreement") with POS BPC Manufacturing Corp., a wholly owned subsidiary of POS Bio-Sciences (POS), to provide research and development services ("Services") to Naturally Splendid, on an exclusive basis for hemp based research, process and product development, from the date of this Agreement until September 1, 2017. Under the terms of the Agreement, the Company will invest a minimum of CAD $250,000 to retain POS to further develop the plant based omega technologies and products licensed from Full Spectrum Laboratories Limited, specifically targeting the omega oil industry. The technical and product development strategy will be finalized in April 2015 and final details will be provided at that time. All intellectual property and products developed by POS, in the course of providing the Services, will be solely owned by the Company. In addition, POS Vice President of Technology, Dr. Rick Green, has been appointed to the Naturally Splendid Advisory Board to provide technological expertise in the area of product development. See Advisory Board, below.

Branding and Marketing

The number of competitors and the degree of competition within the North American food industry varies greatly by product segment and region. In the hemp food industry, there are a limited number of competitors. These competitors offer a similar range of products as Naturally Splendid.

During 2013 the Company engaged a creative branding and marketing agency to review the Naturally Splendid retail brand, resulting in the rebranded name "NATERA™", for which trademarks were obtained in Canada and the United States. The branding included labels, packaging and marketing materials. A new NATERA™ website and social media campaign was also launched. The official industry launch of NATERA™ and the new products took place on October 3, 2013 at the Canadian Health Food Association (CHFA) East Tradeshow in Toronto, Ontario.

The NATERA™ products line includes flavoured shelled hemp seeds and flavoured hemp proteins. The Company launched Canada's first single serve flavoured shelled hemp seeds with the introduction of Himalayan Pink Salt and Maple flavours, as well as the original natural flavour. In addition, the Company supplemented its natural hemp protein line with flavoured hemp proteins in chocolate, vanilla, and blackberry pomegranate. Management believes these products have superior nutritional and taste profiles as compared to existing products currently available from competitors.

Subsequent to year end, the Company announced the launch of the new **Pawsitive FX™** line of 100% owned hemp-based pet care products, which consists of three formulations for topical applications as well as three formulated shampoo products.

Naturally Splendid continues to work with various distribution channels, as well as direct store sales and an online presence, marketing the NATERA™ brand and product lines across Canada. During 2013 and subsequently, the Company announced the placement of the rebranded NATERA™ line in all of its major vendor stores, as well as the addition of a number of new chains.

In January 2014, the Company announced that Purity Life Health Products LP, a national distributor with exposure to over 7,000 stores, had signed a two year agreement to represent the NATERA™ line across Canada.

In April 2014, the Company announced that a second national food distributor, Planet Foods, agreed to represent the NATERA™ line across Canada. Planet Life began representation at of the NATERA™ line at the CHFA Expo West Tradeshow the second week of April 2014.

On May 7, 2014 the Company announced the signing of a US distributor. Sonray Sales Ltd., a Vancouver based international broker, importer and distributor in the grocery business for over 40 years, will work with the Company to distribute its products in certain selected markets in the US.

On August 7, 2014 the Company announced that Thrifty Foods, a major supermarket chain in British Columbia, would be distributing the Natera product line in all of its stores. In addition to those 26 stores, an additional 100 stores had been added to the network by the various distributors aligned with the Company.

As a result of the signing of the distributors noted above, management has observed that product sales are transforming. Sales during 2014 have shifted away from internal sales efforts to individual stores towards distributor based sales and sales to large chain stores. The Company expects this trend to continue into 2015, resulting in increased distributor sales as a percentage of overall sales, increased sales overall and slightly increased pressure on sales margins. Management continues to explore further distribution possibilities.

Operations

The Company currently engages outside producers to manufacture and produce its hemp based products. The production process involves manufacturers purchasing hemp seed from farmers they have under contract. Once the product is harvested, it is sent to the various processors for processing into the various hemp products including, shelled hemp seed, hemp protein and hemp oil.

Naturally Splendid then delivers its branding labels to various processors and packagers. Once received, the various processors and co-packers brand the products in accordance with the specifications of Naturally Splendid. Once Naturally Splendid's products have been produced, Naturally Splendid has the products delivered to its office in Burnaby, British Columbia, for direct sales by Naturally Splendid. From there, it is shipped to the various clients.

In developing new hemp based pet food products, Naturally Splendid works with the Alberta Food and Science Technology Center in Brooks, Alberta, which is a division of the Alberta Agriculture and Rural Development, to assist it in product formulation, test batch production and product testing.

During 2013, the Company relocated its operations to a 6,000 square foot facility in Burnaby, BC Canada. The facility is strategically located and provides the Company with all the attributes required to manage the anticipated increased sales and new product lines. On March 3, 2014 the Company announced the completion of its warehouse upgrades. The construction of a packaging facility within the warehouse is now complete, and certain formerly subcontracted packaging has been brought in-house. The Company anticipates acquiring additional packaging equipment to continue this process, with the intent of enhancing productivity, reducing costs and recapturing margin on certain products.

On March 30, 2015 the Company announced the signing of a binding letter of agreement with POS BPC Manufacturing Corp., a wholly owned subsidiary of POS Bio-Sciences, to provide research and development services to Naturally Splendid for hemp based research, process and product development. The Company will invest a minimum of CAD $250,000 to retain POS to further develop the plant based omega technologies and products licensed from Full Spectrum Laboratories Limited, specifically targeting the omega oil industry.

On April 25, 2015, the Company entered into a non-binding letter of intent with POS Holdings Corp. ("POS") whereby the Company and POS have agreed to finalize a definitive agreement setting forth the proposed purchase by the Company of 51% of the issued and outstanding shares of POS BPC Manufacturing Corp. As consideration, the Company will pay $1,750,000 and issue $250,000 of common shares of the Company at a price equal to the five day average closing price of the common shares of the Company prior to the date of the letter of intent. The parties have agreed that the Consideration Shares will be escrowed for a period of 12 months. After closing of the transaction, each of POS and the Company will have an equal number of directors of POS BPC Manufacturing Corp, and POS will continue to be the operator of the BPC Facility. The transaction is subject to shareholder and regulatory approval.

Naturally Splendid has retained employees and consultants with specialized skill and knowledge of the distribution and marketing of health food products. These employees and consultants have an understanding of the logistical requirements in distributing health food products to food and specialty retailers.

Colorado Operations

On March 2, 2015, the Company appointed David Racz to the Board of Directors and as President of the Company's 100% owned subsidiary Naturally Splendid USA Ltd., based in Denver, Colorado. Amendment 64 to the Colorado Constitution, passed in November 2012, required the state to implement legislation to regulate the cultivation, processing and sale of industrial hemp. With the passing of the Agricultural Act of 2014, the United States Federal government removed restrictions on the cultivation of industrial hemp within state regulated environments. NSE USA intends to implement a business strategy to leverage the omega and cannabinoid technologies that have been licensed to the NSE USA. The focus will be to introduce the Company to the US market and develop strategic partners in the proper regulatory environments to pursue hemp extracted cannabinoid (CBD) product development. Industrial hemp planting is scheduled to begin in May with an anticipated harvest in September. In anticipation of the September harvest, NSE USA has secured access to hemp processing equipment in Colorado, and management believes that the Company will have sufficient processing capacity at harvest to meet the goals of the Company. Mr. Racz continues to develop valuable relationships with experts in this field to support the strategy of NSE USA.

The Company will market these products only in jurisdictions where such products are legally permitted and in accordance with all regulatory and licensing requirements, and will comply with any and all applicable regulatory and licensing requirements which may be required at the time such products are permitted.

Furthermore, the Company will not produce, sell or market any products utilizing the CBD Technology until it has obtained a satisfactory opinion on the legality of these products and the acceptance of the TSXV.

Advisory Board

Subsequent to the year end, the Company announced three additions to the advisory board:

- Mr. Ted McKechnie was appointed to assist the Company with development and marketing strategies for penetrating the $35B global omega market. Mr. McKechnie's primary focus will be to assist management in the marketing and sales of the Company's plant based line of omega products licensed under the recent agreement with Full Spectrum Laboratories (FSL). Mr. McKechnie will utilize his extensive network and relationships in the food and beverage industry to generate sales opportunities as they specifically relate to the omega industry. Additionally, Mr. McKechnie will lend his expertise in the area of wholesale and retail product development, marketing and distribution.

  Mr. McKechnie is a senior executive with extensive Board and Senior Management Experience in the consumer goods and service industries. Ted has a proven track record for achieving corporate financial and growth objectives. He has held senior positions with Kraft, General Foods, PepsiCo and Frito Lay, as well as a number of other companies.

- Mr. Douglas Mason to its Corporate Advisory Board. Mr. Mason's primary focus will be to assist management with marketing and sales strategies for the Company's full range of products licensed under the recent agreement with Full Spectrum Laboratories (FSL).

  Mr. Mason serves as a senior officer and director of a number of public companies and has extensive experience in financings and acquisitions in capital markets, raising over $200 million over the past 25 years. He is currently Chairman of the Board and CEO of Waterfront Capital Corporation. From 1998 through 2005, Mr. Mason served as President, Chief Executive Officer and Director of Clearly Canadian Beverage Corporation, a producer of premium beverage products. During his 20 years in the beverage industry, Douglas built a reputation for innovation and has been credited as being one of the pioneers of the New Age Beverage category.

- POS Vice President of Technology, Dr. Rick Green, has also been appointed to the Naturally Splendid Advisory Board to provide technological expertise in the area of product development.

  Dr. Green joined POS Bio-Sciences in 1989. As Vice President of Technology, his responsibilities include supervision of technical staff and oversight of Project Leader activity. Prior to joining the Senior Management Team in 2007, Dr. Green was a Senior Scientist at POS. His technical background includes process development in the area of extraction and purification of specialty oils, protein concentrates, protein isolates and polyphenol compounds. He has also developed numerous food and nutraceutical ingredients for POS clients. In addition to his work at POS, Dr. Green has held Food Scientist positions at food product development centers in Manitoba and Ontario, and the Alberta Honey Producers. He holds a Ph.D. in Food and Bioproduct Sciences from the University of Saskatchewan. Dr. Green is a member of the American Oil Chemists Society, Institute of Food Technology, and the Canadian Institute of Food Science and Technology.

  The Advisory board also includes previous appointees, Mr. Howard Louie and Mr. Donald Wood.

SELECTED ANNUAL INFORMATION

The following table includes information obtained from the audited consolidated financial statements of the Company and from its accounting predecessor. The audited financial statements for these fiscal years were prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars

Statements of Loss Data	Year Ended December 31, 2014 (Public Company) ($)	Year Ended December 31, 2013 (Private Company) ($)	Year Ended December 31, 2012 (Private Company) ($)
Total Revenue	234,761	132,578	99.660
Expenses	(2,030,518)	(2,883,367)	(226,934)
Interest Income	2,839	5,722	-
Net Loss	(1,795,757)	(2,745,067)	(127,274)
Basic and Diluted Loss Per Share	(0.06)	(0.11)	(0.01)

Statements of Financial Position Data	As at December 31, 2014 ($)	As at December 31, 2013 ($)	As at December 31, 2012 ($)
Total Assets	748,366	830,560	87,008
Total Liabilities	139,976	199,874	257,133
Total Equity	(608,390)	(630,686)	(170,125)

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
Canadian $ - IFRS	**December 31, 2014**	**Sept. 30, 2014**	**June 30, 2014**	**March 31, 2014**
	Q4 -2014	Q3 -2014	Q2 -2014	Q1 - 2014
Total Revenue	28,798	66,232	68,056	71,675
Gross Margin (loss)	11,716	(11,254)	27,497	13,710
Loss (income) from operations	394,495	556,679	370,753	474,640
Loss & Comprehensive Loss	413,985	529,721	377,756	474,295
Basic and diluted loss per share	0.015	0.015	0.01	0.02

	Three months ended			
Canadian $ - IFRS	**Dec. 31, 2013**	**Sept. 30, 2013**	**June 30, 2013**	**March 31, 2013**
	Q4 - 2013	Q3 - 2013	Q2 - 2013	Q1 - 2013
Total Revenue	55,800	17,366	43,421	15,991
Gross Margin	(332)	6,962	13,838	4,200
Loss from operations	326,806	414,847	285,494	395,777
Loss & Comprehensive Loss	326,721	410,764	275,056	1,732,526
Basic and diluted loss per share	0.01	0.02	0.01	0.09

The results of most quarters are comparable. Specific Q4 2014 results are discussed below.

DISCUSSION OF OPERATIONS

The year ended December 31, 2013 includes the first ten months that the Company was a publicly listed amalgamated entity. As such there are certain expenses incurred in the period which were not incurred by the Company in its past, private operations. As well, certain comparative information for the private company was not available or not relevant. Accordingly, a direct comparison between the year ended December 31, 2014 and 2013 may not be relevant.

Revenue

Revenue during the year ended December 31, 2014 was $234,761(2013: $132,578). The Company believes this increase reflects the growth in the Natera product line year over year, with national distribution now starting having an impact on sales, albeit with a resulting transformation of sales from individual stores to large chains and distributor based sales. During Q4, sales were $28,798 compared to sales of $55,800 in Q4 2013. This resulted from timing differences of orders in 2013, as well as management's focus on hemp based technologies in Q4 2014, which management believes will result in significantly increased sales in 2015.

Costs of Sales and Gross Profit

Cost of Sales was $193,092 in 2014, compared to $107,910 in 2013. This reflects the higher quantity of product sold in the current year compared to the previous year.

Accordingly, gross profit was $41,669 compared to 2013 results of $24,668. Management believes that sales and sales margins were adversely impact by increased pressure on sales margins due to incentives given to distributors to move products into new markets, as well as rising costs of product inputs during the current quarter. The continuing addition of in-house packaging equipment is intended to recapture a portion of the margins paid to outsourced packagers, as well as to allow the Company to better control inventory levels.

Selling and Distribution Expenses

Commencing with the qualifying transaction and going public, the Company decided to report expenses in the categories of selling and distribution expenses and administrative expenses. Previously, this distinction was not reflected in the accounts of the former private company. Management believes that this distinction allows for a clearer assessment of the cost of sales and operations as opposed to public company administration which imposes significant expenses not previously incurred as a private company. As a result certain private company expenses have been reclassified.

Selling and Distribution Expenses were $282,830 compared to $389,310 in 2013. Commissions were relatively comparable at $5,741 and $6,769 respectively. Product development costs were reduced to $7,944 from $24,298 in 2013, but management expects those costs to increase in 2015. Salaries and wages were comparable at $68,468 (2013: $65,004). Product promotion costs were also down in the period to$172,948 (2013: $293,239). This reflects a transition away from trade shows and product giveaways to potential distributors and customers towards price promotions on sales to distributors. Overall, management views this as a positive trend which will result in greater sales and economies of scale in the future. A bad debt expense of $27,729 was recognized in 2014 as a result of collection issues with a number of small individual stores over the current fiscal year. The Company intends to actively pursue these debtors, but provided an allowance to reflect possible write offs.

Administrative Expenses

Administrative expenses were higher during 2014 as a result of increased business activities and certain other activities:

Accounting and audit fees were $96,763 (2013: $63,809). This reflects the increased cost of audits and reviews for a public company with active operations.

Amortization of $30,371 (2013: $17,412) reflects the increase in assets of the company over the last year, specifically with respect to warehouse and packaging room equipment and leasehold improvements due to the Company's new facilities since mid 2013;

Consulting fees of $135,172 (2013: $89,134) are as a result of the expenses incurred to obtain the US OTCBB quotation and activities related to that achievement, as well as periodic consultants hired to meet specific goals of the Company;

Directors fees of $nil (2013: $27,000) were incurred as a public company during the formative year, which are not currently being incurred;

Legal fees of $97,316 (2013: $45,263) are as a result of the expense of operating a public company, the acquisition of licenses and technologies, and the OTCBB quotation;

Management fees reflect the cost of being a public company. During the year ended 2014, $264,000 (2013: $171,850) was paid to management. This includes an expansion of management from two individuals to three, as required to meet the needs of a growing public company, certain salary increases to salaried employees, and the non-payment and cancellation of certain management fees during the first quarter of 2013;

Office and general of $244,887 (2013: $142,106) reflects the cost of the new warehouse premises, the addition of administrative staff, salary increases granted during the year and generally an increase in costs as both a public company and as a company engaged in aggressively growing its operations;

Promotion increased to $343,248 (2013 $196,048) as the company actively and aggressively worked to promote both the product and the public company to potential investors and analysts;

Share based payments of $201,351 (2013: $204,212) represent the estimated cost of the issuance of stock options earlier in the year. The amount of expense is determined by the number of options issued in the period as well as the market price of the Company's shares, among other factors;

Transfer agent and filing fees of $107,461 (2013: $59,832) reflect the OTCBB quotation, which incurred significant fees, and the holding of the first AGM during the year;

Cash flows for the year ended December 31, 2014 was a decrease of $164,263 (2013: an increase of $ 160,580), with the increase being as a result of the issuance of common shares. The Company completed a financing in Q1 2015 to provide additional working capital.

As of December 30, 2014 the Company had cash and cash equivalents of $25,404 (December 31, 2013: $189,667) and working capital of $500,761 (December 31, 2013: $505,833). Accounts payable were reduced to $131,064 from $196,199 at year end.

Other Items

The most significant item in Q1 2013 was a Listing Expense of $1,328,650. This was a one-time charge incurred as a result of the requirements under IFRS for recording the qualifying transaction, representing the excess of consideration paid over net tangible assets acquired, plus various costs of the transaction. There is no comparable expense in the current year.

Naturally Splendid anticipates that its revenues will continue to grow in subsequent years due to the introduction of new product lines and increased demand in products resulting from Naturally Splendid's engagement of additional food distributors and brokers to market and distribute its products across Canada and certain selected markets in the United States. The Company also expects that expenses will normalize in certain areas, and will increase in the areas of product promotion and selling expenses as further product lines are launched.

FOURTH QUARTER

During the fourth quarter, sales were $28,798 compared to sales of $55,800 in Q4 2013. This resulted from timing differences of orders in 2013, as well as management's focus on hemp based technologies in Q4 2014, which management believes will result in significantly increased sales in 2015.

The gross margin was $11,716, compared to a loss of $332 in 2013, due to the timing of inventory adjustments and an increased emphasis on cost controls in 2014.

The loss for operations was $394,495 in 2014 which is comparable to the 2013 loss of $326,721. Comprehensive loss was $413,985 (2013: 326,721) due to increased legal fees during the quarter due to the acquisition of the technology and certain other corporate initiatives, and increased office and general expenditures as operations staff were added.

LIQUIDITY AND CAPITAL RESOURCES

As of December 30, 2014 the Company had cash and cash equivalents of $25,404 (December 31, 2013: $189,667) and working capital of $500,761 (December 31, 2013: $505,833).

During the second quarter the Company completed a private placement financing by issuing a total of 6,843,500 units ("Units") at $0.20 per Unit for gross proceeds of $1,368,700. Each Unit was comprised of one common share of the Company and one-half of one common share purchase warrant (each whole share purchase warrant a "Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at $0.30 per share for a period of two years from the date of the issue. The Company has the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of the Company's common shares is equal to, or greater than $0.40 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right. In connection with the proceeds raised under the financing, the Company paid finders cash commissions totaling $102,331 and issued finders 382,650 non-transferable warrants. Each finder's warrant is exercisable on the same terms as the Warrants described above. The securities issued under the financing were subject to a hold period which expired on August 26, 2014 pursuant to applicable Canadian securities laws and the rules of the TSX Venture Exchange**.**

During the year ended December 31, 2014, the Company issued 584,394 shares pursuant to the exercise of 584,394 warrants at various prices, for proceeds of $118,604.

During the 2014 year, 500,000 common shares were issued for gross proceeds of $87,500 upon the exercise of 500,000 stock options at a price of $0.175.

On November 27, 2014, the Company announced a proposed private placement offering of up to 6,000,000 units at a price of $0.25 per Unit for gross proceeds of $1,500,000. This offering was subsequently increased. On February 25, 2015, the Company completed the private placement offering, issuing 7,388,582 units, consisting of 7,388,582 shares and 3,694,291 warrants, at a price of $0.25 per Unit for gross proceeds of $1,847,145. Each share purchase warrant entitles the holder to purchase one additional common share at $0.40 per share for a period of two years from the date of the issue. Naturally Splendid will have the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of Naturally Splendid's common shares is equal to or greater than $0.50 for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after Naturally Splendid issues a news release announcing that it has elected to exercise this acceleration right. The Company paid finders fees of $36,720 and issued 146,880 agents warrants on the same terms as the warrants above. Proceeds of the Offering were used to satisfy the $725,000 payment under the novation agreement with Full Spectrum Laboratories Ltd. ("FSL") and Boreal Technologies Inc. ("Boreal"), product development as well as for general working capital and corporate purposes.

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.

Subsequent to the year end, the Company issued 4,796,981 shares as a result of the exercise of 4,156,981 warrants at prices ranging from $0.25 to $0.30 and 640,000 stock options at prices ranging from $0.19 to $0.20, for gross proceeds of $1,264,997.

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS BETWEEN RELATED PARTIES

The Company's related parties consist of companies controlled by executive officers and directors. Transactions and balances in the normal course of operations in connection with those companies and key management personnel are as follows:

	December 31, 2014	December 31, 2013
Due to officers and directors	$ -	$ 3,675
	$ -	$ 3,675

Amounts due to/from related parties are non-interest-bearing, unsecured and have no fixed terms of repayment.

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

	December 31, 2014 $	December 31, 2013 $
Management fees	264,000	171,850
Directors fees	-	27,000
Consulting fees	38,500	-
Share-based payments	201,351	204,212
	503,851	403,062

Management fees are paid to the Chief Executive Officer, Vice President Operations and a professional consulting company controlled by the Chief Financial Officer. Consulting fees were paid to a company controlled by a director in his capacity as an agricultural industry expert and consultant.

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

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company has adopted new accounting standards effective January 1, 2014. Please refer to note 3 in the annual audited financial statements for the year ended December 31, 2014 for a detailed discussion of accounting policies and estimates.

Financial Instruments

Categories of financial instruments

	December 31, 2014 $	December 31, 2013 $
FINANCIAL ASSETS		
Fair value through profit or loss, at fair value		
Cash	25,404	189,667
Loans and receivables, at amortized cost		
Trade and other receivables	44,699	92,018
Deposit	-	40,000
Restricted cash	17,310	17,368
Total financial assets	87,413	339,053
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade and other payables	126,882	196,199
Due to related parties	-	3,675
Total financial liabilities	126,882	199,874

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 December 31, 2014, the Company had working capital of $500,761 (December 31, 2013 - $505,833).

Other risk
Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, 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.

OUTSTANDING SHARE DATA

As of the date of this management discussion and analysis, the following securities of the Company were outstanding:

Type of Security	December 31, 2014	Date of Report
Issued and outstanding common shares	36,658,999	51,405,633
Warrants exercisable at $0.25 issued under private placement (1)	2,642,654	580,713
Agent's warrants exercisable at $0.25 per common share(1)	40,000	-
Warrants exercisable at $0.30 issued under private placement (2)	3,421,750	1,539,950
Agent's warrants exercisable at $0.30 per common share(2)	382,650	209,410
Warrants exercisable at $0.40 issued under private placement (3)	-	3,694,291
Agent's warrants exercisable at $0.40 per common share(3)	-	146,880
Stock options exercisable	2,409,750	3,819,750
Fully diluted shares	45,555,803	61,396,627

Notes:
(1) Each warrant was exercisable at $0.25 per share until November 1, 2015.
(2) Each warrant was exercisable at $0.30 per share until April 28, 2016.
(3) Each warrant was exercisable at $0.40 per share until February 27, 2017.

On March 23, 2015, the Company issued 2.05 million stock options to officers, directors, employees and consultants of the Company for a period of five years, expiring March 5, 2020 and exercisable at a price of

$0.40. Subsequent to the year end, the Company issued 4,796,981 shares as a result of the exercise of 4,156,981 warrants at prices ranging from $0.25 to $0.30 and 640,000 stock options at prices ranging from $0.19 to $0.20, for gross proceeds of $1,264,997.

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. In April 2015, the Company entered into a hemp supply agreement whereby it agreed to purchase a minimum of 3,000,000 pounds of bulk industrial hemp seed. Even though the Company anticipates that this will allow it to meet its demand until 2017, 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 British Columbia and Alberta. In 2014, the Company signed with two national distributors to focus on its marketing and distribution across Canada. As the Company is in the initial stages of marketing and distributing across Canada, brand awareness has not been achieved. 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 Canada, or to successfully enter the United States 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

We do not sell our products directly to end customers. Instead, we will rely on third-party distributors for the sale and distribution of our products. We plan to sell our products through an extensive regional sales and distribution network throughout Canada. 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.

A significant portion of the Company's revenues have come from three large customers. In 2014, these customers represented 64% of all 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.

Minimum Royalty Payment

The License Agreement provides that Naturally Splendid USA will be required to pay to FSL, on a quarterly basis, a 4.5% gross revenue royalty (the "Royalty"). For each year after the second anniversary of the License Agreement, Naturally Splendid USA will be required to pay a minimum Royalty of USD $1.6 million (the "Minimum Royalty"). The License Agreement provides that no Royalties will be payable to FSL on the first $1,750,000 of royalties payable under the License Agreement. Therefore, in the event that no revenues are earned under the License Agreement, the Minimum Royalty provision will not apply until November 17, 2018. If the Company is unable to have sufficient funds to pay the Minimum Royalty Payment, FSL may terminate the License Agreement and the Company will lose its interest in the Hemp Oil and CBD Technologies.

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.

Currently, thirteen 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. Economic activity in North America and throughout much of the world has undergone a sudden, sharp economic downturn following the recent housing downturn and subprime lending collapse in both the United States and Europe. Market disruptions have included extreme volatility in securities prices, as well as severely diminished liquidity and credit availability. The 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. The 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.

While it is not possible to predict with certainty the duration or severity of the current disruption in financial and credit markets, if economic conditions continue to 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.