Naturally Splendid Enterprises Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended

December 31, 2019

This Management's Discussion and Analysis ("MD&A") for Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") has been prepared as of June 15, 2020. It should be read in conjunction with the audited consolidated financial statement of the Company for the year ended December 31, 2019 (the "Financial Statements") 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. Forward-looking statements is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook.

Forward-looking statements involves known and unknown risk, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes the expectations reflected in the forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking statements contained in this MD&A.

COMPANY OVERVIEW

Naturally Splendid is in the business of developing, manufacturing, and distributing nutritional, natural ingredient health products for humans and pets, with a significant emphasis on plant-based ingredients including hemp and hemp extracts. Historically, distribution has largely been in Canada. While this remains true, the Company has expanded its distribution network and currently exports into the United States and Australia. The Company has recently resumed exporting bulk hulled hemp seed into Korea and has shipped products into Germany and Japan in 2017 as well.

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"

Since the Company's initial foray into hemp nutritional products over twelve years ago, the Company has established a thriving business developing and manufacturing mainstream and niche plant-based, nutritional and sports related products. Manufacturing of the bars and bites takes place in our 20,000 square foot, Safe Quality Food Level 2 certified, food manufacturing facility, located in Pitt Meadows, BC. Contract manufacturers are utilized for certain products/ingredients.

Previously, the Company was positioning for the potential opportunities in the evolving cannabis edibles market. At that time, the Company anticipated the cannabis edibles opportunity represented significant growth and revenue potential. However much of the cannabis industry continues to be challenged with finding viable economic models and the edibles market has simply not met industry forecasted expectations. Therefore, the Company continues to expand business, focusing on manufacturing a more mainstream roster of products focused on plant-based nutrition.

Further to this, the Company has suspended business activities in the cannabis edibles market as of April of 2020.

This decision was made for several reasons, including continued uncertainty surrounding cannabis edible regulations and more importantly, the strategic decision to continue our focus on the rapidly growing plant-based food and health & wellness markets. The Company continues to derive the majority of revenue from its food manufacturing business from two diverse, yet complimentary revenue streams. The product lines include but are not limited to contract manufacturing and in-house label products.

The Company continues to develop a food manufacturing business that produces nutritious, plant-based, bars and bites for the North American market and abroad focused primarily on plant-based ingredients. Contract manufacturing represents 57 % of revenue, while the remaining 43% can be attributed to Company Brands such as Natera™ Sport, Elevate Me™ and Woods Wild Bar™.

Safe Quality Food Level 2 Certified Food Manufacturing Facility, Pitt Meadows, BC

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. The Company was able to remove a financial obligation to the former Prosnack shareholders who would have received 25% of the sales above a certain target, up to a cumulative maximum of $1.2 million. Prosnacks results are consolidated with the Company's results from the date of acquisition.

The Company has purchased additional manufacturing and packaging equipment to increase both production capacity and margins. This additional investment of approximately $250,000, increases capacity to a total of over 2,500,000 bars and bites a month. By adding a second shift, capacity increases to over 5,000,000 bars and bites per month. With additional manufacturing and packaging equipment, it is anticipated the range of clients the Company can service will be expanded.

The Company has evolved and differentiated itself from 'standard' hemp companies by expanding its ingredient offerings to include a wide range of plant-based ingredients while providing custom services that include formulation and contract manufacturing in the Safe Quality Food Level 2 (SQF2) food manufacturing facility. Additionally, the Company further distances itself from competitors utilizing proprietary ingredients and engaging our R&D department – ultimately creating globally distributed value-added products.

Hemp remains a key ingredient in many of the Company's recipe formulations. However, recognizing the growth in plant-based nutrition overall, the Company has expanded its ingredient and product offerings resulting in commercially successful bars and bites being distributed North American wide with plans to expand internationally.

With certifications such as Safe Quality Food Level 2 (SQF2), clients are assured the products they buy meet international standards for food safety and quality. SQF2 certification creates a competitive advantage for the Company to secure significant contract manufacturing clients as well as create the opportunity to take Company branded products to retailers such as Whole Foods and Costco who demand products be manufactured in highly certified facilities.

The Company currently manufactures a wide variety of bars and bites for their own in-house brands such as Natera™ Sport, Natera™ Hemp Foods, Elevate Me™, Woods Wild Bar™ and Chii Hemp Foods™, as well as contract manufacturing bars and bites for a wide range of clients from SMEs to internationally recognized brands.

As consumer demands shift to more plant-based ingredients and in fact continues to gain momentum outpacing traditional food channels, The Company continues to expand its ingredient and formulation offerings to include more plant-based protein and omega by developing products formulated with these plant-based ingredients.

The Company is committed to providing plant-based ingredients to ensure a better quality of life for humans, pets and livestock. The Company continues this strategy outside food channels having developed a hemp-based skincare line.

In May 2020, the Company entered a Letter of Intent ("LOI") with Biologic Publishing Inc. ("Biologic") to form a joint venture for the purpose of further developing and pursuing phase 2 clinical studies, utilizing one of Biologic's patented technologies as a candidate for the potential COVID-19 treatment.

The Company will own 16% of the joint venture as well as be granted a 10% royalty on gross sales of all products and applications arising from the clinical study. Biologic will own 82% of the joint venture with the remaining 2% ownership assigned to key personnel within Biologic at their discretion.

The Company will invest $500,000 into the joint venture for the purposes of preparing documentation for submission to Health Canada and/or the United States Food and Drug Administration for a clinical trial as well as conducting a parallel in-vitro study in conjunction with a clinical study conducted by Health Canada. The investment must be completed within fourteen days of executing the LOI (May 21, 2020) including regulatory approvals as required or prior to the commencement of a clinical study with Health Canada.

The joint venture will allocate $33,000 for lab expenses and $100,000 for ingredients. The Company shall issue 350,000 common shares to Biologic and 500,000 stock options to individuals of Biologic in consideration of Biologic entering into a definitive agreement

The LOI shall terminate on the earlier of 30 days from the date of LOI; the entering into the Definitive Agreement; or by mutual agreement of both parties.

On June 6, 2020, the Company and Biologic amended the initial LOI to extend the terms of the $500,000 payment from May 21, 2020 to July 6, 2020. The LOI shall terminate on the earlier of 60 days from the date of the LOI (July 6, 2020); the entering into the Definitive Agreement; or by mutual agreement of both parties.

Products for the Sports and Active Lifestyle Markets

Naturally Splendid has begun penetrating the Sports Nutrition Market

Naturally Splendid has successfully launched its Natera™ Sport Line of products, including Natera™ Sport KEY-TO-LIFE™ keto friendly bars, which are now available in over 2,000 retail stores across Canada.

Natera™ Sport KEY-TO-LIFE™ keto bars were developed, manufactured and marketed from within the resources of Naturally Splendid. The Company had several new product launches timed for the first quarter of 2020. However, with the Covid -19 pandemic still causing disruptions, many of these launches are being rescheduled.

As well as the success of the Natera™ Sport KEY-TO-LIFE™ bars, the novel 'Natera™ Sport Bites' formulated by NSE Advisor, Formulator and 'Practitioner for players on the PGA Tour', Dr. Stuart Love, most recently appeared in Golf Magazine's August and October editions in their monthly feature article, 'What's In My Bag'.

In February 2020, at CHFA Expo West, Canada's largest west coast health and nutrition tradeshow, the Company launched ProCurc 30 under the Natera™ Sport Brand. The launching of ProCurc 30 has provided additional traction in the sports nutrition and supplement market. The Company will continue to add plant-based products to the Natera™ Sports line.

Naturally Splendid Hemp Processors Ltd.

On April 24, 2018, the Company agreed to acquire all the issued and outstanding shares of Absorbent Concepts Inc. (now known as Naturally Splendid Hemp Processors Ltd. ("NSHP")), an organic hemp processor located in Abbotsford, Canada in exchange for assuming all the outstanding bank loans of NSHP 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 NSHP where repayments will be contingent upon achieving milestones related to net income and other qualitative performance targets. The transaction completed on July 16, 2018. During the year ended December 31, 2019, the seller of NSHP left the Company and the loan payable was settled for no additional consideration. A gain on settlement of loan payable of $200,000 was recorded for the year ended December 31, 2019 in the consolidated statements of loss and comprehensive loss.

Currently, the Company has made the decision to decommission this facility and are investigating scenarios to relocate this facility closer to the source of the hemp biomass or sell the processing equipment and contract with hemp processors to provide bulk hemp commodities of hulled seed, hemp oil and hemp protein. As at December 31, 2019, the remaining value of the equipment of $214,000 was reclassified to asset held for sale.

SALES

DOMESTIC SALES

In Canada, the Company has focused on retail sales of its Company Branded Products, servicing major retailers across the country by using a combination of National Brokers and Distributors managed by an internal sales force. Through this strategy, NSE has steadily increased the number of stores and in-store sales in Canada since March 2017. The NATERA / Elevate Me brands are now present coast to coast in such retail stores as Whole Foods, Metro, Sobeys, Nesters, Save On Foods, Donald's Markets, IGA, Natures Emporium and Urban Fare stores. The Company will continue focusing on building national sales opportunities, leveraging the Prosnack relationship based on products currently sold in over 2,000 stores across Canada.

Additionally, the Company continues to increase private label and co-packing manufacturing capacity and as a result has attracted several significant contract manufacturing clients. The combined sales opportunities in these categories surpass the Company's branded product sales and will likely continue to do so thanks to the retail distribution network and marketing strength of these clients. Their combined distribution networks represent many over 15,000 points of sale across Canada.

Collectively, company branded products and contract manufacturing clients products, are available in most of the major retailers in Canada.

In addition to retail, the Company has now expanded into food service, selling to restaurants and diversifying its sales distribution channels, in turn increasing overall sales. Food service represents a substantial area of growth for the Company and is trending to become a significant contributor to both top and bottom line sales while opening new doors for the Company.

INTERNATIONAL SALES

<u>Australia</u>
During 2017 the Company developed its relationship with a major distributor with access to five key market segments; Retail, Food Service, Health Practitioners, Veterinarians and E-commerce. On November 9, 2017 the Company completed its first shipment to Australia. The Company is preparing to market its NATERA and Elevate Me brands of products (conventional and organic and bars, hemp seeds & hemp protein) 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.

<u>South Korea</u>
In 2016 the Company began exporting bulk hulled hemp seed to South Korea. In a 10-month span, the Company exported approximately $6,000,000 CDN to Korea. By the end of 2017 the price for bulk hulled hemp seed prices declined by as much as 65%. Therefore, at that time, the Company made the decision to suspend exporting to Korea.

However, in Q2 of 2020, the Company experienced a resurgence in orders for bulk hulled hempseed from this region. The Company has shipped the first container of bulk hemp seed to South Korea, has taken orders for a second container of bulk hemp seed as well as pursuing additional contracts with these clients as well as new opportunities.

Additionally, the Company has developed a line of hemp and plant-based fortified products under the NATERA™ Sport banner that will be presented to Korean distributors. The hemp market in Korea has proven out in the past and is going through the expected consumer education process resulting in consumers seeking finished, value added nutritional products rather than the more basic hulled hemp seed.

<u>Western Europe</u>
Although sales continue via the ecommerce platform in the Western Europe market, results to date have been minimal. Therefore, the Company has adjusted strategies and are looking now to expand these distribution channels. Advertising and promotion activities are being developed to build more awareness and generate sales opportunities.

<u>Thailand</u>
Naturally Splendid began nurturing a distribution relationship with a long-established Thai distribution company. The Company has presented to private industry as well as government organizations as hemp regulations evolve in Thailand. In addition to the hemp products presented initially, the Company will look to market our wider appealing, plant-based products in this territory.

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

As Japan’s hemp regulations continue to evolve in a favourable manner, the Company will look to market our wider appealing, plant-based products in this territory.

Naturally Splendid Expands E-Commerce Strategy

In April 2020, the Company expanded its e-commerce strategy in direct response to the rapidly changing purchasing habits of a wide segment of consumers. In this time of 'physical distancing', due to the ongoing pandemic, on-line shopping has increased significantly and is expected to continue this trend.

Subsequent to year ended December 31, 2019, the COVID-19 pandemic took over the global world and markets forcing the Company to halt production for safety concerns on March 24, 2020. On May 19, 2020, the Company resumed production with limited employees to fulfill sales orders. The pandemic has significantly impacted the Company's revenue for 2020.

The Company engaged the services of AMZing Marketing to assist with expanding its on-line sales presence and to begin selling its Company branded products on Amazon. AMZing Marketing are experts in e-commerce for over 15 years with a proven track record of increasing sales through on-line marketing campaigns.

With the recent pandemic outbreak and the need for social distancing measures more consumers are moving to on-line shopping for safety at first and then once exposed to this manner, many consumers will alter shopping habits to order on-line for convenience.

Our e-commerce strategy will bolster our company branded products sales over time. The products available on-line include; Natera™ Hemp Foods; Chii Hemp Food™s; and Natera™ Sport products such as the recently launched curcumin-based supplement, ProCurc™. E-commerce accounts have been established and inventory sent to Amazon for distribution.

BIOTECHNOLOGY & INNOVATION

Naturally Splendid continues to explore biotechnology opportunities that are based on botanicals and plant-based formulations. Most recently, the Company entered a non-binding Letter of Intent with Biologic Pharmamedical (Biologic) to license certain patented technologies from Biologic, to conduct a Phase 2 Clinical Trial for a potential COVID 19 treatment, using the target drug Cavaltinib™. In addition to applications for Cavaltinib™ as it directly relates to COVID 19, the joint venture will have licensing rights to several other auto-immune, anti-inflammatory categories determined by the outcome of the clinical studies.

ProCurc 30, ProCurc 50, Cavaltinib™
Naturally Splendid launched ProCurc 50 under the Natera™ FX banner, in 2019, In February 2020, the Company launched ProCurc 30 under the Natera Sports brand. And currently, the Company has entered an LOI that will see Naturally Splendid and Biologic Pharmamedical form a joint venture to conduct a Phase 2 clinical trial for the drug, Cavaltinib™, for a potential COVID 19 treatment.

Company Proprietary Plant-Based Ingredients
The development of HempOmega™, a micro-encapsulated hemp oil and a hemp protein isolate continues to be a focus of the Company. These proprietary ingredients can be used in product development for Company Branded Products as well as offered as unique ingredients, creating innovative products and formulations in several marketing sectors such as retail, health practitioners, food service, skin care and pets.

HempOmega™
Naturally Splendid is including HempOmega™ as an ingredient in 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.

The Company commercialized its microencapsulated hemp oil, HempOmega™, by selling to Sipp Industries Inc. who were using the ingredient in the formula of unique Hemp Omega™ fortified craft beers. Hemp infused IPA sold in five states. This opportunity is on hold due in part to pandemic and economic conditions in the United States.

Hemp Protein Isolate
The enthusiasm for plant-based protein ingredients is creating significant interest in our proprietary hemp protein isolate. The Company anticipated this consumer preference in the development of this product. Through our own efforts and in collaboration with other protein ingredient processors, the Company expects to capitalize on this latest food trend.

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. Naturally Splendid will focus its resources on selling products developed proprietary with ingredients, such as HempOmega™ powder and HempOmega™ emulsion, as well as look for applications for the Company's proprietary technology.

OPERATIONS - PROSNACK ACQUISITION

On October 18, 2017, the Company acquired 100% of the issued and outstanding shares of Prosnack. Prosnack is a company that develops, manufactures and distributes healthy lifestyle and 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 common shares with a fair value of $78,499 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 resulting goodwill represents the established growth potential and synergies between Prosnack and the Company.

The Company performs an annual impairment test of goodwill at December 31 of each year. The recoverable amounts have been determined based on a value-in-use calculation using pre-tax cash flow projections from financial budgets approved by senior management. During the year ended December 31, 2019, the recoverable value was determined to be $nil resulting in an impairment charge of $404,067.

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 was to 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. No payments have been made to date.

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 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.

During the year ended December 31, 2019, the earn-out agreement was terminated, with the departure from the Company of Prosnack principal, Alan Maddox. No payments have been made and the contingent consideration payable was revalued to $nil resulting in a gain of contingent consideration payable of $965,000.

The changes in the contingent consideration payable for the year ended December 31, 2019 and 2018 are as follows:

		December 31, 2019		December 31, 2018
Balance, beginning of year	$	965,000	$	400,000
Revaluation		(965,000)		565,000
Balance, end of year	**$**	-	**$**	965,000
Current portion		-		(271,000)
Long term portion	**$**	-	**$**	694,000

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**

On closing of the acquisition, NSHP entered into a long-term loan agreement with the seller of NSHP for $200,000. The seller of the NSHP was also an officer of the Company. The repayment of the loan to the seller is dependent on satisfaction of 6 different milestones based on net income, the achievement of research and development milestones and continued employment. 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 is classified as current portion of loan payable for milestones achieved and $180,000 is classified as long-term portion of loan payable for milestones not yet achieved and not expected to be achieved within twelve months.

During the year ended December 31, 2019, the seller of NSHP left the Company and the loan payable was settled for no additional consideration. A gain on settlement of loan payable of $200,000 was recorded for the year ended December 31, 2019 in the consolidated statements of loss and comprehensive loss.

OPERATIONS – DISPOSITION OF POS BPC MANUFACTURING CORP.

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™.

On February 21, 2018, the Company sold its 51% in POS BPC Manufacturing Corp. for gross proceeds of $3,536,650. The cash proceeds received, offset by the net liabilities on the date of disposition and elimination of non-controlling interest of $1,322,995 resulted in a gain of $5,102,068. As BPC represents a separate major line of business and geographical area of operations, the operating results of BPC have been presented as discontinued operations in the consolidated statements of loss and comprehensive loss.

The results of operations of BPC for the period from January 1 to February 21, 2018, the date of sale, are as follows:

	February 21, 2018
Administrative expenses	
Management fees	$ 21,000
Office	4,287
Wages and benefits	5,558
Loss before other items and income tax	**(30,845)**
Other items	
Gain on sale of BPC	5,102,068
Net income and comprehensive income for the period	**$ 5,071,223**

Comprehensive income (loss) attributed to:	
Owners of the company	$ 5,086,337
Non-controlling interest	(15,114)
	$ 5,071,223

The cash flows for BPC for the period from January 1 to February 21, 2018, the date of sale, are as follows:

	February 21, 2018
Cash flows from operating activities	
Net income for the period	$ 5,071,223
Items not affecting cash:	
Gain on sale of subsidiary	(5,102,068)
	(30,845)
Changes in non-cash working capital:	
Due to related parties	30,845
Cash provided by operating activities	-
Investing activity	
Proceeds from the sale of subsidiary	3,536,650
Cash provided by investing activity	3,536,650
Net change in cash	$ 3,536,650

MANAGEMENT AND BOARD OF DIRECTORS

Director (Chair), Peter Hughes
Effective December 17, 2019, Peter resigned as the chair and director of the Company.

Director, George Ragogna
Effective December 17, 2019, George was appointed director of the Company. George has over 30 years of experience in the Canadian financial services industry with over 20 years in a progressive leadership role specializing in; strategic planning, corporate sales, workforce optimization and regulatory compliance.

Director and Chief Executive Officer, Douglas Mason
Effective August 21, 2019, Doug resigned as the CEO and director of the Company.

Co-Founder, President, Chief Executive Officer and Director, Craig Goodwin
As of August 27, 2019, Co-Founder and current President, Mr. J. Craig Goodwin, will resume his role as CEO of Naturally Splendid in addition to maintaining his role as President and a member of the board of directors. Craig has focused on both domestic and international business opportunities including joint ventures and developing strategic partnerships. His role includes development of domestic and international sales and distribution channels, as well as creating and implementing sales strategies, while overseeing day to day sales and marketing activities. Australia, Asia and the EU are among the international sales and distribution opportunities that are in development. Craig has continued to act as the key contact for corporate communications which includes press releases, individual investor engagement, as well as potential institutional investors. Additionally, Craig has continued to raise capital through non-brokered Private Placements.

Co-Founder, Chief Financial Officer, Executive Director of Operations and Director, Bryan Carson
As of February 14, 2020, Co-Founder and current Executive Director of Operations, Mr. Bryan Carson became the CFO of Naturally Splendid. Bryan has taken on a significant role in operations, optimizing production capacity including on-going analysis of budgets, costing and margins. Bryan's increased attention in this area provided immediate returns in increased capacity and margins. He is also responsible for overseeing facility expansions and certifications such as SQF2 (Safe Quality Food Level 2).

Additionally, Bryan has taken a significant role in new product development, proactively creating market ready products in a variety of categories.

Chief Operating Officer, Barry Dashner
Effective February 7, 2020, Barry resigned as the COO of the Company.

Director and Senior Management Advisor, Russ Crawford
Russ Crawford's role at NSE has expanded in 2019 to include a more strategic advisor role with direct responsibility for certain assigned projects and undertakings to augment and support senior management. He is the past President of the Canadian Hemp Trade Alliance. In that capacity he provides insight and direction on the development of hemp regulations on behalf of the company for the betterment of the hemp industry in Canada. Russ is a frequent contributor to conferences and news reports related to the hemp industry and delivers timely guidance for NSE during these rapidly evolving times. His background continues to provide the company with agricultural oversight pertaining to crop sourcing and business relationships.

Chief Financial Officer, Sead Hamzagic, CPA, CGA
Effective June 15, 2019, Sead resigned as the Company's CFO.

Chief Financial Officer, Reena Sall, CPA, CMA
Effective January 6, 2020, Reena resigned as the Company's 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 consolidated 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, 2019 $	Year Ended December 31, 2018 $	Year Ended December 31, 2017 $
Total Revenue	3,037,512	2,073,776	1,550,469
Cost of Sales	(2,114,712)	(1,549,652)	(1,333,434)
Expenses	(6,935,495)	(6,692,118)	(4,741,226)
Other Income (Loss)	(1,017,375)	(558,242)	154,016
Deferred Income Tax	-	43,652	43,808
Discontinued Operations	-	5,071,223	(490,179)
Net Loss	(7,030,070)	(1,611,361)	(4,816,546)
Basic and Diluted Loss Per Share	(0.06)	(0.01)	(0.06)
Statements of Financial Position Data	**As at December 31, 2019 $**	**As at December 31, 2018 $**	**As at December 31, 2017 $**
Total Assets	5,600,947	6,569,652	6,686,043
Total Current Liabilities	3,570,308	1,798,783	2,108,829
Total Non-Current Liabilities	1,312,545	1,143,296	821,531
Total Liabilities	4,882,853	2,942,079	2,930,360
Total Equity	718,094	3,627,573	3,755,683

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, 2019 $	**September 30, 2019 $**	**June 30, 2019 $**	**March 31, 2019 $**
Total revenue	677,987	635,984	950,738	772,803
Gross profit	191,549	199,755	281,962	249,534
Loss from operations	(3,402,598)	(2,046,395)	(477,112)	(1,103,965)
Discontinued operations	-	-	-	-
Comprehensive income (loss)	(3,402,598)	(2,046,395)	(477,112)	(1,103,965)
Basic and diluted income (loss) per share	(0.02)	(0.02)	(0.00)	(0.01)

	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 profit	110,889	155,494	154,437	103,304
Income (loss) from operations	(1,402,512)	(1,696,560)	(1,555,701)	(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	0.02	(0.02)	(0.02)	0.00

DISCUSSION OF OPERATIONS

Overview

During the year ended December 31, 2019, the Company's sales increased by approximately $964,000 from the comparative period. The Company continued to expand its private label bars and bites business by approximately $912,000 and other branded products decreased by approximately $21,000. Branded hemp products decreased by approximately $588,000 as the Company focused more on its new Natera Sport products which expanded by approximately $661,000.

During the year ended December 31, 2019, selling and distribution expense increased by approximately $1,087,000 coinciding with the increased revenue. Administrative expenses decreased by approximately $843,000. Significant decreases include share-based compensation due to timing of issuances offset by increases in amortization, consulting fees and corporate promotion. Several inventory adjustments were recognized during the prior year resulting in better cost of goods.

Q4 Results

Revenue

	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Revenue	$ 677,987	$ 769,736	$ 3,037,512	$ 2,073,776

Revenue during the year ended December 31, 2019 was $3,037,512 (2018 - $2,073,776). The Company continued to expand its private label bars and bites business by approximately $912,000 and other branded products decreased by approximately $21,000. Branded hemp products decreased by approximately $588,000 as the Company focused more on its new Natera Sport products which expanded by approximately $661,000. The Company is focused on private label and branded sales and has entered the international markets such as German, Australian and Japanese markets. The addition of NHSP did not materially impact the sales for the year ended December 31, 2019.

Costs of Sales and Gross Profit

	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Cost of Sales	$ 486,438	$ 658,847	$ 2,114,712	$ 1,549,652
Gross Profit	191,549	110,889	922,800	524,124
Margins	28.25%	14.41%	30.38%	25.27%

Cost of Sales during the year ended December 31, 2019 was $2,114,712 compared to $1,549,652 in 2018. The Company significantly changed its sales mix when compared to 2018 with a reduction of export bulk seed sales, which, sold at a lower gross margin percentage, thus the year ended December 31, 2019 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 did not materially impact the cost of sales for the year ended December 31, 2019.

Selling and Distribution Expenses

	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Facility	$ 535,744	$ 54,062	$ 1,396,223	$ 339,090
Freight and delivery	2,572	18,511	83,559	42,600
Product development, net of grants	3,096	(28,063)	14,801	11,600
Product promotion, net of grants	35,231	84,719	214,859	357,934
Inventory write-down and bad debts	132,507	266,479	394,982	266,479
Selling and distribution expenses	**$ 709,150**	**$ 395,708**	**$ 2,104,424**	**$ 1,017,763**

Selling and distribution expenses in total during the year ended December 31, 2019 are significantly higher compared to the comparative period mainly due to the increased facility expenses in 2019 which are due to the additional costs on increased sales. Product development slightly increased during the period as the Company looks forward to developing new products.

Product promotion is related to the increased promotion of the Natera Sports bars and bites. Also, during the period ended December 31, 2019 the Company had a write-down of inventory of $365,620 (2018 - $266,479) and bad debts of $29,263 (2018 - $nil).

Administrative Expenses

	Three months ended December 31, 2019	Three months ended December 31, 2018	Twelve months ended December 31, 2019	Twelve months ended December 31, 2018
Accounting and audit	$ (29,364)	$ 15,118	96,035	182,192
Amortization and depreciation	257,190	126,379	910,889	452,735
Bank charges and interest	87,072	12,675	132,846	18,825
Corporate promotion	142,255	85,878	570,254	323,195
Directors' fees	17,957	14,000	57,457	54,000
Interest on lease liabilities	50,431	-	169,001	16,390
Legal	68,982	13,375	128,028	92,307
Management and consulting	(204,661)	136,133	1,063,648	1,005,113
Office, rent and salaries	299,098	685,457	1,476,125	2,188,000
Share-based payments	-	10,905	66,852	1,238,814
Transfer agent and filing fees	14,971	9,172	86,971	65,343
Travel	45,593	8,246	72,964	37,441
	$ 749,524	**$ 1,117,338**	**$ 4,831,071**	**$ 5,674,355**

Administrative expenses decreased during 2019 compared to 2018, the decrease was mainly due to a reduction in share-based payments, increases were mainly due to corporate promotion and consulting and 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.

Accounting and audit fees were lower during the year ended December 31, 2019 due to audit costs in the prior year and the timing of invoices; ***Amortization and depreciation*** has increased significantly with the addition of the NSHP acquisition, which reflects the addition of depreciable assets including packaging equipment and related leasehold improvements and the amortization of intangible assets. During the year, the Company adopted IFRS 16 *Leases* ("IFRS 16"). Depreciation on right of use assets, for which the operating premise leases are now capitalized and depreciated. In the prior year the lease expenses were expensed in the Office, rent and salaries category; ***Bank charges and interest*** increased due to bank transactional costs and cross-border fines; ***Management and consulting***, which represent outside business consultants and certain officers of the Company, were higher in 2019 as the Company has additional senior management during the year; ***Corporate promotion*** increased over the year as corporate promotional activities and investor relations programs regarding corporate and general product awareness campaigns in comparison to the comparative period; ***Directors' fees*** remained fairly consistent to the prior year. ***Interest on lease liabilities*** is a new category due to IFRS 16 in the treatment of leases, the operational leases have been recorded as a liability at a net present value and the interest is accreted during the period of the lease similar to an interest financing cost. In the prior year the lease expenses were expensed in the Office, rent and salaries category; ***Legal*** was slightly higher in 2019 as the Company used management to provide some of the preliminary services on its settlement with an ex-officer of the company and commercial agreements and its investment in international trade mark and intellectual property protection in the prior year; ***Office rent and salaries*** reflects the cost of the production, warehouse and office premises, administrative staff, the decrease was mainly due to the adoption of IFRS 16 as noted above; ***Share-based payments*** were due to options and warrants issued in the current year; ***Transfer agent and filing fees and Travel*** increased significantly with key management traveling abroad to court potential business opportunities during the year.

LIQUIDITY AND CAPITAL RESOURCES
As of December 31, 2019, the Company had cash of $113,566 (2018 - $188,814) and a working capital deficit of $981,371 (2018 – working capital of $426,053). As at the date of this MD&A, the Company has working capital deficit of approximately $100,000.

Capital Lease Obligations

The Company has various lease contracts outstanding for food packaging equipment and production equipment. The monthly lease payments and terms are summarized below. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The aggregate interest expense recognized for these lease contracts is $12,571 (2018 – $16,390). These assets are included within manufacturing facility and equipment under property and equipment on the consolidated statements of financial position.

As at December 31, 2019 and 2018, the Company has the following four lease contracts for food packaging and production equipment:

(a) Food packaging equipment – monthly lease payments of $9,765 (including GST) until May 2022;
(b) Food production equipment acquired from NHSP – monthly lease payments of $3,141 (including GST) until September 2020;
(c) Food packaging equipment – monthly lease payments of $851 (including GST) until March 22, 2024; and
(d) Food packaging equipment – monthly lease payments of $643 (including GST) until August 2024.

The Company recognized right-of-use assets for its operating premise leases. The aggregate interest expense recognized for these lease contracts is $156,430 (2018 – $nil). These assets are included within manufacturing facility under property and equipment on the consolidated statements of financial position.

Cash Flows for the Year Ended

	2019	2018
Cash used in cash activities from continuing operations	(3,753,806)	(3,956,211)
Cash used in cash activities from discontinued operations	-	-
Cash used in cash activities	(3,753,806)	(3,956,211)
Cash used in investing activities from continuing operations	(494,534)	(1,241,205)
Cash provided by investing activities from discontinued	-	3,536,650
Cash provided by (used in) investing activities	(494,534)	2,295,445
Cash provided by financing activities from continuing	4,173,092	1,579,579
Cash used in financing activities from discontinued operations	-	-
Cash provided by financing activities	$ 4,173,092	$ 1,579,579
Decrease in cash from continuing operations during the year	$ (75,248)	$ (3,617,837)
Increase in cash from discontinued operations during the year	-	3,536,650
Net change in cash	(75,248)	(81,187)
Cash, beginning of year	188,814	270,001
Cash, end of year	$ 113,566	$ 188,814

SHARE CAPITAL

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.

During 2018, 246,851 common shares owed to the selling shareholders of Prosnack were issued. The fair value of these shares at the time of acquisition of Prosnack was $78,499; 500,000 common shares with a fair value of $117,500 were issued as consulting fees; and 150,000 common shares with a fair value of $48,000 were issued to fulfill the obligation to issue shares.

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 issued 555,556 common shares at $0.27 per common share for total gross proceeds of $150,000.

On August 14, 2018, the Company has closed on its financing by issuing 3,547,964 units at $0.18 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 $0.27 per share for a period of two years from the date of the issue.

During 2019, 600,000 common shares with a fair value of $81,500 were issued as consulting fees.

On April 17, 2019, the Company closed a first tranche of its private placement issuing 7,382,642 units at $0.14 per unit for total 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.

On April 30, 2019, the Company closed a second tranche of its private placement issuing 1,817,128 units at $0.14 per unit for total gross proceeds of $254,398. 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.

On June 7, 2019, the Company closed a third tranche of its private placement issuing 2,581,426 units at $0.14 per unit for gross proceeds of $361,400. 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.

On September 6, 2019, the Company closed a non-brokered private placement financing announced on July 8, 2019, issuing 6,019,571 units at $0.14 per unit for total gross proceeds of $842,740. 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.

On September 27, 2019, the Company closed non-brokered private placement financing for a total of 18,990,292 units at $0.0.085 per unit for total gross proceeds of $1,614,175. Each unit is comprised of one common share of and one common share purchase warrant exercisable at $0.12 per share for the first year and $0.20 per share for the second year for the second year from date of issuance.

On June 5, 2020, the Company closed a non-brokered private placement financing of 42,857,159 units at a price of $0.035 per unit for gross proceeds of up to $1,500,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.055 for a period of two years. As at the date of these consolidated financial statements, the Company received cash receipts of $449,648 and issued 6,885,000 common shares.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 148,323,513 common shares outstanding common shares outstanding plus 6,330,000 share purchase options and 38,049,964 warrants.

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS BETWEEN RELATED PARTIES

Related Parties

Key Management Compensation

		2019		2018
Management fees	$	624,186	$	757,458
Consulting fees		72,333		38,500
Shares issued for services		67,500		-
Directors' fees		57,457		54,000
Share-based payments		53,653		773,418
	$	**875,129**	**$**	**1,623,376**

i) Management fees of $180,000 (2018 – $171,000) were accrued for 1105953 B.C. Ltd., a company controlled by the Company's Chief Executive Officer.
ii) Management fees of $120,000 (2018 – $223,750) were accrued for Waterfront Capital Partners LLC, a company controlled by the Company's former Chief Executive Officer who resigned on August 27, 2019.
iii) Management fees of $180,000 (2018 – $171,000) were accrued for Kal-Mad Enterprises Ltd., a company controlled by the Company's Vice President of Operations.
iv) Management fees of $60,000 (2018 – $nil) were accrued for the Company's Chief Financial Officer. Subsequent to year-end, the individual stepped down as Chief Financial Officer.
v) Management fees of $23,286 (2018 – $nil) were accrued for the Company's Chief Operating Officer.
vi) Management fees of $60,900 (2018 – $153,750) were accrued for the Company's former Chief Financial Officer who resigned on June 25, 2019.
vii) Management fees of $nil (2018 – $37,958) were paid to the Company's former Chief Financial Officer who resigned on March 1, 2018.
viii) Consulting fees of $57,500 (2018 – $38,500) were accrued for Agrinomics I.T. Consulting Ltd., a company controlled by a director of the Company.
ix) Consulting fees of $14,833 (2018 – $nil) were accrued for directors of the Company.
x) 500,000 common shares with a fair value of $67,500 were issued to the former CEO and former CFO of the Company and recorded in management and consulting fees.

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

During the year ended December 31, 2019, a claim was made against the Company by a former officer of the Company for constructive dismissal. Subsequent to December 31, 2019, the Company and the former officer of the Company have come to a mutual agreement to pay the outstanding balance of $45,080 for services rendered during the year. As at December 31, 2019, this amount has been garnished by the Bank of Montreal and recorded as restricted cash with the corresponding liability included in accounts payable and accrued liabilities.

Related Party Liabilities

The following amounts are included in accounts payable and accrued liabilities as at December 31, 2019 and 2018:

Amounts due to:		December 31, 2019		December 31, 2018
1105953 BC Ltd.	$	103,746	$	52,086
Kal-Mad Enterprises Ltd.		22,990		36,257
Agrinomics I.T. Consulting Ltd.		82,021		8,011
Former CFO		4,463		15,750
Former CEO		49,875		36,750
Directors		32,147		9,000
Total related party payables	**$**	**295,242**	**$**	**157,854**

As at December 31, 2019, $nil (2018 – $200,000) is due to the former owner of NHSP and former officer of the Company. During the year ended December 31, 2019, this loan payable was settled for no additional consideration. The Company recorded a gain of $200,000 on the consolidated statements of loss and comprehensive loss.

As at December 31, 2019, $55,000 (2018 – $55,000) is due to the CEO, President and director of the Company for a non-interest bearing, short-term loan.

During the year ended December 31, 2019, the Company entered consulting agreements with directors of the Company. The terms of these consulting agreements include 750,000 common shares and 600,000 stock options to be issued as consideration for provision of consulting services. Subsequent to year-end, an additional 150,000 common shares are to be issued to directors of the Company pursuant to these consulting agreements. As of the date of these consolidated financial statements, authorization to issue these shares and stock options has not been received from the TSX-V Exchange and no accrual has been made for these common shares and stock options in these consolidated financial statements.

Related Party Receivables

As at December 31, 2019, $nil (2018 – $200,780) is due from the former owner of NHSP and former officer. 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 assignment of a $200,000 of the former officer's life insurance policy for the benefit of NHSP and mortgage on the borrower's primary residence. During the year ended December 31, 2019, this loan receivable was settled for $70,780, resulting in a loss of $130,000 being recorded in the consolidated statements of loss and comprehensive loss.

As at December 31, 2019, a $4,000 (2018 – $4,000) advance is due from the VP of Operations.

CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

The following are accounting pronouncements that have been adopted by the Company.

IFRS 16 *Leases*

On January 1, 2019, the Company adopted IFRS 16 *Leases*. IFRS 16 specifies how to 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* ("IAS 17").

The Company has recognized right-of-use assets and corresponding lease liabilities for its operating premise leases previously classified as operating leases under IAS 17. Upon transition to IFRS 16, these lease liabilities were measured at the present value of the remaining lease payments discounted using an incremental borrowing rate of 12% as of January 1, 2019. As a result, the Company, as a lessee, has recognized $1,353,021 as lease liabilities, representing its obligation to make lease payments. Right-of-use assets of the same amount were recognized, representing its right to use the underlying assets. The Company elected to adopt the standard using the modified retrospective approach and has not restated comparative information in accordance with the transitional provisions in IFRS 16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

The right-of-use assets will be depreciated on a straight-line basis over the remaining lease terms ending July 31, 2026.

	January 1, 2019
Operating lease commitments as at December 31, 2018	$ 2,076,989
Discount of future commitments as at January 1, 2019	723,968
Lease liabilities recognized as at January 1, 2019	$ 1,353,021

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 and judgment 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 property, equipment and intangibles

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 and right-of-use assets. 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 expected volatility of the Company’s share prices and expected forfeiture rates, changes in subjective input assumptions can materially affect the fair value estimate.

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.

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 tax 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 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. 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.

Contingent liabilities

Judgement is required in determining whether a contingent liability should be accrued in the consolidated financial statements. The determination of whether there is a probable future outflow of resources requires significant judgement. Many factors in assessing the likelihood of a future outflow of resources are outside of the control of management.

Application of IFRS 16

The Company applies judgment in determining whether the contract contains an identified asset, whether the Company has the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create economic incentive to exercise renewal options.

FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial Assets	Fair Value Hierarchy	December 31, 2019	December 31, 2018
Fair value through profit or loss, at fair value			
Cash	Level 1	$ 113,566	$ 188,814
Restricted cash	Level 1	79,580	34,500
Loans and receivables, at amortized cost			
Trade and other receivables	Level 1	264,799	372,647
Advances and deposits	Level 1	30,408	30,408
Loans receivable	Level 1	-	200,780
		$ 488,353	**$ 827,149**

Financial Liabilities	Fair Value Hierarchy	December 31, 2019	December 31, 2018
Fair value through profit or loss, at fair value			
Contingent consideration payable	Level 3	$ -	$ 965,000
Other liabilities, at amortized cost			
Trade and other payables	Level 1	2,690,564	1,310,130
Loan from related party	Level 1	55,000	55,000
Short-term loans	Level 1	525,000	-
Long-term loan	Level 2	-	200,000
Lease liabilities	Level 2	1,612,289	411,949
		$ 4,882,853	**$ 2,942,079**

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.

The carrying value of cash, accounts payable and accrued liabilities, loan from related party and short-term loans approximate their fair value due 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's accounts payable and accrued liabilities are due within 90 days of December 31, 2019, loan from related party and short-term loans are due on demand. The Company's lease liabilities have payments due in accordance with the lease agreements.

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, 2019, the Company had a working capital deficit of $981,371 (2018 – working capital of $426,053).

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, 2019 and 2018, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	December 31, 2019		**December 31, 2018**	
	US $	CDN $	US $	CDN $
Cash	32,056	41,724	5,252	7,086
Trade receivables	19,914	25,919	43,123	58,829
Accounts payable and accrued liabilities	152,173	198,067	35,289	48,141

Based on the above, assuming all other variables remain constant, a 5% (2018 – 10%) strengthening or weakening of the Canadian dollar against the US dollar would have decreased/increased the Company's loss and comprehensive loss by $6,469 (2018 – $1,300).

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 and/or its manufacturers must acquire sufficient raw materials so that the products can be produced to meet the demand of its customers. A shortage could result in loss of sales and damage to the Company. The Company may be required to source other raw goods producers in the event that consumer demand increase. Also, if the Company and/or its manufacturers become unable to acquire raw goods, and are unable to find one or more replacement suppliers 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 was heavily reliant on the production and distribution of hemp and related products. The change to branded products and private label may not achieve sufficient market acceptance, it will be difficult for us to achieve consistent profitability.

Even if branded and private label products are distributed by the Company they will need to 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.

Consumer Perception of Hemp

Prior to expanding formulation capability to include a wide array of plant-based ingredients the Company was 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.Some in the public may associate hemp with high TCH cannabis plants, which are regulated substances. Additional negative perception has occurred due to the fact that some countries prohibit the growing of the hemp plant even though consumption of hemp-based food products is allowed. However, hemp regulations continue to see positive advancement in many countries as the awareness of the benefits become more widely known. Although not completely mainstream as yet, the perception of hemp in general continues to improve.

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. However, the Company has seen recent successes with the Natera™ KEY-TO-LIFE keto friendly bars have been sold in over 1,000 retail outlets, as well as making inroads with the Natera™ Sport Bites which have been featured in mainstream magazines.

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

Reliance on Distributors and Key Customers

The Company 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.

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.

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.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. There can be no assurance that the Company will not be further impacted by adverse consequences that may be brought about by the COVID-19 pandemic on global financial markets which may reduce share prices and financial liquidity, thereby severely limit the financing capital available.

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.