Naturally Splendid Enterprises Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended

December 31, 2018

This Management's Discussion and Analysis ("MD&A") for Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") has been prepared as of April 29, 2019. It should be read in conjunction with the audited financial statement of the Company for the year ended December 31, 2018 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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

COMPANY OVERVIEW

Naturally Splendid is in the business of distributing grain-based super foods and health products for humans and pets. While most distribution has historically and continues to be in Canada, the Company has expanded its distribution network into the United States in 2015, into Korea in 2016 and in 2017 has shipped products into Germany, Japan and Australia. In 2015, the Company acquired Chi Hemp Industries Inc. ("Chi"), an online hemp product marketing company.

Also in 2015, the Company acquired 51% of POS BPC Manufacturing Corp. ("BPC"), a company which operates a 12,000 square foot facility capable of processing a variety of products including the suite of plant-based omega technologies such as HempOmega™. In February 2018 the Company sold its 51% share in BPC to BPC's other shareholder for $3.54 million in cash and recorded a gain of $5.071 million on the sale.

On October 18, 2017, the Company acquired 100% of Prosnack Natural Foods Inc. ("Prosnack"), a producer of Elevate Me™ energy bars and products as well as private label foods and related production equipment. The Company paid $278,499 by way of 1,345,752 common shares of the Company, $101,000 in cash and has agreed to pay up to $1.2 million over the next five years if the Prosnack sales combined with the Company's North American retail sales exceed certain escalating sales targets, starting at an initial threshold of $3.25 million for 2018. If sales in any year exceed the sales target, the former Prosnack shareholders will receive 25% of the sales above that target, up to a cumulative maximum of $1.2 million. Prosnacks results are consolidated with the Company's results from the date of acquisition.

On April 24, 2018, the Company agreed to acquire all the issued and outstanding shares of Absorbent Concepts Inc. ("ACI"), an organic hemp processor located in Abbotsford, Canada in exchange for assuming all the outstanding bank loans of ACI as at the acquisition date. Concurrent with the closing of the share purchase agreement, the Company entered into a $200,000 interest bearing loan agreement at 5.5% per annum with the seller of ACI where repayments will be contingent upon achieving milestones related to net income and other qualitative performance targets. The transaction completed on July 16, 2018.

The development of protein isolate, hemp omega and CBD products continues to be the key focus of the Company as these are introduced with innovative products and formulations in several marketing sectors such as retail, health practitioners, food service, ecommerce and pets.

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

INTERNATIONAL SALES

South Korea
There has been limited activity in bulk hemp seed sales since August 2017 when one container was sold bringing our total sales to three containers in 2017. Current market trends and pricing has demonstrated severe margin reductions and an oversupply of hemp seeds in S. Korea. We continue to maintain relations with our distributors as this mature market has consumer demand in other hemp based products and NSE will be opportunistic and well-positioned to provide products that suit the market's needs.

Western Europe
Sales continue via the ecommerce platform now that NATERA is active in the Western Europe market. Advertising and promotion activities are being developed to build more awareness and generate sales opportunities.

Japan
The arrangement the Company had with the prior Importer/Distributor which is vital and necessary process that cannot be circumvented in order to have an orderly and lawful approval of our products has been terminated. The Company is currently seeking an alternative Importer/Distributor to fill this role.

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

Australia
During 2017 the Company developed its relationship with a major distributor with access to five key market segments; Veterinarians, Retail, Food Service, Health Practitioners and Ecommerce and on November 9 completed its first shipment to Australia for approximately $136,000. On November 12, 2017, Australia began permitting the legal importation of hemp products for human consumption for the first time in their country's history. The Company is making preparations to market its NATERA and Elevate Me brands of products (hemp seeds & hemp protein conventional and organic and bars) to satisfy three of the five sectors as an initial launch; allowing for market research, customer acceptance and development of logistical elements to prepare for further key market segment penetration and product introductions. It is anticipated that Australia will replace some of the lost sales in S. Korea but with improved margins and establish the NATERA brand "down under."

New Zealand
As of November 12, 2018, hemp is now legally permitted for human consumption. NSE is developing relationships to synergize logistics and introduce the NATERA brand to the country and are in advanced discussions with parties interested in distributing NATERA Hemp Foods; Pawsitive FX; as well as bulk hemp opportunities.

DOMESTIC SALES

In Canada, the Company has focused on retail sales with major retailers across Canada using a National distribution company. In addition to the distribution arrangement, NSE has steadily increased the number of stores and in-store sales since March 2017 in Canada. The NATERA / Elevate Me brands are now present coast to coast in such retail stores as Whole Foods, Metro, Sobeys, Nesters, Donald's Markets, IGA, Natures Emporium and Urban Fare stores, to name a few. The Company will be focusing on building national business opportunities, leveraging the Prosnack relationship based on products currently sold in over 1,400 stores across Canada and will continue to focus on value added products to gain a larger stake in Private Label and Co-Packing manufacturing, which allows NSE to be a greater force in building products that will be represented in every major retailer in Canada, in one form or another. The sales opportunities in those categories surpass our own brand sales, and will likely continue to do so. In addition to retail, we have now moved into food service, selling to restaurants to diversify our sales interest and secure more business. Food service is trending to become the largest and most promising area of growth in our business today, opening new doors to our company with increased sales and stronger margins.

BIOTECHNOLOGY & INNOVATION

The Protein Isolate, HempOmega™ and CBD Technologies are comprised of numerous exclusive and non-exclusive agreements, as well as all know-how, intellectual property and standard operating procedures related thereto. Naturally Splendid will focus its resources on selling products developed utilizing the Omega Technology, such as HempOmega powder and HempOmega emulsion.

HempOmega™
Naturally Splendid is marketing HempOmega™ as an ingredient to the NATERA Pro 3-6-9 hemp protein, a functional beverage for athletic clients. NATERA Pro 3-6-9 was launched at the CHFA in August 2017.

Hemp Protein Isolate
The significance of this development is as a possible replacement to other protein sources (whey, soy and pea) in the energy beverage and nutritional health sector. Samples for distribution to interested clients are planned in Q4 together with continued research in applications for this ingredient through federal funding by way of a partnership with the Protien Industry Cluster, a Canada wide research funding program.

The Company has completed preliminary work formulating beverages utilizing HempOmega™ and will now continue R&D into the utilization of our hemp protein isolate into functional and sports beverages. As regulations allow for CBD fortification, the Company will further expand the R&D program.

OPERATIONS - PROSNACK ACQUISITION

On October 18, 2017, the Company acquired 100% of the issued and outstanding shares of Prosnack. Prosnack is a company that distributes lifestyle and healthy meal replacement products throughout North America. Under the terms of the agreement, the Company paid $101,000 cash and issued 1,098,901 common shares with a fair value of $200,000 during the year ended December 31, 2017. The remaining 246,851 shares were recorded as an obligation to issue shares as at December 31, 2017 and were issued during the year ended December 31, 2018.

The acquisition of Prosnack was accounted for as a business combination. The consideration paid was recorded in the accounts of the Company at its fair value determined as follows:

Cash	$	101,000
Common shares issued		200,000
Common shares to be issued		78,499
Contingent consideration payable		400,000
	$	**779,499**

The net assets acquired, and the purchase price allocation was:

Accounts receivable	$	131,091
Inventory		224,651
Prepaid expenses		99,903
Property and equipment		264,535
Bank indebtedness		(235,048)
Accounts payable		(164,289)
Long-term debt		(178,783)
Brand and trademark (Note 10)		145,000
Customer lists (Note 10)		256,000
Non-compete clauses (Note 10)		10,000
Deferred income tax liability (Note 19)		(87,460)
Goodwill (Note 20)		313,899
	$	**779,499**

Since the acquisition of Prosnack on October 18, 2017, Prosnack generated revenues for the year ended December 31, 2018 of $931,417 (2017 – $102,705) and a net loss of $2,090,822 (2017 – $120,348). The Company also repaid long-term debt of $178,783 and bank indebtedness of $235,048 during the year ended December 31, 2017.

On closing of the transaction, the sellers of Prosnack and the Company entered into a five year earn-out agreement. During the term of the earn-out agreement, the Company will pay a 25% commission on the sales exceeding a base rate generated by the Vice President of Sales and Marketing. This has been accounted for as contingent consideration payable and added to the purchase price. During the year ended December 31, 2018, earn-out payments of $nil (2017 - $nil) were accrued and paid.

As at December 31, 2018, the fair value of the contingent consideration payable was reassessed in accordance with IFRS 9, and a loss on revaluation of contingent consideration payable of $565,000 (2017 - $nil) was recorded in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2018 due to a change in forecasted sales revenues. The changes in the contingent consideration payable for the year ended December 31, 2018 and 2017 are as follows:

		2018		**2017**
Balance, beginning of year	$	400,000	$	-
Acquisition of Prosnack		-		400,000
Revaluation		565,000		-
Balance, end of year	**$**	965,000	**$**	400,000
Current portion		(271,000)		(57,000)
Long term portion	**$**	694,000	**$**	343,000

OPERATIONS – NATURALLY SPLENDID HEMP PROCESSORS LTD ACQUISITION

On July 16, 2018, the Company acquired 100% of the issued and outstanding shares of Absorbent Concepts Inc. (now known as Naturally Splendid Hemp Processors Ltd). NSHP is a company that previously produced organic hemp products. Under the terms of the agreement, the Company paid $1 cash and repaid loans of $640,018.

As the business was closed for some time before acquisition and was not considered to have inputs and processes, the acquisition of NSHP was accounted for as an asset acquisition. The consideration paid was recorded in the accounts of the Company at its fair value determined as follows:

Cash	**$**	1
Repayment of bank loans		640,018
	$	**640,019**

The net assets acquired, and the purchase price allocation was:

Accounts receivable	**$**	58,205
Inventory		212,498
Prepaid expenses		3,913
Property and equipment		805,568
Accounts payable		(164,067)
Long-term debt		(214,354)
Leases payable		(61,744)
	$	**640,019**

NSHP entered into a loan agreement with the seller of NSHP for $200,000. The repayment of the loan is dependent on satisfaction of 6 different milestones based on net income, achievement of research and development milestones. Should the milestones not be reached, the loan from the seller of NSHP will be forgiven and included in income. As at December 31, 2018, $20,000 (2017 – $nil) is classified as current portion of loan payable for milestones achieved and $180,000 (2017 – $nil) is classified as long-term portion of loan payable for milestones not yet achieved and not expected to be achieved within twelve months.

MANAGEMENT AND BOARD OF DIRECTORS ACTIVITIES

On November 7, 2017, Doug Mason was appointed a Director of the Company and was appointed Interim CEO effective January 1, 2018. In April 2018 he became the Company's permanent CEO. Effective December 31, 2017, Dave Eto resigned as CEO and as a Director of the Company. Mr. Mason has been President and CEO of well-known beverage companies including Jolt Cola and Clearly Canadian Beverage Corporation where he has been credited as one of the pioneers of the New Age Beverage category. Additionally, Mr. Mason is a past Chair of the B.C. Sports Hall of Fame and Museum and of the B.C. Sports Hall of Fame Foundation. Effective March 1, 2018, Brian Richardson resigned as the Company's CFO and Sead Hamzagic was appointed CFO.

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, 2018 $**	**Year Ended December 31, 2017 $**	**Year Ended December 31, 2016 $**
Total Revenue	2,073,776	1,550,469	6,603,889
Cost of sales	(1,549,652)	(1,333,434)	(5,636,838)
Expenses	(6,692,118)	(4,741,226)	(3,446,712)
Other Income (loss)	(558,242)	154,016	16,253
Deferred income tax	43,652	43,808	-
Discontinued operations	5,071,223	(490,179)	(312,717)
Net Loss	(1,611,361)	(4,816,546)	(2,775,579)
Basic and Diluted Loss Per Share	(0.01)	(0.06)	(0.05)

Statements of Financial Position Data	**As at December 31, 2018 $**	**As at December 31, 2017 $**	**As at December 31, 2016 $**
Total Assets	6,569,652	6,686,043	6,084,742
Total Current Liabilities	1,798,783	2,108,829	1,968,575
Total Non-Current Liabilities	1,143,296	821,531	166,962
Total Liabilities	2,942,079	2,930,360	2,135,537
Total Equity	3,627,573	3,755,683	3,949,205

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	December 31, 2018 $	**September 30, 2018 $**	**June 30, 2018 $**	**March 31, 2018 $**
Total Revenue	769,736	499,538	483,675	320,827
Gross Margin	110,889	155,494	154,437	103,304
Income (loss) from operations	(1,402,512)	(1,696,560)	(1,555,702)	(1,513,220)
Discontinued operations	5,102,068	-	-	(30,845)
Comprehensive income (loss)	1,653,463	(1,699,726)	(1,551,701)	(13,397)
Basic and diluted income (loss) per share	.02	(0.02)	(0.02)	0.00

	Three months ended			
	December 31, 2017 $	**September 30, 2017 $**	**June 30, 2017 $**	**March 31, 2017 $**
Total Revenue	388,665	315,712	426,032	420,060
Gross Margin	(33,015)	42,456	111,038	96,556
Income (loss) from operations	(1,459,994)	(1,251,752)	(955,190)	(857,255)
Discontinued operations	(129,387)	(133,443)	(130,351)	(96,998)
Comprehensive income (loss)	(1,424,981)	(1,362,013)	(1,087,497)	(942,055)
Basic and diluted income (loss) per share	(0.02)	(0.02)	(0.01)	(0.01)

DISCUSSION OF OPERATIONS

Overview

During the period ended December 31, 2018, the Company's sales increased by approximately $523,000. The Company continued to experience lower bulk sales, particularly export sales of bulk hemp seeds and hemp products in general which accounted for a decrease of approximately $348,000 and branded hemp products decreased by approximately $101,000 during the year. Offsetting the decrease was the Natera Sport and Natera FX products which added approximately $103,000 in sales and the Prosnack business having a full year of business reporting under the Company accounted for an additional $750,000 in sales compared to the prior year. Today the international bulk sales market is highly price competitive and margins continue to shrink. Accordingly, the Company is focused on branded international sales and has entered the German, Australian and Japanese markets.

Q4 Results

Operating results for the twelve months ended December 31, 2018 saw no significant bulk sales revenue, and increase in the Company's private label business, tight margins and increases in several expense categories. Office and compensation costs, including share-based compensation, increased as the Company added staff and management. A number of inventory adjustments were recognized during the prior year resulting in better cost of goods.

Revenue

	Three months ended December 31, 2018	Three months ended December 31, 2017	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Revenue	$ 769,736	$ 388,675	$ 2,073,776	$ 1,550,469

Revenue during the period ended December 31, 2018 was $2,073,776 (2017: $1,550,469). Most of this increase was due to the Prosnack private label business offset with decreased sales of bulk hemp seed and other related hemp products. The addition of Prosnack in October 2017 being reported for a full year in 2018 has contributed an additional $750,000 in 2018 offsetting the hemp product sales. The addition of NHSP in July did not materially impact the sales for the period ended December 31, 2018.

Costs of Sales and Gross Profit

	Three months ended December 31, 2018	Three months ended December 31, 2017	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Cost of Sales	$ 539,370	$ 421,654	$ 1,549,652	$ 1,333,434
Gross Profit	$ 110,889	$ (33,015)	$ 524,124	$ 217,035
Margins	17.05%	64.32%	26.82%	14.00%

Cost of Sales during the period December 31, 2018 was $1,549,652 compared to $1,333,434 in 2017. The Company significantly changed its sales mix in 2018 with a reduction of export bulk seed sales, which, sold at a lower gross margin percentage, thus the period ended December 31, 2018 provided better margins due to the minimal volume of bulk seed sales. The Company is now focused on its higher margin products and new commercial opportunities. The addition of NHSP in July did not materially impact the cost of sales for the periods ended December 31, 2018.

Selling and Distribution Expenses

	Three months ended December 31, 2018	Three months ended December 31, 2017	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Facility	$ 54,062	$ 95,699	$ 339,090	$ 95,699
Freight and delivery	18,511	6,631	42,600	49,554
Product development, net of grants	(28,063)	38,397	11,660	167,316
Product promotion, net of grants	84,719	423	357,934	69,634
Inventory write-down	266,479	(150,275)	266,479	348,690
Selling and distribution expenses	**$ 395,708**	**$ (91,275)**	**$ 1,017,763**	**$ 730,893**

Selling and distribution expenses in total during the period ended December 31, 2018 remained fairly consistent compared to the comparative twelve-month period other than facility expenses which increased in 2018 due to the additional space requirements including the move of Prosnack to the Pitt Meadows facility. Freight and delivery was also lower due to a greater focus on domestic rather than international sales (bulk market). Product development decreased during the period as the Company as it moves forward with its new products. Product promotion increased significantly due to the addition of the Prosnack division, private label and new product lines. The inventory write-downs of hemp seeds and related hemp products during the period accounted for a large portion of the expenses in the period.

Administrative Expenses

	Three months ended December 31, 2018	Three months ended December 31, 2017	Twelve months ended December 31, 2018	Twelve months ended December 31, 2017
Accounting and audit	$ 15,118	$ 8,735	$ 182,192	$ 110,083
Amortization	126,379	96,015	452,735	300,843
Bank charges, interest and accretion	12,675	21,524	35,215	52,289
Consulting	136,133	199,099	1,005,113	802,133
Corporate promotion	85,878	116,700	323,195	373,865
Directors’ fees	14,000	13,667	54,000	13,667
Legal	13,375	54,241	92,307	179,887
Office, rent and salaries	685,812	560,933	2,188,000	1,286,588
Share-based payments	10,905	327,246	1,238,814	777,369
Transfer agent and filing fees	9,172	29,822	65,343	54,197
Travel	8,246	8,158	37,441	59,412
	$ 1,117,693	**$ 1,436,140**	**$ 5,674,355**	**$ 4,010,333**

Administrative expenses were broadly higher during 2018 compared to 2017, due to increased activities across a wider range of markets this year and the Company is developing a number of new commercial ingredient products which have a longer sales cycle and is working to develop a number of international markets. Also, as the Company acquired Prosnack in late 2017 and the first nine months of 2018 include these expenses whereas the comparative 2017 twelve months only includes Prosnack expenses for approximately two and a half months (since acquisition). Also in during the year, Prosanck completed commissioning of its packing line and ramping up to full commercial production and began integrating the Prosnack operations into the Company’s facilities in Pitt Meadows, BC. The addition of NHSP in July did not materially impact the expenses for the period ended December 31, 2018.

Accounting and audit fees were slightly higher during the twelve months ended December 31, 2018 due to the Audit costs in the prior year and the timing of invoices including the additional Prosnack. ***Amortization*** has increased significantly with the addition of the Prosnack and NSHP acquisition, which reflects the addition of depreciable assets including packaging equipment and related leasehold improvements and the amortization of intangible assets; ***Bank charges and interest accretion*** was lower as the Company paid off its long-term debt in the beginning of the year; ***Consulting fees***, which represent outside business consultants and certain officers of the Company, were higher as the Company has additional senior management in the current year; ***Corporate Promotion*** decreased over the year as corporate promotional activities regarding corporate and general product awareness campaigns were not as active in the period in comparison to the comparative period; ***Legal fees*** were lower in 2018 as the Company used management to provide some of the preliminary services on commercial agreements and its investment in international trade mark and intellectual property protection in the prior period; ***Office rent and salaries*** reflects the cost of the warehouse premises, administrative staff, and the general increase in costs as the company moved to a larger head office and engaged in expanding its products and operations including the additional expenses of Prosnack (Rent and Staff costs) for the current period; ***Share based payments*** were higher, mainly reflecting the significant issuance of options and the vesting of all unvested options and other compensation in during the period; ***Transfer agent and filing fees*** increased slightly during the period; ***Travel*** decreased slightly in developing new international markets throughout the period.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2018, the Company had cash of $188,814 (December 31, 2017 - $301,080) and a working capital of $426,053 (December 31, 2017 - $91,412). As at the date of this MD&A, the Company has working capital of approximately $1.4 million.

Capital Lease Obligations:

In January 2017, the Company entered into a lease contract to acquire food packaging equipment. Under this lease, the Company is required to make monthly lease payments of $9,765 (including GST) until May 2022. The Company has accounted for this as a capital lease obligation and recognized interest expense of $19,697 (2017 - $18,543) in the consolidated statements of loss and comprehensive loss.

In July 2018, the Company acquired NSHP which had a lease contract for production equipment. Under the lease, the Company is required to make monthly lease payments of $2,804 (including GST) until September 2020. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The Company has accounted for this as a capital lease obligation and recognized interest expense of $4,500 (2017 - $nil) in the consolidated statements of loss and comprehensive loss.

Cash flows for the period ended:

	2018	2017
Cash used in operating activities from continuing operations	$ (3,945,138)	$ (3,034,920)
Cash provided by operating activities from discontinued operations	-	44,762
Cash used in operating activities	**(3,945,138)**	**(2,990,158)**
Cash used in investing activities from continuing operations	(1,252,278)	(326,033)
Cash provided by investing activities from discontinued operations	3,536,650	-
Cash provided by investing activities	**2,284,372**	**(326,033)**
Cash provided by financing activities from continuing operations	1,579,579	3,299,383
Cash used in financing activities from discontinued operations	-	(27,790)
Cash provided by financing activities	**1,579,579**	**3,271,593**
Decrease in cash from continuing operations during the year	(3,617,837)	(61,570)
Increase in cash from discontinued operations during the year	3,536,650	16,972
Net change in cash	**(81,187)**	**(44,598)**
Cash, beginning of year	**270,001**	**314,599**
Cash, end of year	**$ 188,814**	**$ 270,001**

On October 13, 2017, the Company entered into a non-binding agreement for a draw-down equity facility of up to $6,000,000 with Alumina Partners (Ontario) Ltd., a subsidiary of Alumina Partners LLC, a New York-based private equity firm. The agreement provides for equity private placement offerings (the "Offerings"), to be conducted in draw downs made at the sole discretion of the Company over a period of 24 months. Concurrent with entering into the equity facility, the Company and Alumina Partners closed the first tranche Offering under the facility for $50,000. Alumina Partners and the Company closed the first tranche Offering under the facility of 357,143 Units at a price of $0.14 per Unit, for gross proceeds of $50,000 and on

November 3, 2017, the Company completed a second tranche with Alumina. Naturally Splendid issued a total of 380,808 units (the "Units") at a price of $0.13 per Unit for gross proceeds of $50,000. Each whole Warrant issued in connection with these tranches is exercisable at a price of $0.22 per share for a period of two years from closing. The securities issued in connection with these tranches were subject to a four month hold period. The Company paid finder's cash commissions totaling $11,622.

The amount of each Offering will be made at the mutual agreement of the Company and Alumina Partners, up to a maximum of $500,000 per Offering. The Offerings will be for units of the Company (the "Units") consisting of one common share (the "Shares") and one-half of one common share purchase warrant (the "Warrants"). Each whole Warrant will entitle the holder to purchase one additional Share for a period of 2 years following closing of the particular Offering. The Unit price for each Offering will be set at negotiated discounts ranging from 15% to 25% of the market price of the Shares, with the exercise price for the Warrants in each Offering being set at a 25% premium over the market price.

The Company terminated the agreement during the period without penalties.

During 2018 various parties exercised stock options at $0.175 and warrants at $0.27 to $0.35 and received 1,349,350 common shares for total proceeds of $393,803.

On October 29, 2018 issued 1,944,444 common shares at $0.18 per common share for total gross proceeds of $350,000; and on December 18, 2018, 555,556 common shares at $0.27 per common share for total gross proceeds of $150,000 to Wahupta Ventures Inc.

On August 14, 2018, the Company has closed on its financing by issuing 3,547,964 units at 18 cents per unit for total gross proceeds of $638,633. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at 27 cents per share for a period of two years from the date of the issue.

On April 17, 2019, the Company closed a private placement issuing 7,382,642 units at 14 cents per unit for gross proceeds of $1,033,570. Each unit is comprised of one common share and one-half common share purchase warrants exercisable at $0.21 for a period of 2 years. Additionally, the Company completed a Gypsy Swap where certain directors, officers and close associates collectively sold 1,750,000 shares and used the proceeds from the sale of shares to subscribe for 1,750,000 units of the private placement.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 112,030,096 common shares outstanding common shares outstanding plus 9,406,232 share purchase options and 14,938,210 warrants.

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS BETWEEN RELATED PARTIES

Related parties

During the year ended December 31, 2018 and 2017, remuneration of key management was as follows:

	2018	2017
Management and consulting fees	$ 795,958	$ 592,274
Directors' fees	54,000	13,667
Share-based payments	773,418	355,213
	$ 1,623,376	$ 961,154

POS Management Corporation was associated (by common management and shareholders) with the non-controlling interest shareholder of BPC. During the year ended December 31, 2018, the Company received contract services revenue from POS Management Corporation totaling $Nil (2017 - $Nil) and incurred management fees expense of $Nil (2017 - $36,000).

As at December 31, 2018, the following amounts are due to related parties:

- $157,854 (2017 – $20,271) is due to management, directors and consultants for fees outstanding.
- $Nil (2017 – $1,167) is due to POS Pilot Plant Corp., a company subject to common control, relating to management fees outstanding.
- $Nil (2017 – $571,979 due from) due to POS Management Corp., a company subject to common control, relating to subcontractor fees.
- $200,000 (2017 - $Nil) is due to a loan by an officer in the NSHP subsidiary.
- $55,000 (2017 – $Nil) is due to a member of management and director of the Company for a non-interest bearing, short-term loan.

As at December 31, 2018, the following amounts are due from related parties:

- $200,000 (2017 – $Nil) is due from a loan to an officer by the Parent in the acquisition of NSHP. The loan has an annual interest rate of 5.5% and is receivable on or before April 30, 2020. This loan receivable is secured by the officer by assignment of a $200,000 life insurance policy for the benefit of NHSP and mortgage on the borrower's primary residence.
- $4,000 (2017 – $Nil) advance due from a member of management.

Key management compensation

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

During the period ended December 31, 2018, $117,500 (2017 – $83,510) of management fees payable were settled through the issuance of 500,000 shares (2017 – 508,334 units, from the private placements.

CHANGES IN ACCOUNTING POLICIES

The Company adopted IFRS 9 with a date of initial application as of January 1, 2018. IFRS 9 provides a revised model for classification and measurement of financial assets, including a new expected credit loss ("ECL") impairment model. The revised model for classifying financial assets results in classification according to their contractual cash flow characteristics and the business model under which they are held. IFRS 9 also introduces a reformed approach to hedge accounting. IFRS 9 largely retains the existing requirements in IAS 39 Financial Instruments: Recognition and Measurement for the classification of financial liabilities.

As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively. There were no material changes in the measurement and carrying values of the Company's financial instruments as a result of the adoption. IFRS 9 does not require restatement of comparative periods.

The Company's financial instruments are accounted for as follows under IFRS 9 as compared to the Company's previous policy in accordance with IAS 39:

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash	Fair value through profit and loss ("FVTPL")	FVTPL
Trade and other receivables	Amortized cost	Amortized cost
Advances and deposits	Amortized cost	Amortized cost
Loan receivable	Amortized cost	Amortized cost
Restricted cash	FVTPL	FVTPL
Financial Liability		
Cheque issues in excess of bank deposits	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Short-term loan payable	Amortized cost	Amortized cost
Long-term loan payable	Amortized cost	Amortized cost
Contingent consideration payable	FVTPL	FVTPL

As at December 31, 2017, the Company does not have a loss allowance under IAS 39. As such, with the adoption of IFRS 9, the expected credit loss allowance at January 1, 2018 is $nil.

Future accounting pronouncements

The following are accounting pronouncements that have not been early-adopted by the Company.
IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases.*

This standard is effective for the Company's annual period beginning January 1, 2019.

The impact of adopting this new standard will result in an additional right of use asset of $1,075,146 capitalized and a corresponding lease liability of the same amount included as a liability in the consolidated statements of financial position. The assets will be amortized over the term of the remaining lease period.

ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates

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

Recoverability of receivables

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

Valuation of inventory

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

Useful lives of intangible assets and property and equipment

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

Interest rates

The Company estimates a market interest rate in determining the fair value of its long-term liabilities. The determination of the market interest rate is subjective and could materially affect the fair value estimate.

Share-based payments

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

Critical accounting judgments

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

Recovery of deferred tax assets

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

Determination of cash-generating units ("CGU")

CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash flows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users and the way in which management monitors the Company's operations.

Impairment of property and equipment, technology license and other intangibles and goodwill

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

Assessment of the transactions as an asset acquisition or business combination

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

Determination of purchase price allocations and contingent consideration

Judgements are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. Further, estimates are made in determining the value of contingent consideration payments that should be recorded as part of the consideration on the date of acquisition and changes in contingent consideration payable in subsequent reporting periods, if any. Contingent consideration payments are generally based on acquired businesses achieving certain performance targets. The estimates are based on management's best assessment of the related inputs used in the valuation models, such as future cash flows and discount rates. Future performance results that differ from management's estimates could result in changes to liabilities recorded, which are recorded as they arise through profit or loss.

Determination of discontinued operations

Judgement is required in determining whether an asset or disposal group should be classified as held for sale. An asset or disposal group should be classified as held for sale when it is available for immediate sale in its present condition and its sale is highly probable.

Management applies judgement to determine whether a component of the Company that either has been disposed of, or is classified as held for sale, meets the criteria for discontinued operations. The key area that involves management judgement in this determination is whether the component represents a separate major line of business or geographical area of operation. This determination applied to BPC in 2017, as it was a component of the Company. As at December 31, 2017, the Company determined that BPC did not meet the definition to be classified as held for sale and was not classified as such on the consolidated statements of financial position. During the year ended December 31, 2018, the Company disposed of BPC and this was determined to be a discontinued operation as it is a separate component that represents a major line of business and geographical area of operation.

Going concern

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

FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial Assets	2018	2017
Fair value through profit or loss, at fair value		
Cash	$ 188,814	$ 301,080
Restricted cash	34,500	22,883
Loans and receivables, at amortized cost		
Trade and other receivables	372,647	208,390
Advances and deposits	30,408	19,335
Loans receivable	200,780	-
	$ 827,149	$ 551,688

Financial Liabilities	2018	2017
Fair value through profit or loss, at fair value		
Contingent consideration payable	$ 965,000	$ 400,000
Other liabilities, at amortized cost	-	
Cheques issued in excess of bank deposits	-	31,079
Trade and other payables	1,310, 340	1,191,245
Due to related parties	55,000	593,417
Short-term loan	-	120,000
Long-term loan payable	200,000	167,717
	$ 2,530,340	$ 2,503,458

Fair value

The fair value recorded on initial recognition 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. With the exception of long-term loans, the Company considers the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these consolidated 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 consolidated 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, trade and other receivables, and restricted cash. 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, 2018, the Company had a working capital of $426,053 (2017 – $91,412).

Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. A significant change in the exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's future results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at December 31, 2018 and 2017, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	2018		2017	
	US $	CDN $	US $	CDN $
Cash	5,252	7,086	10,482	13,150
Trade receivables	43,123	58,829	159	199
Trade payables	35,289	48,141	15,696	19,691

Based on the above, assuming all other variables remain constant, a 10% (2017 – 10%) strengthening or weakening of the Canadian dollar against the US dollar would have decreased/increased the Company's loss and comprehensive loss by $1,300 (2017 – $700).

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.

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

Management of Growth

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

Success of Products is Dependent on Public Taste

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

Raw Materials

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

Limited Number of Products

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

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

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

Consumer Perception of Hemp

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

Brand Awareness

Historically, the Company's products were primarily sold in Canada. In 2016, the Company commenced selling its shelled hemp seed in South Korea and in 2017 began initial sales in Australia and Japan. As the Company is in the early stages of marketing and distributing, brand awareness has been limited. The Company's efforts to enter the United States market are in the formulation stage, there is no assurance that it will be able to achieve brand awareness across South Korea, or to successfully enter the United States or other markets with its brands and products. In addition, the Company must develop successful marketing, promotional and sales programs in order to sell its products. If the Company is not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on the business, financial condition and operating results.

Development of New Products

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

Dependence on Management Team

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

Reliance on Third-Party Manufacturers

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

Reliance on Distributors and Key Customers

Other than Chii, 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.

For the year ended December 31, 2018, no customers represented 20% of all revenue. While the Company will seek to diversify its customer base, the loss of any one of its large customers will result in a material adverse effect on the Company's business and may adversely affect revenues going forward.

Development of Generic In-House Brands

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

Product Liability Insurance

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

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

Product Recall

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

Trademark Protection

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

Patent Infringement

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

Government Regulation

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

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

Government Regulation relating to the CBD Technology

The Company has commented on the positive amendment to Health Canada's publication of Subsection 56(1) Class Exemption in relation to the use of hemp under the industrial hemp regulations (flowering heads, leaves and branches).

The exemption, published on August 10, 2018, enables Canadian farmers to collect industrial hemp leaf and bud material prior to the previously announced legalization date of October 17, 2018. This material can be harvested, dried and stored but not sold or processed until October 17, 2018. Early access to this plant material will provide samples for research and testing purposes under the new regulations after the legalization date.

The exemption will remain in place until the scheduled implementation of the Cannabis Act on Oct. 17, 2018, which allows for whole plant utilization from that date onward. The significance of whole plant utilization in the new regulations will allow for the extraction of CBD (cannabidiol) from hemp, which currently is illegal in Canada.

For the Company, a hemp food/ingredient company, this exemption order will allow the company to work with feedstock suppliers to make use of plant material produced in 2018, once the October 17 legalization comes into effect. As this date passes, it will no longer be illegal to work with whole plant material from industrial hemp plants. This barrier has represented significant lost opportunities for farmers, processors and retailers of hemp and hemp-based products produced and processed in Canada. By allowing early access to hemp in the field in 2018, the company will gain a full year on research and product development related to cannabinoids and terpenes. For shareholders of the Company, this development represents an accelerated timeline on product development and placement in the company's established retail networks and provides for a greater potential for a positive impact on sales and revenue opportunities.

The Company has developed formulated products which will incorporate ingredients (including cannabinoids) from the hemp plant. We are excited to work with these ingredients in the first year of legalization of cannabis and get products to market that much sooner. Our company has been working towards the proposed legalization date of Oct. 17, but we were unsure as to how we would be able to make any real progress on product development in the coming year without plant material to process. This pre-emptive action by Health Canada is a timely and important recognition of the realities of agriculture.

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

Competition

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

Product Liability Claims

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

Global Economic Conditions

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

Smaller Companies

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

Forward Looking Statements

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

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

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

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