NATURALLY SPLENDID ENTERPRISES LTD.

FORM 51-102F1
MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated interim financial statements of Naturally Splendid Enterprises Ltd. (the “Company” or “Naturally Splendid”) for the six-month period ended June 30, 2016, and the related notes thereto. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards (“IFRS”), and all results are presented in Canadian dollars unless otherwise noted.

This management discussion and analysis is dated August 29, 2016 and is in respect of the six-month period ended June 30, 2016.

OVERVIEW

Naturally Splendid is in the business of distributing hemp-based food and health products. While most distribution has historically been in Canada, the Company expanded its distribution network into the United States in 2015, and into Korea and Asia in 2016.

During 2014 the Company formed a Colorado subsidiary, Naturally Splendid USA Ltd. This subsidiary facilitates the development of markets for the Company’s products and licensed technologies in the United States.

During 2015, the Company acquired 51% of the issued Class A shares of POS BPC Manufacturing Corp. (“BPC”) in accordance with the terms of a securities purchase agreement (the “Purchase Agreement”) with POS Management Corp. (“POS Management”) and POS Holdings Corp. (“POS”). BPC 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™. Additionally, the BPC Facility is designed to produce plant-based extracts, tinctures and dry ingredients for a variety of clients.

Also during 2015, the Company acquired Chi Hemp Industries Inc. (“Chi”), an online hemp product marketing company.

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”

Retail Products

NATERA™

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

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

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

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

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

Pawsitive FX™

On February 26, 2015 the Company launched the hemp-based pet care line trademarked Pawsitive FX™. This line of products was awarded the Best New Product award at the Calgary Pet Industry Trade Show on April 26, 2015 – the first show at which the product was presented.

The Pawsitive FX™ product line consists of three formulations for topical applications in two formats: 2 oz. tins and 0.15 oz. twist-up applicators. Launching soon is a 0.5 oz. version of the applicator and a 500 ml. hemp seed oil bottle. There is also a range of all natural shampoos in development.

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

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

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

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

All products are made from 100% premium grade ingredients with no added scents, ensuring the best results and safety for pets.

Pawsitive FX™ has generated distribution networks in Western and Eastern Canada. As of the date of this report, the products are available at over 200 stores across Canada, including major specialty pet chains. The number of supported retail outlets is expected to continue to grow.

The Company also launched a Pawsitive FX™ website with support for online marketing and payments. In addition, Amazon.ca and Amazon.com listings have resulted in sales. Further online sales growth is expected in 2016.

CHII™

In November 2015, the Company acquired Chi Hemp Industries Inc. Chi is an online marketer of hemp based products including hulled and whole hemp seeds, as well as hemp flour, hemp protein and hemp oil.

The reader is referred to the discussion below under Operations for the details of the acquisition.

Wholesale Products

Hemp and Cannabinoid Formulations

During 2015, the Company closed on a technology acquisition agreement. Naturally Splendid USA Ltd. (NSE USA") entered into a Novation Agreement with Full Spectrum Laboratories Limited ("FSL"), Boreal Technologies, Inc. ("Boreal") and Naturally Splendid whereby Boreal assigned, and NSE USA assumed, all rights, title and interest in and to a Restated and Amended License Agreement between FSL and Boreal. The License Agreement provides that the licensee has a worldwide license to manufacture, commercialize and sell products based on technology.

Under the terms of the Novation Agreement, NSE USA paid $725,000 to Boreal and the Company issued 2,928,571 common shares of the Company valued at the time of closing at $761,428 representing the market value at the date of issuance. The total acquisition cost was $1,486,428 to Full Spectrum Partners, LLLP (an entity controlled by FSL). NSE USA was to be required to pay to FSL a 4.5% gross revenue royalty. Commencing on November 17, 2016 and each year thereafter, NSE USA the minimum gross revenue royalty was to be US$1.6 million. Notwithstanding the foregoing, no royalties were to be payable to FSL on the first C$1,750,000 of royalties' payable under the License Agreement.

The term of the License Agreement is for a period of 10 years and may, at the option of NSE USA, be renewed for an additional 5 years. FSL will have the right to terminate the License Agreement in the event that (i) NSE USA fails to make a payment due under the License Agreement and remains in default of such nonpayment, (ii) NSE USA is in breach of a material term of the License Agreement, (iii) NSE USA becomes insolvent, or (iv) a change of "Control" in NSE USA. "Control" is defined as the issuance of fifty percent (50%) of the issued and outstanding shares of NSE USA.

As a result of the closing of a restated and amended licence agreement in 2015, Naturally Splendid acquired a 100-per-cent interest, without royalty, in FSL's omega technologies, including HempOmega and H2Omega. FSL removed the minimum annual royalty of US$1.6-million noted above. In consideration of owning a 100-per-cent interest in the omega technologies and the removal of the minimum royalty, Naturally Splendid extinguished its non-exclusive licence of FSL's bioreactor technology, and changed its exclusive licence on certain analytical testing SOPs (standard operating procedures) and GC-MS terpene analysis SOPs to a non-exclusive licence.

The Omega Technology and the CBD Technology are comprised of numerous exclusive and non-exclusive technologies, U.S. Provisional Patent Applications and U.S. Patent Applications, as well as all know-how, intellectual property and standard operating procedures related thereto.

During 2015 the Company also changed its strategy with respect to Cannabinoid technologies. See "United States Operations" below.

The Company will market these products only in jurisdictions where such products are legally permitted and in accordance with all regulatory and licensing requirements. Accordingly, the Company will not be marketing these products in Canada unless and until permitted by law, and will comply with any and all applicable regulatory and licensing requirements which may be required at the time such products are permitted. Furthermore, the Company will not produce, sell or market any products utilizing the CBD Technology until it has obtained a satisfactory opinion on the legality of these products and the acceptance of the TSXV.

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

HempOmega™ and other Powdered Plant Based Omega Oils

In 2012 and 2013, Naturally Splendid in conjunction with Boreal and with funding from the Canadian National Research Council ("NRC"), investigated a process to commercialize and market powdered plant based omega oils including hemp oil. Unlike powdered hemp protein, powdered hemp seed oil contains all of hemp's omega 3 and 6 essential fatty acids. Two sales agreements between the Company and Boreal were signed in 2013. The products covered in the sales agreements expanded from HempOmega™ and H2Omega™ to include FlaxOmega™, CanolaOmega™, ChiaOmega™, plant based omega products created from flax, canola and chia. These products utilize the same microencapsulation and liposome technologies as HempOmega™ and will also be available in both the powder format and an aqueous solution for increased flexibility in ingredient applications and/or stand-alone products.

In 2014, Boreal had completed the first pilot scale production run of HempOmega™. The successful completion of the production run allowed the Company to offer commercial sized production quantities, as well as to develop retail products which will utilize HempOmega™. The Company subsequently received a first shipment of HempOmega™. Further announcements in 2014 included the results of a poultry study conducted at the University of Manitoba, where an increase of 637% in natural omega content as achieved from chickens that consumed HempOmega™ in their feed compared to a current commercial feed product.

In late 2014 and early 2015, the Company announced a service agreement with the Alberta provincial government's Agriculture and Rural Development's Food and Bio Processing Division to determine the efficacy and nutritional benefits of incorporating HempOmega™ in proprietary, private label and ingredient products for the pet food industry. The study assisted the Company to develop pet superfoods fortified with HempOmega. This project is ongoing, with funding coming in part from the National Research Council of Canada.

Naturally Splendid anticipates that it will add HempOmega™ to its products, including flavored proteins and any future product line, to provide them with omega 3 and 6 essential fatty acids. In addition, Naturally Splendid has marketed HempOmega™ as an ingredient to be added to existing commercial products not belonging to Naturally Splendid.

Branding and Marketing

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

In 2013 the Company rebranded the Naturally Splendid retail brand, resulting in the name "NATERA™", for which trademarks were obtained in Canada and the United States and more recently South Korea. The NATERA™ products line includes flavoured shelled hemp seeds and flavoured hemp proteins. The Company launched Canada's first single serve flavoured shelled hemp seeds with the introduction of Himalayan Pink Salt and Maple flavors, as well as the original natural flavor. In addition, the Company supplemented its natural hemp protein line with flavoured hemp proteins.

During 2015 the Company launched the Pawsitive FX™ line of 100% owned hemp-based pet care products, which consists of three formulations for topical applications as well as three formulated shampoo products. The Company announced distribution arrangements for the distribution of this line of products in both Canada and the United States.

Naturally Splendid continues to work with and expand its distribution channels, as well as direct store sales and an online presence, marketing the NATERA™ and Pawsitive FX™ product lines across Canada and in various foreign countries. The sales of HempOmega™, other related products and any bulk sales are handled through a division of the Company, BC Ingredients.

Operations

The Company engages outside producers to manufacture and produce its hemp based products. The production process involves manufacturers purchasing hemp seed from farmers they have under contract. Once the product is harvested, it is sent to the various processors for processing into the various hemp products including, shelled hemp seed, hemp protein and hemp oil. Naturally Splendid then delivers its branding labels to various processors and packagers. Once received, the various processors and co-packers brand the products in accordance with the specifications of Naturally Splendid. Once Naturally Splendid's products have been produced, Naturally Splendid has the products delivered to its warehouse for direct sales by Naturally Splendid. From there, it is shipped to the various clients.

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

During the quarter, the Company relocated its corporate and warehouse operations to a facility in Pitt Meadows, BC Canada, as it had outgrown its current facility in Burnaby, BC Canada. The Pitt Meadows facility of approximately 12,000 square feet is strategically located close to certain suppliers and provides the Company with increased space to meet the growing operations of the Company's various divisions and product lines. The lease term commenced June 1, 2016, terminating June 30, 2026. The basic rent is payable in advance at a rate of $8,408.63 per month plus the proportionate share of expenses in respect of operating costs and property taxes amounting to $3,230.67 per month.

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

POS BPC

During 2015 the Company announced a strategic alliance with Nature's Health Products Canada Corp. ("NHPCC"), a member of the POS Group of Companies ("POS") based in Saskatoon, Saskatchewan, to capitalize on immediate opportunities to sell bulk volumes of HempOmega™ to selected clients. The agreement is a three-year Contractor Agreement. POS worked with Boreal to fine tune the manufacturing process for HempOmega™ to meet Naturally Splendid's requirements. NHPCC is responsible for commercializing internal POS research through ingredient marketing and distribution. POS specializes in extraction, fractionation, purification and modification of bio-based materials.

The Company signed a binding letter of agreement with BPC to provide research and development services to Naturally Splendid for hemp based research, process and product development. The Company invested $250,000 to retain POS to further develop the plant based omega technologies and products licensed from Full Spectrum Laboratories Limited, specifically targeting the omega oil industry.

The Company also entered into a definitive securities purchase agreement with POS Management, a wholly owned subsidiary of POS. The Company acquired 51% of BPC for $1.75-million and 367,647 common shares of Naturally Splendid valued at the day of closing at a price of 45 cents per share ($165,441). The common shares were subject to a trading restriction for a period of 12 months from the date of issue. Each of POS and the Company has three directors on the board of BPC, and POS continues to be the operator of the BPC Facility.

BPC operates a 12,000-square-foot facility containing approximately 60,000 litres of tankage, a fractional distillation system, evaporation equipment, spray drying equipment, a ring dryer, and various other pieces of complementary and auxiliary equipment. It is capable of processing a variety of products including the suite of plant-based omega technologies such as HempOmega™ that Naturally Splendid has acquired from Full Spectrum Laboratories. Additionally, the BPC facility is designed to produce plant-based extracts, tinctures and dry ingredients for a variety of clients.

The Company has also entered into a licence and sales agreement with POS Bio-Sciences, whereby the Company will have the right to sell and market, on an exclusive basis, five ingredients created using POS Bio-Sciences technology and to also sell and market, on a non-exclusive basis, additional ingredients created using POS technologies. In consideration of the licence, Naturally Splendid has agreed to pay POS a 5-per-cent net revenue royalty. The ingredients included in this licensing arrangement are high-quality sourced plant and marine extracts in the form of powder or oil and will be marketed through the Company's bulk ingredient division, Simplii (http://simpliingredients.com/).

In late 2015 the Company announced that BPC had secured a government grant for HempOmega™ product development from the Saskatchewan Agri-Value Initiative (SAVI) under the Canada-Saskatchewan Growing Forward 2 bi-lateral agreement. The grant is an arrangement whereby Naturally Splendid and SAVI split the cost of the project 50/50 and Naturally Splendid will have 100% ownership of all data and information. The product development project will be conducted at the Saskatchewan Food Industry Development Centre, Inc. (SFIDC) located in Saskatoon, Saskatchewan and is expected to run for up to three months with periodic reports and updates. The SFIDC is a non-profit organization, providing full service assistance to food processors wanting to add value to their products for domestic and/or international markets. The SFIDC houses a state-of -the-art federal facility that is HACCP Approved, Organic Certified, Canadian Food Inspection Agency (CFIA) approved for meat, dairy and processed foods, and FDA approved. The product development specialists at SFIDC will be incorporating HempOmega™ into various food applications to determine the maximum inclusion levels. The project will also evaluate shelf life and nutritional labeling to determine what levels are required to meet Health Canada's Omega-3 nutrient specifications. The project was initially scheduled to complete by February 1, 2016, however the deadline was subsequently extended to June 1, 2016. The extension was a mutual decision by the formulators at SFIDC and the Company to allow the development of additional product formulations. SFIDC has successfully created pizza dough and yogurt enhanced with HempOmega™.

BPC scaled up the facility in order to resume production during the current quarter. The BPC facility was brought back on-line with a thorough cleaning, maintenance check-up, training of operators and further upgrades to equipment/facility. By the end of March, the facility commenced its first project work, with the project being expected to continue through to the end of Q2. Further contract work is expected to be signed for Q3 and Q4 of 2016. Management believes that an appropriate mix of clients has been and continues to be chosen to allow the facility to operate most efficiently, with the ideal being a mix of 3 or 4 clients that will keep the facility fully booked year round. As 2016 revenues began at the end of Q1, and as there were significant upfront costs to start the facility, management are of the opinion that the expected 2016 results will not reflect the potential of future year round operations. Management further believes that this facility has solid production capacity, and with full CFIA certification expected to be obtained by the 2016 year end, management expects that additional opportunities will be available to the facility.

On March 23, 2016, the Company announced that it was a finalist for the prestigious NutraIngredients Awards for HempOmega™ in the category of Start-up Ingredient of the Year. The NutraIngredients Awards are organized by NutraIngredients.com, which is published by William Reed Business Media. The Company attended the Awards Ceremony in Geneva, Switzerland on May 11, 2016, and made a presentation on HempOmega™ which was well received and generated considerable interest in the product. The Company was one of the top three finalists.

POS Bio-Sciences, where HempOmega™ is produced, was the winner of the North Saskatoon Business Association's (NSBA) 19th annual Business Builder Awards in the Export Category.

Chi Hemp Industries Inc.

In late 2015 the Company entered into a letter of intent with Chi Hemp Industries Inc. and the shareholders of Chi whereby Naturally Splendid agreed to negotiate the terms of a definitive agreement to acquire all of the issued and outstanding shares of Chi. The definitive agreement was signed on November 4, 2015 and accepted by the TSX Venture Exchange on November 24th. Under the terms of the agreement, the Chi shareholders sold the Chi shares to Naturally Splendid for consideration of $75,000 of common shares (319,148 shares) of Naturally Splendid to the Chi shareholders and cash of $75,000 plus a working capital adjustment. The cash payment will be made in three separate tranches: $25,000 within three months of closing, $25,000 within six months of closing and $25,000 within nine months of closing. On closing of the transaction, the Chi shareholders entered into a one-year consulting agreement with Naturally Splendid. The Chi shareholders will receive a 12-per-cent gross sales commission on certain lines of business that are directly benefited from their services as agreed to by senior Naturally Splendid management.

The Company purchased Chi, which had had an online presence since 1998, to access what is in management's opinion, a highly sophisticated state of the art online marketing capability. The two principals of Chi entered into a consulting agreement with the Company as part of the acquisition, allowing the Company to commence upgrading all of the other online web related sales technologies and websites to the same high standards.

United States Operations

Amendment 64 to the Colorado Constitution, passed in November 2012, required the State of Colorado to implement legislation to regulate the cultivation, processing and sale of industrial hemp. With the passing of the Agricultural Act of 2014, the United States Federal government removed restrictions on the cultivation of industrial hemp within state regulated environments. NSE USA intended to implement a business strategy to leverage the omega and cannabinoid technologies that were licensed to and acquired by NSE USA. On October 9, 2015, the Company announced that it was revising its US strategy in light of the change in the technology licenses.

During 2015 the Company announced that NSE USA had entered into an exclusive sales and distribution agreement for North America with Medropharm GmbH, a biotechnology company located in Kradolf, Switzerland. Medropharm specializes in the production, extraction, research and formulation of raw materials and products derived from industrial hemp. Under the agreement, NSE USA has the exclusive rights to market and distribute in North America an edible, cannabidiol-rich hemp powder, as well as the non-exclusive rights to market and distribute hemp-derived cannabinoid extracts and formulations globally. The products contain naturally occurring cannabidiol, a non-psychoactive cannabinoid prevalent in industrial hemp strains of cannabis sativa. The term of the initial exclusive distribution agreement is for two years. Pursuant to the agreement, NSE USA is permitted to sell the products to Medropharm's existing clients. NSE USA is required to purchase 2,000 kilograms of the hemp powder in the first year and 3,000 kilograms in the following year to accommodate Medropharm's existing product demands, as well as its own industry prospects.

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

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

Asian Initiatives

In late 2015 the Company executed a letter of intent with a Thailand-based distributor to market the Natera hemp food retail line, as well as the full range of bulk products and bio-active, plant-based ingredients that have been compiled by Simplii. The territories covered include Thailand, Vietnam and the Philippines.

The Company also executed a letter of intent with a Korean-based distributor to market the Natera hemp food retail line and the PawsitiveFX pet care line throughout South Korea.

On February 3, 2016, the Company received an initial purchase order for $924,000 from Korea Beauty & Health Care Co. Ltd. based in South Korea. The first shipment of 20 metric tonnes of hulled hemp seeds left on February 5, 2016, destined for the port of Busan in South Korea. Korea Beauty & Health Care Co. Ltd. was established in 2003 and has a successful record bringing a variety of products to the South Korean marketplace in the area of cosmetics, household items, functional foods and medical equipment. KBH was certified as a food manufacturer and cosmetic manufacturer in 2015 and is also a product developer with its own R&D facility.

On February 8, 2016, the Company announced that it would be joining a delegation being led by the BC Ministry of International Trade to exhibit at Food & Hotel Asia 2016 (FHA) in Singapore from April 12 to 15, 2016. Naturally Splendid will be presenting its product offerings to Asian buyers at the British Columbia booth within the Canadian Pavilion at Food & Hotel Asia.

On February 18, 2016, the Company signed a memorandum of understanding appointing Korea Beauty & Healthcare Co. Ltd. as master distributor for the Naturally Splendid hemp food brands in South Korea. Under the terms of the master agreement, Korea Beauty & Healthcare Co. Ltd. will earn the exclusive rights to market the Naturally Splendid hemp food brands, Natera and Chii, through television shopping channels, on-line shopping, off-line shopping and traditional retail throughout South Korea. Additionally, Korea Beauty & Healthcare will strategically secure additional Korean distributors for maximum market coverage both demographically and geographically. To retain the exclusive rights to the Naturally Splendid hemp food brands, Natera and Chii, Korea Beauty & Healthcare must achieve minimum hemp seed sales of 200 tonnes in the first year of the agreement, 300 tonnes in the second year of the agreement and 300 tonnes in the third year of the agreement. This represents gross sales estimated to be a minimum of $8-million over the term of the three-year agreement.

On March 15, 2016, the Company announced that, through its South Korean master distributor Korea Beauty & Healthcare Co. Ltd., Naturally Splendid Enterprises Ltd. launched its hemp foods through the Lotte Home Shopping Channel in South Korea under the brand Paleo/NATERA. Korea Beauty & Healthcare Co. Ltd. has developed the Paleo/NATERA brand of shelled hemp seeds specifically for the Asian market. Naturally Splendid is the exclusive supplier of hemp food products, including shelled hemp seed, to Korea Beauty & Healthcare Co. The Lotte Shopping Channel sells a variety of consumer goods and services by means of live, customer-interactive electronic retail sales programming which is transmitted to cable television systems and select broadcast television stations throughout Korea. Lotte Home Shopping operates 24 hours a day and seven days a week.

Additionally, the Company attended two international food exhibitions as official members of the Canadian Trade Delegation by invitation of the BC Ministry of International Trade. The first trade show was in Singapore April 12 – 15, while the second trade show was in Seoul, South Korea May 10 – 13. Senior management of Naturally Splendid met several Canadian Foreign Trade Ministers, and made contacts throughout the Southeast Asia region. On June 9, 2016 the Company announced that it had participated in a BC Trade Mission to Korea, the Philippines and Japan.

The intent is to leverage these relationships to penetrate markets throughout the Southeast Asia Region.

Management, Board of Directors and Advisory Board Activities

During 2015 the Company announced certain changes to advisory board. Mr. Mitch Berger and Mr. Richard McGawley were appointed to the advisory board, and Mr. Charlie Brink stepped down from the board of directors of the Company for business reasons and also joined the advisory board.

The Advisory board also includes previous appointees, Mr. Douglas Mason, Dr. Rick Green, and Mr. Donald Wood.

On August 24, 2016, Mr. David Racz resigned from the board due to other business commitments.

There have been no changes to management, the board of directors or the advisory board during 2016 to date aside from the above.

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, 2015 (Public Company) ($)	Year Ended December 31, 2014 (Public Company) ($)	Year Ended December 31, 2013 (Private Company) ($)
Total Revenue	301,705	234,761	132,578
Expenses	(7,384,788)	(2,033,357)	(2,883,367)
Interest and other Income	101,797	2,839	5,722
Net Loss	(6,981,286)	(1,795,757)	(2,745,067)
Basic and Diluted Loss Per Share	(0.14)	(0.06)	(0.11)

Statements of Financial Position Data	As at December 31, 2015 ($)	As at December 31, 2014 ($)	As at December 31, 2013 ($)
Total Assets	4,508,998	748,366	830,560
Total Liabilities	2,239,597	139,976	199,874
Total Equity	2,269,401	(608,390)	(630,686)

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	June 30, 2016	**March 31, 2016**	**Dec. 31, 2015**	**Sept. 30, 2015**
	Q21 -2016	Q1 -2016	Q4 -2015	Q3 -2015
Total Revenue	3,657,852	1,440,028	(8,818)	200,571
Gross Margin	1,596,383	80,353	(47,083)	38,758
Income (Loss) from operations	895,452	(513,604)	(1,213,511)	912,384
Comprehensive Income (Loss)	885,301	(458,293)	(3,884,965)	891,033
Basic and diluted income (loss) per share	0.02	(0.01)	(0.07)	(0.02)

	Three months ended			
	June 30, 2015	**March 31, 2015**	**Dec. 31, 2014**	**Sept. 30, 2014**
	Q2 - 2015	Q1 - 2015	Q4 -2014	Q3 -2014
Total Revenue	70,459	39,493	28,798	66,232
Gross Margin	(35,563)	6,877	11,716	(11,254)
Income (Loss) from operations	(859,267)	(1,335,007)	(147,172)	(556,679)
Comprehensive Income (Loss)	(905,485)	(1,299,803)	(413,985)	(529,721)
Basic and diluted income (loss) per share	(0.02)	(0.03)	(0.015)	(0.015)

DISCUSSION OF OPERATIONS

Overview

During the six month ended June 30, 2016, the Company experienced significant growth in export sales. Both Q1 and Q2 2016 have shown a significant increase in demand for product from South Korea, as well as additional interest received at the trade shows mentioned above, all of which has resulted in increased sales continuing into the current quarter as of the date of this report. Online marketing results are also increasingly positive, as are the operations at the POS BPC facility.

Revenue

Revenue during the three and six-month periods ended June 30, 2016 was $3,657,852 (Year to date: $5,097,880) compared to $70,459 ($109,952). The Company increased its sales in all product areas including Natera, HempOmega™, Pawsitive FX, however the most significant increase was in bulk export sales. POS-BPC also commenced operations during the quarter, adding to top line sales. A further $712,000 of sales was recorded as deferred revenue, as the product had not shipped as of June 30, 2016. This product was shipped after the quarter end.

Costs of Sales and Gross Profit

Cost of Sales was $2,061,469 (YTD: $3,421,144) during the quarter, compared to $106,022 ($138,638) in 2015. Overall gross profits increased to $1,596,383 (YTD: $1,676,736) compared to 2015 results of a loss of $35,563 ($28,686).

Selling and Distribution Expenses

Selling and distribution expenses during the quarter were $131,150 (YTD: 253,293) compared to $153,310 ($222,121) in 2015, despite the facility expenses of $71,961 (YTD: $126,625) (2015: $nil) related to the POS BPC facility operations, which were not incurred in 2015. The other selling expenses were down overall, especially with respect to product promotion, as the Company reduced its product giveaways at trade shows.

Administrative Expenses

Administrative expenses were lower in Q2 2016 compared to 2015, and significantly lower year to date:

Accounting and audit fees were $71,595 (YTD: $100,936) (2015: $50,590 and $60,390) due to the timing of billings and the generally more complex nature of the Company's operations resulting in increased audit costs, for example;

Amortization of $29,720 (YTD: $54,631(2015: $11,243 and $19,516) reflects the increase in depreciable assets of the Company, primarily packaging equipment as well as addition of expenses from the POS BPC facility and the amortization of intangible assets;

Bank charges and interest accretion of $32,394 (YTD: $63,562) (2015: $2,579 and $4,881) reflect the interest accreted as an expense related to the fair valuing of certain loans and payables. Interest of $38,634 (YTD: $57,624) (2015: $Nil) was accreted;

Consulting fees of $66,570 (YTD: $101,848) (2015: $63,085 and $100,848) represent the relatively consistent use of outside business consultants as opposed to hiring staff;

Legal fees of $10,739 (YTD: $22,742) (2015: $52,982 and $73,991) are down due to decrease corporate filing activities;

Management fees were $94,920 (YTD: $189,840) (2015: $153,851 and $223,130) as a result of changes to management for the United States, with management for that entity now bring paid in Canadian dollars, and the foreign exchange effects of the increase in the US dollar;

Office and general of $147,838 (YTD: $298,430) (2015: $148,932 and $241,489) reflects the cost of the warehouse premises, administrative staff, and the general increase in costs as company engaged in expanding its products and operations. The effects of a new warehouse lease with higher rent payments and the cost of a move are starting to be incurred during the period;

Promotion decreased to $94,158 (YTD: $118,408) (2015 $134,491 and $326,790) due to a reduction in the prepaid corporate promotional activities regarding corporate and general product awareness campaigns in all the markets where the Company has shareholders and potential investors. The Company still has to differentiate its hemp based products from the generally negative connotations of similar marijuana based products;

Share based payments of $8,249 (YTD: $55,322) (2015: $792,980) represent the single greatest reduction in expenses this year. This expense reflects the estimated cost of the issuance of stock options during the respective quarters. The amount of expense is determined by the number of options issued in the period as well as the market price of the Company's shares which result in volatility, which is among other factors, one of the key assumptions used in the Black-Scholes option pricing model.

Transfer agent and filing fees of $3,409 (YTD: $24,008) (2015: $31,908 and $58,352) were generally lower due to lower corporate securities activities, and relate to the volume of exercises of warrants and options, as well as corporate filings;

Travel of $10,189 (YTD: $11,868) (2015 $20,733 and $41,511) reflects the level of activity due attending at trade shows. This expense was somewhat distorted by attendance at events sponsored by the federal and provincial governments which were subsidized in many cases;

Foreign exchange losses of $11,058 (YTD: 7,052) compare to 2015 losses of $46,443 and $11,239 as foreign exchange fluctuated with respect to US operations; and

Other income of $907 (YTD: $52,213) (2015: $225) relates primarily to facility rental fees of the POS BPC facility. As POS BPC has now entered production, revenue from that operation is included in sales, not other income.

Cash flows for the six-month period ended June 30, 2016 a decrease of $89,085 as a result of lower levels of financings in 2016 year to date compared to 2015. During 2015, cash increased by $273,171 due to private placement financings.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016 the Company had cash deficit of $54,755 (December 31, 2015 – cash balance of $34,330) and a working capital of $301,118 (December 31, 2015 - working capital deficit of $755,094).

During the six-month period ended June 30, 2016, the Company completed the following transactions:

- 282,000 shares were issued upon the exercise of 282,000 warrants at a price of $0.30 per share for gross proceeds of $84,600;
- 349,750 shares were issued upon the exercise of 349,750 options at prices from $0.16 to $0.175 for gross proceeds of $60,4760, $52,500 of which was recorded as a subscription received in the previous year; and
- 1,237,450 warrants with an expiration date of April 26, 2016 were extended by one year and 158,935 agent's warrants expired unexercised. 310,000 options with an expiration date of March 24, 2016 were repriced from $0.20 to $0.285 and extended by three years. Stock based compensation of $29,616 was recorded as a result of this extension.

On August 23, 2016, the Company closed the initial tranche of a private placement financing by issuing a total of 2,902,168 units for gross proceeds of $783,585. Each unit comprises one common share of Naturally Splendid and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share at 35 cents per share for a period of two years from the date of the issue. Naturally Splendid will have the right to accelerate the expiry date of the warrants if, at any time, the average closing price of Naturally Splendid's common shares is equal to or greater than 45 cents for 10 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after Naturally Splendid issues a news release announcing that it has elected to exercise this acceleration right. The Company paid cash commission totaling $65,677 and issued a total of 135,150 finder warrants. Each finder warrant is on the same terms as the warrants. The securities issued under the financing will be subject to a hold period expiring on Dec. 23, 2016, pursuant to applicable securities laws and the rules of the TSX Venture Exchange.

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

On October 2, 2015, the Company entered into a loan agreement with Robert Schulz, whereby the lender has agreed to loan Naturally Splendid $100,000 for a period of two years at an interest rate of 12 per cent per annum. The Company has the right to repay all of the outstanding balance of the loan by paying the lender an amount equal to 124 per cent of the loan less any accrued interest paid by Naturally Splendid, provided that either: (i) Naturally Splendid completes financings totalling at least $1.5-million in the year following the date of acceptance by the TSX Venture Exchange of the loan; or (ii) Naturally Splendid exercises this right one year after the exchange acceptance date. Further, the lender will also have the right to have Naturally Splendid repay the loan prior to the maturity date at the repayment price, provided that Naturally Splendid completes financings totalling at least $1.5-million in the year following the exchange acceptance date. As additional consideration of the loan, Naturally Splendid issued 95,238 common shares to the lender. The loan was used for working capital.

The loan payable was recognized initially at the fair value, which was calculated based on the application of a market interest rate of 25%. The difference between the face value of $100,000 and the initial fair value of the loan payable has been recorded as equity.

On October 23, 2015 the Company closed on a loan agreement with Coast Mountain Aviation Inc. whereby the lender has agreed to loan Naturally Splendid $300,000 for a period of two years at an interest rate of 12 per cent per annum. Prior to the maturity date, Naturally Splendid will have the right to repay all of the outstanding balance of the loan by paying the lender the loan plus any accrued and unpaid interest provided that either Naturally Splendid completes financings totalling at least $1.5-million during the term of the loan, or Naturally Splendid exercises this right one year after the exchange acceptance date. Further, the lender will also have the right to have Naturally Splendid repay the loan prior to maturity date at the repayment price provided that Naturally Splendid completes financings totalling at least $1.5-million during the term of the loan. As additional consideration of the loan, Naturally Splendid issued 260,869 common shares to the lender. The loan was used for acquisitions and operations.

The loan payable was recognized initially at the fair value, which was calculated based on the application of a market interest rate of 25%. The difference between the face value of $300,000 and the initial fair value of the loan payable has been recorded as equity.

On March 9, 2016, the board of directors of the Company approved the repricing of 310,000 outstanding stock options from an exercise price of 20 cents to 28.5 cents and extending the expiry dates of those stock options to March 24, 2019. The amended stock options are held by directors, officers, consultants and employees of the company.

The company also granted a total 305,000 stock options to certain employees and consultants of the company. Each stock option is exercisable at a price of 29.5 cents per share, subject to certain vesting requirements and expires on March 8, 2018, in respect of 155,000 stock options, and Dec. 1, 2018, in respect of 150,000 stock options.

OFF BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

As of the date of this report, there are no significant transactions, acquisition or disposition of businesses or assets currently being discussed or transacted.

TRANSACTIONS BETWEEN RELATED PARTIES

Key management compensation

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

	Three Month Period ended March 31, 2016	2015	Six Month Period ended June 30, 2016	2015
	$	$	$	$
Management fees	79,920	153,851	159,840	193,130
Share-based payments	-	-	19,108	502,865
	79,920	153,851	178,948	695,995

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

Related party transactions

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

	Three Month Period ended March 31, 2016	2015	Six Month Period ended June 30, 2016	2015
	$	$	$	$
Management fees	15,000	15,000	30,000	30,000
Consulting fees	10,500	10,500	21,000	21,000
	25,500	25,500	51,000	51,000

POS Management Corporation is a company subject to common control. During the six-month period ended June 30, 2016, the Company received facilities revenues and contract services revenue from POS Management Corporation totaling $441,302 (2015 - $nil) and incurred management fees expense of $48,000 (2015 - $nil).

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

- $nil (December 31, 2015 - $5,879) due to management and consultants for fees outstanding.
- $258,523 (December 31, 2015 - $556,966) due to POS Pilot Plant Corp., a company subject to common control, relating to management fees outstanding.

- $(158,369) (December 31, 2015 - $414,326) due from POS Management Corp., a company subject to common control, of at December 31, 2015 relating to subcontractor fees.
- $nil (December 31, 2015 - $22,600) due to POS Holdings Corp., a company subject to common control, relating to consulting fees outstanding.

CHANGES IN ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Company has adopted new accounting standards effective January 1, 2015. Please refer to note 3 in the annual audited financial statements for the year ended December 31, 2015 for a detailed discussion of accounting policies and estimates. There was no effect from the adoption of these standards.

ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates

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

Recoverability of accounts receivable

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

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. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Income taxes

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

Interest rates

The Company estimates a fair value interest rate in determining the fair value of the loans payable.

Recovery of deferred tax assets

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

Critical accounting judgments

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

Valuation of inventory

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

Useful lives of intangible assets and equipment

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

Impairment of goodwill and Licensed IP

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

The allocation of fair value of assets acquired

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

The assessment of the transactions as an asset acquisition or business combination

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

Going concern

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

FINANCIAL INSTRUMENTS

Categories of financial instruments

	June 30, 2016 $	December 31, 2015 $
Financial Assets		
Fair value through profit or loss, at fair value		
Cash	-	34,330
Loans and receivables, at amortized cost		
Trade and other receivables	1,558,183	250,020
Restricted cash	60,435	57,560
Total financial assets	1,618,618	341,910
Financial Liabilities		
Other liabilities, at amortized cost		
Bank indebtedness	54,755	-
Trade and other payables	1,291,978	1,704,998
Long-term debt, including current portion	534,382	476,758
Total financial liabilities	1,881,115	2,181,756

Fair value

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

Management of financial risks

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

Credit risk

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

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

Liquidity risk

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

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at June 30, 2016, the Company had working capital of $301,118 (December 31, 2015 - working capital deficit of $755,094).

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

The interest rate on loans payable as at June 30, 2016 is fixed, as such, the Company is not exposed to interest cash flow risk.

Other risk

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

OUTSTANDING SHARE DATA

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

Type of Security	June 30, 2016	Date of Report
Issued and outstanding common shares	57,412,273	60,464,441
Warrants exercisable at $0.30 issued under private placement (1)	1,237,450	1,237,450
Warrants exercisable at $0.40 issued under private placement (2)	3,694,291	3,694,291
Warrants exercisable at $0.75 issued under private placement (3)	1,696,650	1,696,650
Warrants exercisable at $0.35 issued under private placement (4)	-	1,451,084
Agent's warrants exercisable at $0.40 per common share (2)	146,880	146,880
Agent's warrants exercisable at $0.75 per common share (3)	194,664	194,664
Agent's warrants exercisable at $0.35 per common share (4)	-	135,150
Stock options exercisable	3,710,500	3,710,500
Fully diluted shares	68,092,708	72,731,110

Notes:

(1) Each warrant is exercisable at $0.30 per share until April 28, 2017, as extended by one year.
(2) Each warrant is exercisable at $0.40 per share until February 27, 2017.
(3) Each warrant is exercisable at $0.75 per share until May 29, 2017.
(4) Each warrant is exercisable at $0.35 per share until August 22, 2018

FURTHER INFORMATION

Risk Factors

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

Limited Operating History

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

Additional Requirements for Capital

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

Management of Growth

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

Success of Products is Dependent on Public Taste

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

Raw Materials

The Company's products are derived from hemp. Accordingly, the Company and/or its manufacturers must acquire sufficient hemp so that the products can be produced to meet the demand of its customers. A hemp shortage could result in loss of sales and damage to the Company. In April 2015, the Company entered into a hemp supply agreement whereby it agreed to purchase a minimum of 3,000,000 pounds of bulk industrial hemp seed. Even though the Company anticipates that this will allow it to meet its demand until 2017, the Company may be required to source other industrial hemp producers in the event that consumer demand increase. Also, if the Company and/or its manufacturers become unable to acquire commercial quality hemp on a timely basis and at commercially reasonable prices, and are unable to find one or more replacement suppliers with the regulatory approvals to produce hemp at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company will likely be unable to meet customer demand.

Limited Number of Products

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

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

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

Consumer Perception of Hemp

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

Brand Awareness

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

Development of New Products

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

Dependence on Management Team

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

Reliance on Third Party Manufacturers

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

Reliance on Distributors and Key Customers

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

A significant portion of the Company's revenues have come from three large customers. In 2015, these customers represented 64% of all sales. While the Company will seek to diversify its customer base, the loss of any one of its large customers will result in a material adverse effect on the Company's business and may adversely affect revenues going forward.

Development of Generic In-House Brands

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

Product Liability Insurance

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

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

Product Recall

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

Trademark Protection

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

Patent Infringement

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

Government Regulation

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

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

Government Regulation relating to the CBD Technology

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

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

Competition

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

Product Liability Claims

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

Global Economic Conditions

Current global economic conditions could have a negative effect on the Company's business and results of operations. Economic activity in North America and throughout much of the world has undergone a sudden, sharp economic downturn following the recent housing downturn and subprime lending collapse in both the United States and Europe. Market disruptions have included extreme volatility in securities prices, as well as severely diminished liquidity and credit availability. The economic crisis may adversely affect the Company in a variety of ways. Access to lines of credit or the capital markets may be severely restricted, which may preclude the Company from raising funds required for operations and to fund continued expansion. It may be more difficult for the Company to complete strategic transaction with third parties. The financial and credit market turmoil could also negatively impact suppliers, customers and banks with whom the Company does business. Such developments could decrease the Company's ability to source, produce and distribute its products or obtain financing and could expose it to risk that one of its suppliers, customers or banks will be unable to meet their obligations under agreements with them.

While it is not possible to predict with certainty the duration or severity of the current disruption in financial and credit markets, if economic conditions continue to worsen, it is possible these factors could significantly impact the Company's financial conditions.

Smaller Companies

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

Forward Looking Statements

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

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

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

The Company advises you to carefully review the reports and documents we file from time to time with the applicable securities commissions.

Additional Information relating to the Company can be found on SEDAR at www.sedar.com.