



NATURALLY SPLENDID ENTERPRISES LTD.

(formerly RACE CAPITAL CORP.)

FORM 51-102F1 MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2013

The following discussion and analysis should be read in conjunction with the audited financial statements of Naturally Splendid Enterprises Ltd. (formerly Race Capital Corp. ("Race")) for the year ended January 31, 2013 and related notes thereto, the audited financial statements of Naturally Splendid Enterprises Ltd. ("NS") for the year ended December 31, 2012 and the related notes thereto, which are prepared in accordance with International Financial Reporting Standards and the unaudited condensed interim consolidated financial statements for the three month period ended March 31, 2013 and the related notes contained therein which are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). All amounts are stated in Canadian dollars unless otherwise noted.

DATE

This management discussion and analysis is dated May 28, 2013 and is in respect of the three month period ended March 31, 2013.

OVERVIEW

Race Capital Corp. was incorporated on December 21, 2010 and as of January 31, 2013 was 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". The reader is referred to the filing statement of Race dated February 1, 2013 for the complete description of the Qualifying Transaction, as well the description below.

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 (the "Company" or "Naturally Splendid"). 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.

The Transaction

On March 16, 2012, Race entered into an agreement, as amended October 19, 2012, (the “Acquisition Agreement”) with Naturally Splendid whereby Race agreed to acquire all of the issued and outstanding shares of Naturally Splendid (the “Transaction”).

Under the terms of the Agreement, Race issued approximately 11,600,000 common shares of the Company to the shareholders of Naturally Splendid. Each shareholder of Naturally Splendid received approximately 0.785 Common Shares in exchange for each common share of Race. The Transaction was structured as a three-cornered amalgamation whereby Naturally Splendid amalgamated with a newly formed subsidiary of Race to complete the Transaction.

After completing the Transaction, Race changed its name to “Naturally Splendid Enterprises Ltd.” and the former Naturally Splendid changed its name to Naturally Splendid Enterprises 2013 Ltd (together the “Company”). Certain directors of Race transferred the balance of the CPC Escrow Shares, being 1,800,000 Common Shares, to the directors and officers of Naturally Splendid (the “Escrow Transfers”). The Company also granted a total of 2,050,000 stock options exercisable at a price of \$0.175 per share to the directors and officers of the Company after the Transaction.

Financing

As a condition of the Transaction, the Company completed an offering of 10,000,000 Common Shares of the Company at a price of \$0.175 per share for gross proceeds of \$1,750,000 (the “Financing”). The proceeds of the Financing are being used to fund the business plan of the Company.

The Company paid \$140,053 in cash commissions, equal to 10% of the gross process received by the Company from the sale of the Common Shares to non-President’s List Subscribers and a 5% cash commission for proceeds received from the sale of Common Shares to President’s List Subscribers. The Company also issued 600,600 Agent’s warrants entitling the Agents to purchase 600,600 Common Shares exercisable at an exercise price of \$0.175 per share until February 28, 2014. In addition, the Company paid a corporate finance fee of \$50,000 plus applicable taxes in connection with the Financing.

History and Overview of the Operations of Naturally Splendid

Naturally Splendid is in the business of distributing hemp-based health products in British Columbia and Alberta. To date, Naturally Splendid has focused on the distribution of hemp based products to over 200 stores in British Columbia and Alberta.

In fiscal 2009, Naturally Splendid focused on expanding its business by increasing the number of stores that carry its products to over 50. The increased sales was facilitated by: (i) Naturally Splendid engaging Summit Specialty Foods, a food distribution company located in Vernon, British Columbia, to market and distribute Naturally Splendid’s products, and (ii) moved from a shared office space to a 1,500 square foot office and warehouse facility. In addition, Naturally Splendid designed and launched its website www.naturallysplendid.com. As part of government grant funding program, Naturally Splendid completed a protein extraction project at the POS Pilot Plant in Saskatoon, Saskatchewan, which was partially funded by the Saskatchewan government. The purpose of the protein extraction project was to determine a cost effective way for naturally extracting a high concentration of hemp protein. Some methods for extracting high concentrations of hemp use a chemical extraction process. Results of the study indicated that a natural method could be used to extract a high concentration of hemp protein; however, Naturally Splendid determined that the results were not sufficiently positive to allow for commercialization at this time.

In fiscal 2010, Naturally Splendid continued to focus on increasing the number of stores that carry its products. Total number of stores increased to approximately 130 and was facilitated by: (i) moving Naturally Splendid's office space to its current 3,000 square foot office and warehouse located in Port Coquitlam, British Columbia, (ii) engaging Westwise Agencies, a food broker located in Delta, British Columbia, (iii) IGA Market Place commencing to list Naturally Splendid's product line; and (iv) London Drugs selling Naturally Splendid's Premium Hemp Protein and Premium Hemp Oil Capsules at all of their locations.

In fiscal 2011, Naturally Splendid's activities primarily consisted of focusing on engaging large retail stores to sell its products and carrying out feasibility studies on its products. New large retail stores included: (i) London Drugs selling Premium Shelled Hemp Seed; (ii) Overwaitea Food Group ("OWFG") commencing listing Naturally Splendid's product line and marketing to the stores; (iii) Save-On-Food and Urban Fare, which are part of the OWFG, carrying Naturally Splendid's products.

In the last half of fiscal 2011, Naturally Splendid retained Agronomic I.T. Consulting and Trimark Engineering to complete a feasibility study for a small scale cold press crushing/production facility in Alberta, which would be partially funded by a federal grant from Agricultural and Agri-Food Canada. This feasibility study allows Naturally Splendid to gauge the cost and time frame for establishing a potential small scale cold press crushing/processing facility, which will help it achieve its long term objective of becoming a vertically integrated business. Naturally Splendid has elected to pursue a cold press facility due to lower cost and the fact that it is a "natural" option as it does not introduce chemical agents or extreme heat to remove oil from the hemp seeds. Naturally Splendid's ability to establish such a facility, of which there is no assurance, will be subject to sufficient financial resources to meet the capital and operating costs. Prospective investors are advised that none of the proceeds of the Financing will be used for the purpose of establishing such a facility and at this time the Company and Naturally Splendid do not have any immediate plans for such a facility.

In the first quarter 2012, Naturally Splendid voluntarily recalled a batch of its hemp protein product that was unsatisfactorily produced. The original product was sold to a customer in late 2011. Naturally Splendid does not anticipate any ongoing effects of this recall as: (i) the customer continued to fill its monthly orders for the balance of the quarter, and (ii) the producer of the product will no longer be retained by Naturally Splendid.

The Company is currently in the process of expanding its distribution network, and is preparing to launch an expanded product line as discussed below.

Products

Naturally Splendid is currently distributing four hemp-based food products:

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. 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.

Premium Organic Hemp Seed Oil. Naturally Splendid's Premium Organic Hemp Seed Oil is a tasty nutritional oil that can be used as an alternative to olive and flax oils. Hemp oil has a 3:1 Linoleic Acid

(“LA”) to Alpha-Linolenic Acid (“LNA”) ratio and provides all of our EFA requirements. The target market for this product is broad as it Premium Organic Hemp Seed Oil adds taste and nutritional value to meals.

Premium Hemp Supplements. Naturally Splendid’s Premium Hemp Supplements are hemp seed oil in a capsule form. Each capsule contains 1000mg of hemp seed oil with Vitamin E. Premium Hemp Supplements are an alternative for those taking fish oil as it contains EFAs and eliminates concerns of mercury and PCB contamination associated with fish oil.

During the fiscal year ended December 31, 2012 and 2011, these hemp-based products represented 100% of Naturally Splendid’s revenues.

Operations

Naturally Splendid has engaged New Age Marketing & Brand Management, Inc. (“New Age”) (<http://www.newagemarketing.ca>) to increase distribution of current and future products across Canada. New Age has been working with the Canadian Natural Food Channel since 1987 and has been instrumental in the introduction and support of many top selling natural brands throughout the Canadian marketplace. They have offices in Vancouver, Calgary, Toronto and Montreal and cover every region in Canada, with the assistance of an experienced natural product sales and marketing team.

Currently, Naturally Splendid distributes its products in British Columbia and Alberta by direct sales and through third party distributors, Summit Specialty Foods based in Vernon, BC and Westwise Agencies in Vancouver, BC. Summit has a network of approximately 300 clients totaling up to 1,500 retail outlets. New Age has begun representing Naturally Splendid to its distribution network for coverage across Canada. They are focused on; increasing distribution in BC and Alberta; as well as securing new distributors in Ontario and Quebec.

Naturally Splendid currently engages outside producers to manufacture and produce its hemp based products. There are also additional manufacturers and producers of hemp based products that Naturally Splendid could retain. The production process involves manufacturers purchasing hemp seed from farmers they have under contract. The price of hemp seed has traditionally not been volatile as manufacturers’ contract fixed prices with farmers prior to the cultivation season, and demand for hemp seed has traditionally matched supply resulting in a stable price. However, the supply of hemp, which has a total seeded acreage of 38,828 acres in Canada, is significantly less than other grain products in the market. As a result, a decrease in supply of hemp seed could cause the price of hemp seed to significantly increase. 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 current office, located at 311 – 1952 Kingsway Ave., Port Coquitlam, British Columbia, for direct sales by Naturally Splendid. From there, it is shipped to the various clients including Summit Specialty Foods in Vernon, B.C.

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

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

Naturally Splendid's policy is to protect its brand and trade names by registered trademarks in Canada. See "Proprietary Protection".

The products are considered "food" and, as such, are principally regulated under the following:

- Food and Drug Act ("FDA") and Food and Drug Regulations ("FDR"). The FDA regulates food and drugs and provides requirements on composition (including without limitation food additives, fortification, and food standards), packaging, and licensing requirements. Naturally Splendid is not required to obtain any pre-approvals and/or licenses for its products, but must ensure that all labelling, marketing and selling of any food item cannot be false, misleading or deceptive to a consumer.
- Consumer Packaging and Labelling Act ("CPLA"). The CPLA provides for a uniform method of labelling and packaging of prepackaged consumer goods. The relevant provisions include the prevention of fraudulent statements and providing for mandatory label information in which consumers may make informed decisions.
- Industrial Hemp Regulations. In addition, the regulation of hemp in Canada is subject to the Industrial Hemp Regulations (Canada). Under these regulations, the production of low TCH cannabis is permitted for industrial use. However, all persons engaged in the cultivation, production, distribution, importation, exportation and processing of industrial hemp must obtain certain licenses, permits and/or authorizations. To date, Naturally Splendid has confirmed that all of its hemp based products are produced by persons who contain the proper licenses, permits and authorizations under the Industrial Hemp Regulations.

As Naturally Splendid's operations are conducted in Canada, it does not have any risks and/or dependencies on foreign operations.

Future Developments

Naturally Splendid is in the process of developing hemp-based Flavoured Proteins, Natural Superfood Cereals, Snack Packs and Energy Bars. The details of these products are set forth below:

- Flavoured Protein. Naturally Splendid is in the process of developing a chocolate and vanilla flavoured protein. Naturally Splendid plans to launch the flavoured proteins in 2013. The remaining item to be finalized is the design of the flavoured protein labels. Cost of new packaging is approximately \$9,000.
- Natural Superfood Cereals. Naturally Splendid plans to introduce a line of healthy cereals including hemp and other superfoods. To date, two cereal formulations have been completed and two additional cereals are near completion. Nutritional analysis and final branding is anticipated to be finalized in the third quarter of 2013 with launch of the first two cereals in the third quarter. Cost of analysis and packaging for the first two cereal flavours is approximately \$12,000. Finalizing formulations, nutritional analysis and packaging for cereals three and four will cost approximately \$15,000. Launch of the third and fourth cereals anticipated for the first quarter of 2014.

- Snack Packs. Naturally Splendid is in the process of developing flavoured snack packs. Initial flavours will be natural, salted and barbeque. Final flavouring formulations are anticipated to be completed in the second quarter of 2013. Nutritional analysis and packaging for the first three flavoured snack packs estimated to be approximately \$20,000.
- Energy Bars. Naturally Splendid is developing a hemp-based nutritional bar containing hemp, fruit and nuts. Currently, Naturally Splendid is in negotiations with an existing energy bar provider to assist in formulating the bar to make it acceptable to market. Naturally Splendid intends to have the first energy bars available late 2013. Development, nutritional analysis and packaging is estimated to be \$55,000.

Commercialization and Marketing of Powdered Hemp Seed Oil

Naturally Splendid, in conjunction with Canadian Medical Hemp Inc. (“CMH”), is investigating a process to commercialize and market powdered hemp seed oil. Unlike powdered hemp protein, powdered hemp seed oil contains all of hemp’s omega 3 and 6 essential fatty acids. As a result, it provides an alternative to flax, evening primrose, borage and fish oils.

In September 2012, Naturally Splendid entered into a memorandum of understanding (“MOU”) with CMH whereby (i) CMH agreed to fund a study to investigate the process of producing powdered hemp seed oil from hemp seed oil and the industrial uses of the powdered hemp seed oil (the “CMH Study”), and (ii) Naturally Splendid agreed to apply to the Canadian National Research Council (“NRC”) to obtain a grant for a study to investigate (A) the commercial viability of powdered hemp seed oil, (B) potential products, formulations and ingredients of products from powdered hemp seed oil, and (C) target markets and strategies to market and promote these products (the “Market Analysis and Product Development Study”). CMH will be solely responsible for the costs associated with the CMH Study and Naturally Splendid and CMH have agreed to equally share the costs of the Market Analysis and Product Development Study.

The CMH Study involves the scaling up of production from bench (small scale) to pilot scale testing and confirming the production efficiencies and product efficacy of powdered hemp seed oil. CMH has received an NRC grant for the CMH Study and it is anticipated that their cost will be approximately \$46,100. Naturally Splendid will not be responsible for any costs relating to the CMH Study. CMH completed the CMH Study March 31, 2013.

On November 30, 2012, Naturally Splendid entered into a contribution agreement (the “Contribution Agreement”) with NRC whereby NRC agreed to contribute up to a maximum of \$55,425 (the “Financial Contribution”), consisting of \$37,300 on or before March 31, 2013 and \$18,125 on or before March 31, 2014, for the Market Analysis and Product Development Study. The deadlines on this agreement were subsequently extended to October 31, 2013. If Naturally Splendid does not claim the entire allocated amount within five business days of each government fiscal year (March 31), the Financial Contribution will be reduced by the unclaimed amount. In addition, the Financial Contribution will only be provided to Naturally Splendid for approved costs, which are limited to 80% of salary costs and 50% of pre-approved contractor fees. NRC may also terminate the Contribution Agreement or reduce the contribution funding in the event that the amount of the appropriation is reduced or denied by the Canadian Parliament.

The Market Analysis and Product Development Study will consist of two phases. Phase 1, the market assessment study, involves: (i) information research to assess markets and competitive trends, (ii) development of a market entry strategy which includes value proposition, price points, channels of distribution and timelines and milestones for implementation, (iii) evaluating the commercial application of the products as ingredients and to be able to assess the commercial potential of the products. Naturally Splendid commenced Phase 1 in December 2012, anticipates that it will cost \$82,250 and be completed by

March 31, 2013. Provided that Naturally Splendid completes Phase 1 by March 31, 2013, Naturally Splendid will be entitled to receive up to \$37,300 from NRC. As a result, Naturally Splendid anticipates that each of Naturally Splendid and CMH will pay \$22,475 for Phase 1 of the study. It is anticipated that Phase 1 will now be completed by June 30, 2013.

Phase 2, the product development study, will involve: (i) review of current hemp seed oil applications, (ii) development of three food product concepts/formulations which will incorporate HempOmega at a level that can deliver a health benefit, (iii) create food product prototypes and test the performance of HempOmega in different food matrices through sensory evaluations and stability studies with hemp oil, (iv) evaluation the impact on food processing and nutritional properties when HempOmega is used as a functional ingredient in food products, and (v) developing nutritional labels. Naturally Splendid anticipates that Phase 2 will cost \$41,750 and anticipates it will commence in early July 2013 and be completed by late October 2013. Provided that Naturally Splendid completes Phase 2 by March 31, 2014, Naturally Splendid will be entitled to receive up to \$18,125 from NRC. As a result, Naturally Splendid anticipates that each of Naturally Splendid and CMH will pay \$11,812 for Phase 2 of the study.

CMH will own all of the intellectual property relating to the powdered hemp seed oil and the trademark "Hemp Omega", which is the anticipated name of the products. In the event that CMH and Naturally Splendid are successful in their investigations, CMH will enter into a sales and distribution agreement with Naturally Splendid whereby Naturally Splendid will have the exclusive right to market and distribute HempOmega for a period of one year within Canada. Naturally Splendid anticipates that it will add HempOmega to its proposed products, being flavored protein, natural superfood cereals, snack packs and energy bars, 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. Initial research has exposed a significant commercial opportunity in the dairy market with both liquid products (milk and yogurt) and solid products (multiple cheese and cheese base products). Additionally, research has uncovered opportunities specific to the senior and infant markets. Finally, upon positive test results, HempOmega will be marketed to numerous sports nutrition companies to be added to their existing product lines.

On May 15, 2013 the Company announced the signing of a sales agreement with CMH. Under the terms of the sales agreement, Naturally Splendid will have the right to market and distribute HempOmega™ and H2Omega™, whether on an exclusive or non-exclusive basis, until January 1, 2017. Provided that Naturally Splendid meets certain annual purchase benchmarks, Naturally Splendid will maintain its exclusive right to market and distribute the products in Canada. The Sales Agreement is also subject to certain minimum annual purchase commitments by Naturally Splendid.

Market for Products

Naturally Splendid is currently focused on serving the retail food market in British Columbia and Alberta and have retained New Age Marketing and Brand Development Inc. to promote it across Canada. However, management of Naturally Splendid believes that a potential market for its product is the entire North American region and ultimately, globally.

North American eating trends reflect changing patterns that now focus on health foods. These changes show increased consumer awareness towards organic foods and foods that offer disease prevention as well as nutrition and general health. In particular, there is an increased demand for products with high-omega content. The number of global new product introductions bearing high-omega claims increased from 67 in 2000 to 661 in 2007 and further grew to 754 in 2010, notwithstanding the dampening effect of the global economic downturn on new product activity. The overall growth in omega rich products spans multiple product categories. This in turn, has significantly increased consumers understanding of the numerous

health benefits when included into one's diet. Accordingly, Naturally Splendid believes increased demand for omega rich products will assist it in completing its business objectives over the next twelve months.

Canadian consumer demand for hemp based products has been in a steady growth pattern over the past decade as consumers have become more aware of its nutritional profile. Over the past three years, the two largest Canadian hemp seed processors have increased their processing capacity to meet this demand. In particular, Manitoba Harvest built a new processing facility in 2008 to increase its capacity by 500%.

Market Acceptance

The Canadian marketplace has become more focused on consuming foods with high nutritional value as well as foods that are produced within Canada. Naturally Splendid believes that its hemp-based food products meet those requirements of consumers as hemp has significant nutritional value and all of Naturally Splendid's products are produced in Canada.

Marketing Plan and Strategies

Naturally Splendid's marketing strategy is to increase market share and sales in western Canada by promoting its hemp-based food products. Currently, Naturally Splendid's marketing strategy involves traditional marketing campaigns as well as new media venues such as the recently launched Quick Response (QR) Code Program that can be accessed through smart phones.

Naturally Splendid's traditional marketing campaign strategies include advertising on billboards, grand format ads, magazines, newspapers and radio feature segments. In addition, Naturally Splendid utilizes promotional marketing programs with each retailer. Materials provided to retailers include printed brochures and fact sheets, point of purchase displays and sampling programs. Naturally Splendid anticipates that traditional marketing campaigns will cost approximately \$90,000 over the next twelve months.

A new website has been developed for Naturally Splendid by Karo, a graphic design and branding firm established in 1971. Launch of Phase 1 of the new website included the new Naturally Splendid branding; an updated, state of the art on-line retail product ordering system; and more presence and functionality of various social media platforms including Twitter, Facebook, etc. Cost of Phase 1 is approximately \$15,000. Additional phases are under development and will be launched as they become available. Total website redevelopment is estimated at \$50,000.

New media campaigns involve social media, web infomercials and QR Codes on products. Naturally Splendid plans to use social media and web infomercials to increase on-line presence and educating the consumer on the benefits of hemp-based products. QR Codes will be placed on Naturally Splendid's products and will allow the consumer to obtain information on Naturally Splendid by scanning the QR Code with their smart phone. Naturally Splendid anticipates that this form of marketing will cost approximately \$30,000 over the next twelve months.

Naturally Splendid receives the full retail price for online orders. Naturally Splendid's wholesale price list ("Wholesale Price List") provides retailers with a 35% - 40% discount. Distributors receive a 20% - 27% discount from Naturally Splendid's Wholesale Price List, based on the level of services provided.

Competitive Conditions

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, being shelled hemp seed, hemp protein, hemp oil and hemp oil supplements.

Naturally Splendid's competitive advantage is its packaging and marketing materials due to the fact that it is designed and branded to the mainstream market. Whereas, many competitors had chosen to brand their products with a '5 leaf plant theme' to capitalize on the fringe lifestyle element, they now need to 'backtrack' and rebrand to appeal to more mainstream markets. Since Naturally Splendid's products entered the market place, it has noticed that its competitors marketing strategy has moved in line with Naturally Splendid's philosophy.

Naturally Splendid has also met the NON-GMO Project Certification requirements for both Canada and the United States, allowing the use of certain trademarks on the product labels. 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>

Recently, Naturally Splendid was approved as an official member of the Canada Brand Program. As the sole name brand hemp based food company to be accepted into the Canada Brand Program, Naturally Splendid believes that this provides it with an additional advantage over its competitors. As a result, Naturally Splendid has developed new packaging and marketing materials to incorporate the Canada Brand markings.

Pricing of Naturally Splendid's products is comparable to its competitors and allows for sufficient margin to distribute for brokers and agents. This in turn allows for grocery or pharmacy chains to offer promotional discounts to increase customer base on an as needed basis.

SELECTED ANNUAL INFORMATION

The Company is providing the following selected information with respect to the audited financial statements of Race and NS. As a result of the Transaction, the former Race changed its year end from January 31 to December 31 to match the year end of NS. The audited financial statements were all prepared in accordance with International Financial Reporting Standards, and are expressed in Canadian dollars.

Naturally Splendid Enterprises Ltd. (former private company NS)

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
	(\$)	(\$)	(\$)
Statements of Loss Data			
Total Revenue	99,660	104,072	81,637
Expenses	(157,145)	(713,359)	(272,040)
Interest Income	-	-	-
Net Loss	(127,274)	(675,580)	(190,403)
Basic and Diluted Loss Per Share	(0.01)	(0.06)	(0.02)
	As at December 31, 2012	As at December 31, 2011	As at December 31, 2010
	(\$)	(\$)	(\$)
Statements of Financial Position Data			
Total Assets	87,008	102,557	92,980
Total Liabilities	257,133	577,308	(368,051)
Total Equity	(170,125)	(474,751)	(275,071)

Naturally Splendid Enterprises Ltd. (ex Race Capital Corp.)

	Year Ended January 31, 2013	Year Ended January 31, 2012	Period from December 21, 2010 (Inception) to January 31, 2011
	(\$)	(\$)	(\$)
Statements of Loss Data			
Total Revenue	-	-	-
Expenses	(126,969)	(111,197)	(5,172)
Interest Income	633	685	-
Net Loss	(126,336)	(110,512)	(5,172)
Basic and Diluted Loss Per Share	(0.06)	(0.09)	(0.11)
Statements of Financial Position Data			
	As at January 31, 2013	As at January 31, 2012	As at January 31, 2011
	(\$)	(\$)	(\$)
Total Assets	113,542	165,903	98,994
Total Liabilities	90,203	16,228	(4,166)
Total Equity	23,339	149,675	94,828

DISCUSSION OF OPERATIONS

The three months ended March 31, 2013 represent the first quarter that the Company has been a publicly listed amalgamated entity. As such there are certain expenses incurred in the quarter 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.

The Company reported the following:

	March 31, 2013	March 31, 2012
	\$	\$
Revenue	15,991	15,766
Cost of sales	11,791	11,578
Gross Profit	4,200	4,188
Selling and Distribution expenses	49,594	21,412
Administrative expenses	350,383	76,529
Loss from operations	395,777	93,753
Loss and Comprehensive Loss	1,732,499	96,399

Revenues

Revenue was essentially the same over the comparable periods of 2013 and 2012 at \$15,991 and \$15,766 respectively. We note that during the last year the Company was focused primarily on completing the Transaction and raising the funds to complete the private placement. We expect to concentrate on increasing sales during the balance of the year.

Naturally Splendid anticipates that its revenues will continue to increase over the remainder of the year due to:

- a demand in products resulting from Naturally Splendid's engagement of New Age Marketing and Brand Development Inc., a Canadian natural food broker, to market and distribute its products across Canada.
- increased focus of consolidating foods with the major retailers, which include London Drugs, IGA Marketplace and Overwaitea Food Group.
- a continued participation in Health and Wellness tradeshow in North America.
- the development of new packaging and labels to attract new customers to its products.

Costs of Sales and Gross Profit

Cost of Sales and Gross profit were essentially the same during the comparative quarters of 2013 and 2012 as noted in the table above. This is also a reflection of the emphasis on completing corporate structuring activities while maintaining the existing client base.

Expenses

Commencing with the current period, 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 will allow 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.

The most significant item in recording the loss and comprehensive loss of \$1,732,499 was a Listing Expense of \$1,331,499 (2012 - \$NIL). This is 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. The reader is referred to Note 4 of the unaudited condensed consolidated interim financial statements as at and for the period ended March 31, 2013 for a more detailed discussion of this item.

Selling expenses were also similar at \$49,594 and \$21,412 when we take into account that the 2012 period included significant grants from federal government agencies for product development. These again reflect the emphasis on completing corporate structuring activities while maintaining the existing client base during the period.

Naturally Splendid's administration expenses during the three month periods ended March 30, 2012 and 2013 are set forth below:

	Three month period ended	
	March 31, 2013	March 31, 2012
	\$	\$
Accounting and audit	8,449	4,000
Amortization	1,317	1,628
Bank and service charges	1,078	1,347
Consulting	18,895	10,830
Directors fees	3,000	-
Legal fees	8,977	16,146
Management fees	14,000	31,200
Office an general	8,153	7,624
Promotion	9,503	1,232
Share based payments	239,220	-
Transfer agent and filing fees	34,136	-
Travel	3,655	2,522
	350,383	76,529

Included in Administrative expenses are Share Based Payments of \$239,220 (2012 - \$NIL) representing the estimated cost of the issuance of the 2,050,000 stock options in Q1, and Transfer Agent and Filing Fees of \$34,136 (2012 - \$NIL). Excluding the above items which did not apply in the private stage, administrative expenses were generally comparable at \$77,027 (2012 - \$76,529), although there were variations in the categories within that expense area. We anticipate that these expenses will increase as we move to full operations.

Most expenses were comparable over the two respective periods except for:

Accounting and audit expenses were higher at \$8,449 (\$4,000) as significantly more work was required due to the process of going public in 2013.

Consulting fees increased to \$18,895 from \$10,830 due to increased activity in product development and reporting which could not be directly tied to specific selling expenses.

Directors fees of \$3,000 (\$NIL) were incurred as a public company which expenses were not applicable in the private stage.

Legal fees decreased to \$8,977 from \$16,146 as most of the expense of organizing and restructuring was incurred in 2012.

Management fees reflect the cost of being a public company. During the quarter \$14,000 was paid to management, as opposed to \$31,200 paid to management of the private company in the comparable 2012 period. This is a reclassification of expenses, as previously 2012 expense was reported as part of salaries. The company now segregates out production related salaries from management expense.

Promotion increased to \$9,503 from \$1,232 as the company is now actively working to promote both the product and the company to potential investors and analysts.

Other Items

Naturally Splendid incurred other, non-operational expenses during the quarter. Aside from the listing expense discussed above, the only significant expense was the forgiveness of accounts payable of \$5,703 (\$2,646) which was related to a write down of trade and other payables.

SUMMARY OF QUARTERLY RESULTS

As a former private company, NS did not prepare quarterly financial statements. Accordingly the information provided is taken from the records of NS until December 31, 2012 and is for the Company, as a combined entity, as of March 31, 2013 (Q1 – 2013) forward.

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.

	Year ended December 31, 2013	Year ended December 31, 2012		
	Q1	Q4	Q3	Q2
Total Revenue	15,991	19,349	26,114	35,431
Gross Margin	4,200	9,644	3,459	19,498
Loss (income) from operations	395,777	206,431	76,911	(252,466)
Loss & Comprehensive Loss	1,945,579	206,431	76,911	(252,466)
Basic and diluted loss per share	(0.09)	N/A	N/A	N/A

	Year ended December 31, 2012	Year ended December 31, 2011		
	Q1	Q4	Q3	Q2
Total Revenue	15,766	Nil	Nil	Nil
Gross Margin	4,188	(126)	(47)	(47)
Loss from operations	93,753	N/A	N/A	N/A
Loss & Comprehensive Loss	96,399	9,023	38,397	38,397
Basic and diluted loss per share	(0.01)	N/A	N/A	N/A

The results of most quarters are comparable. Q2 of 2012 recorded income of \$252,466 due to a gain of \$329,972 recorded on the write-down of accounts payable and related party payables.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2013, the Company had cash and cash equivalents of \$1,017,401 and working capital of \$1,151,414, compared with cash of \$5,077 and a working capital deficit of \$180,090 as at December 31, 2012. The increase in cash and working capital is due to the completion, during the quarter, of an offering

of 10,000,000 common shares of the Company at a price of \$0.175 per share for gross proceeds of \$1,750,000 (the “Financing”).

The proceeds of the Financing are being used to fund the business plan of the Company. The Company paid cash commissions of \$140,053, a corporate finance fee of \$50,000 and issued 600,600 Agent’s warrants entitling the Agents to purchase 600,600 Common Shares exercisable at an exercise price of \$0.175 per share until February 28, 2014.

The Company also issued, as of the date of this report, 138,400 common shares for proceeds of \$13,840 in connection with the exercise of agent’s warrants previously issued under the Company’s initial public offering.

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.

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 for the three months ended March 31, 2013 and the year ended December 31, 2012 are as follows:

- On April 11, 2012, the Company issued 1,309,600 Class C common shares to settle trade and other payables due to officers and directors in the amount of \$327,400 (Note 11).
- On June 30, 2012, the Company entered into an off-setting agreement with the officers and directors of the Company whereby advances receivable in the amount of \$10,000 due from the officers and directors were offset against trade and other payables in the amount of \$10,000 due to the same parties in relation to accrued wages.

As at March 31, 2013 and December 31, 2012, the amounts due to related parties include:

	March 31, 2013	December 31, 2012
Due to officers and directors	\$ -	\$ 10,796
Loans payable to officer	-	8,333
Loans payable to a spouse of an officer	-	82,070
	<u>\$ -</u>	<u>\$ 101,199</u>

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:

	March 31, 2013	March 31, 2012
	\$	\$
Management fees	14,000	31,200
Directors fees	3,000	-
Share-based payments (Note 12)	239,220	-
	<hr/>	<hr/>
	256,220	31,200
	<hr/>	<hr/>

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the period ended March 31, 2013 and year ended December 31, 2012.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The reader is referred to the annual audited financial statements of the Company dated December 31, 2013 for a discussion of pending changes in accounting policies and critical accounting estimates, which are incorporated by reference in this report.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable and trade payables. The fair values of these financial instruments approximate their carrying values unless otherwise stated. As set out below, it is the opinion of management that it is not exposed to significant credit risk, liquidity risk, currency risk, interest risk and other price risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and amounts receivable. The Company manages its credit risk relating to cash by dealing only with highly-rated Canadian financial institutions. As at March 31, 2013, amounts receivable of \$56,630 (December 31, 2012 - \$28,535) was comprised of GST of \$48,753 (December 31, 2012 - \$11,527) and trade receivables of \$7,877 (December 31, 2012 - \$17,008). As a result, credit risk is considered insignificant.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. As the Company's financial instruments are substantially comprised of cash, liquidity risk is considered insignificant.

Currency Risk

The Company's cash flows and financial assets and liabilities are denominated in Canadian dollars, which is the Company's functional and reporting currency. As a result, currency risk is considered insignificant.

Interest Risk

The Company is not subject to interest risk.

Other Price Risk

The Company is not subject to other price risk.

OUTSTANDING SHARE DATA

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

Type of Security	March 31, 2013	Date of Report
Issued and outstanding common shares	25,681,051	25,758,415
Agent's warrants exercisable at \$0.10 per common share ⁽¹⁾	118,920	61,600
Agent's warrants exercisable at \$0.175 per common share ⁽²⁾	600,600	600,600
Stock options exercisable at \$0.175 per common share ⁽³⁾	2,050,000	2,050,000
Fully diluted shares	28,450,571	28,450,571

Notes:

- (1) Each warrant was exercisable at \$0.10 per share until August 10, 2013.
- (2) Each warrant was exercisable at \$0.175 per share until February 28, 2014.
- (3) Each stock option was exercisable at \$0.175 per share until March 4, 2018.

FURTHER INFORMATION

Risk Factors

The reader is cautioned that the Company is subject to a number of risk factors. A detailed description of these is included in the Filing Statement dated February 1, 2013 which is incorporated herein by reference.

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*" in the Company's Filing Statement dated February 1, 2013.

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*" in the Company's Filing Statement dated February 1, 2013.

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.