



Naturally Splendid Enterprises Ltd.

Condensed Consolidated Interim Financial Statements

March 31, 2013

Expressed in Canadian Dollars

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Naturally Splendid Enterprises Ltd.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	As at March 31, 2013 \$	As at December 31, 2012 \$
Assets			
Current			
Cash		1,017,401	5,077
Trade and other receivables	6	56,630	28,535
Inventories	7	69,089	22,703
Advances and prepaid expenses	8	83,437	9,932
		<u>1,226,557</u>	<u>66,247</u>
Property and equipment	9	<u>22,750</u>	<u>20,761</u>
		<u>1,249,307</u>	<u>87,008</u>
Liabilities			
Current			
Trade and other payables	10	75,143	78,505
Loans payable	11	-	167,832
		<u>75,143</u>	<u>246,337</u>
Due to related parties	8	<u>-</u>	<u>10,796</u>
		<u>75,143</u>	<u>257,133</u>
Equity (Deficiency)			
Share capital	12	4,329,895	1,546,300
Reserves	12	293,220	-
Deficit		<u>(3,448,951)</u>	<u>(1,716,425)</u>
		<u>1,174,164</u>	<u>(170,125)</u>
		<u>1,249,307</u>	<u>87,008</u>

APPROVED AND AUTHORIZED FOR ISSUE BY THE BOARD ON May 28, 2013:

"Craig Goodwin" (signed)

Director

J. Craig Goodwin

"Peter Hughes" (signed)

Director

Peter Hughes

The accompanying notes are an integral part of these financial statements.

Naturally Splendid Enterprises Ltd.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

For the Three Month Period ended March 31,

	Note	2013 \$	2012 \$
Revenue		15,991	15,766
Cost of sales		<u>11,791</u>	<u>11,578</u>
Gross profit		<u>4,200</u>	<u>4,188</u>
Selling and Distribution Expenses			
Commissions and direct selling expenses		1,350	760
Product development, net of grants		36,900	17,000
Product promotion and trade shows		4,168	-
Salaries and wages		<u>7,176</u>	<u>3,652</u>
		<u>49,594</u>	<u>21,412</u>
Administrative Expenses			
Accounting and audit		8,449	4,000
Bank charges and interest		1,078	1,347
Consulting		18,895	10,830
Amortization		1,317	1,628
Directors fees		3,000	-
Legal fees		8,977	16,146
Management fees		14,000	31,200
Office and general		8,153	7,624
Promotion		9,503	1,232
Share based payments	12	239,220	-
Transfer agent and filing fees		34,136	-
Travel		<u>3,655</u>	<u>2,522</u>
		<u>350,383</u>	<u>76,529</u>
Loss from Operations		395,777	93,753
Foreign exchange		11	-
Forgiveness of accounts payable	10	5,703	2,646
Interest income		(464)	-
Listing expense	4	<u>1,331,499</u>	<u>-</u>
Loss and Comprehensive Loss for the Period		<u>1,732,526</u>	<u>96,399</u>
Loss per share – Basic and Diluted		<u>(0.09)</u>	<u>(0.01)</u>
Weighted average number of shares outstanding		<u>18,538,383</u>	<u>13,057,857</u>

The accompanying notes are an integral part of these financial statements.

Naturally Splendid Enterprises Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)
For the Three Month Period ended March 31

	2013	2012
	\$	\$
Cash flows used in operating activities		
Net loss for the period	(1,732,526)	(96,399)
Adjustments to reconcile loss to net cash		
Amortization	1,317	1,628
Share-based payments	239,220	-
Forgiveness of accounts payable	5,703	-
Listing Expense	1,331,499	-
Changes in non-cash working capital items		
Trade and other receivables	14,454	14,794
Inventories	(46,386)	(4,374)
Advances and prepaid expenses	(26,522)	10,000
Trade and other payables	(99,378)	61,778
	<u>(312,619)</u>	<u>(12,573)</u>
Cash flows used in investing activities		
Purchase of property and equipment	(3,306)	-
Cost of acquisition (note 4)	(62,188)	-
	<u>(65,494)</u>	<u>-</u>
Cash flows from financing activities		
Repayments to related parties	(10,796)	(2,460)
Proceeds from issuance of shares	1,758,108	-
Share issue costs	(213,053)	-
Loans payable	(167,832)	8,926
	<u>1,366,427</u>	<u>6,466</u>
Increase (Decrease) in cash	988,314	(6,466)
Cash obtained on acquisition	24,010	-
Cash, beginning of period	<u>5,077</u>	<u>7,297</u>
Cash, end of period	<u>1,017,401</u>	<u>1,190</u>

The accompanying notes are an integral part of these financial statements.

Naturally Splendid Enterprises Ltd.

Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)

(Unaudited - Expressed in Canadian Dollars)

	Class B common shares	Class C common shares	Common shares	Share capital (\$)	Reserves (\$)	Deficit (\$)	Total equity (deficiency (\$))
Balance at December 31, 2011	8,400,000	4,657,857		1,114,400	-	(1,589,151)	(474,751)
Net loss for the period	-	-		-	-	(96,399)	(96,399)
Balance at March 31, 2012	8,400,000	4,657,857		1,114,400		(1,685,550)	(571,150)
Class C common shares issued for debt	-	1,727,600		431,900	-	-	431,900
Net loss for the period	-	-		-	-	(30,875)	(30,875)
Balance at December 31, 2012	8,400,000	6,385,457		1,546,300	-	(1,716,425)	(170,125)
Exchange of shares on acquisition (note 4)	(8,400,000)	(6,385,457)	11,599,971	1,274,540	18,000	-	1,292,540
Issued and outstanding shares of Race Capital Corp.	-	-	4,000,000	-	-	-	-
Private placement, for cash	-	-	10,000,000	1,750,000	-	-	1,750,000
Share issue costs	-	-	-	(249,053)	36,000	-	(213,053)
Warrants exercised at \$0.10	-	-	81,080	8,108	-	-	8,108
Stock based payments	-	-	-	-	239,220	-	239,220
Net loss for the period	-	-	-	-	-	(1,732,526)	(1,732,526)
Balance at March 31, 2013 (Notes 7 and 11)	-	-	25,681,051	4,329,895	293,220	(3,448,951)	1,174,164

The accompanying notes are an integral part of these financial statements.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

Three Month Period ended March 31, 2013

1. Nature of Operations

Naturally Splendid Enterprises Ltd. (formerly Race Capital Corp.) (the “Company” or “Race”) was incorporated under the laws of the province of British Columbia on December 21, 2010.

The head office, principal address and registered and records office is located at 605-1166 Alberni Street, Vancouver, British Columbia, Canada, V6E 3Z3.

Naturally Splendid Enterprises Ltd. (“NS”) was incorporated under the laws of the province of British Columbia on January 10, 2008. The Company is in the natural food industry and provides food supplements that are packaged for distribution through grocery stores, health and nutrition stores, and other outlets.

During the period, the Company acquired NS. See Note 4.

The Company’s financial statements as at March 31, 2013 and December 31, 2012 and for the periods then ended have been on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. For the three month period ended March 31, 2013, the Company had a net loss of \$1,732,526 (March 31, 2012 - \$96,399).

2. Basis of Presentation

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of Naturally Splendid Enterprises Ltd. (formerly Race Capital Corp.) as at and for the year ended December 31, 2012, and the financial statements of Naturally Splendid Enterprises 2013 Ltd. (formerly Naturally Splendid Enterprises Ltd.) as at and for the year ended January 31, 2013. Accordingly accounting policies applied are the same as those applied in the above annual financial statements which are filed on SEDAR at www.sedar.com.

b) Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in Note 3, and the acquisition transaction described in Notes 1 and 4. They are presented in Canadian dollars, which is the Company’s functional currency, except where otherwise indicated.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

The condensed consolidated interim financial statements include the accounts of the following entities:

	Relationship	Percentage	Period
Naturally Splendid Enterprises Ltd. (formerly- Race Capital Corp.)	Parent	100%	January 1, 2013 to March 31, 2013
Naturally Splendid Enterprises 2013 Ltd.	Subsidiary	100%	February 1to March 31, 2013

Inter-company balances and transactions are eliminated on consolidation.

3. Significant Accounting Policies

The accounting policies of the Company are presented in the Naturally Splendid Enterprises Ltd. (formerly Race Capital Corp.) as at and for the year ended December 31, 2012, and the financial statements of Naturally Splendid Enterprises 2013 Ltd. (formerly Naturally Splendid Enterprises Ltd.) as at and for the year ended January 31, 2013. These policies were consistently applied without change in the preparation of these condensed consolidated interim financial statements. The reader is referred to those statements for a detailed discussion.

Adoption of new and amended IFRS pronouncements

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

- IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation — Special Purpose Entities.
- IFRS 11 *Joint Arrangements* requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.
- IFRS 12 *Disclosure of Interests in Other Entities* establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.
- IFRS 13 *Fair Value Measurement* is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.
- IAS 1 (Amendment) *Presentation of Financial Statements* retain the 'one or two statement' approach at the option of the entity and only revise the way other comprehensive income ("OCI") is presented.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

- IAS 19 (Amendment) *Employee Benefits* revises recognition and measurement of post-employment benefits.
- IAS 27 (Amendment) *Separate Financial Statements* prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 (Amendment) *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The adoption of these standards did not have an effect on the Company's condensed interim consolidated financial statements for the current period.

4. Acquisition

On February 28, 2013, Race Capital Corp. ("Race") acquired all of the issued and outstanding shares of Naturally Splendid Enterprises Ltd. ("NS") by completing a three-cornered amalgamation. Pursuant to the three-cornered amalgamation, NS and a wholly-owned subsidiary of Race, 0938215 B.C. Ltd., amalgamated to form a new company called "Naturally Splendid Enterprises 2013 Ltd." (the "Amalgamation"), and in consideration the shareholders of NS exchanged all of their issued and outstanding shares for 11,599,971 shares of Race. Immediately following the Amalgamation, Race changed its name to "Naturally Splendid Enterprises Ltd."

As a result of the transaction, the former shareholders of NS own in excess of 50% of the outstanding shares of the amalgamated entity. For accounting purposes NS is considered to be the accounting acquirer and therefore, the corporate merger has been accounted for similar to a reverse takeover. For financial reporting purposes, the Company is considered a continuation of NS, the legal subsidiary, except with regard to authorized and issued share capital which is that of Race, the legal parent. Consequently comparative amounts in these condensed consolidated interim financial statements are those of NS only. Race was not considered to be an acquired business under accounting guidance as it was a CPC. Therefore, the corporate merger has been accounted for as a capital transaction and not a business combination. Further, in accordance with IFRS, as the transaction is not considered to be a business acquisition, IFRS 3 "Business acquisitions", is not applicable, and such transactions have been accounted for pursuant to IFRS 2 "Share Based Payment". Pursuant to IFRS 2, an equity-settled, share based payment is to be measured based on the value of the goods or services received along with the corresponding increase in equity. If the value of the goods or services cannot be measured reliably, the fair value of the equity instruments given up should be used.

Prior to the transaction, Race had 200,000 share purchase warrants outstanding. These warrants have been revalued at the date of the transaction and the resulting fair value of \$18,000 has been included as part of transaction costs. (note 12(d))

As consideration for the transaction, Race issued 11,599,971 common shares in exchange for all of the issued and outstanding Class A and B common shares of NS.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

The transaction was recorded as follows:

Fair value of shares issued	\$1,274,540
Transaction costs	80,188
	<hr/>
Net assets Acquired	1,354,728
	(23,229)
	<hr/>
Amount allocated as Listing Expense	\$1,331,499
	<hr/>

5. Financial Instruments

a) Categories of financial instruments

	March 31, 2013	December 31, 2012
	\$	\$
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash	1,017,401	5,077
Loans and receivables, at amortized cost		
Trade and other receivables	<u>7,877</u>	<u>17,008</u>
Total financial assets	<u>1,025,278</u>	<u>22,085</u>
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade and other payables	75,143	78,505
Loans payable	-	167,832
Due to related parties	<u>-</u>	<u>10,796</u>
Total financial liabilities	<u>75,143</u>	<u>257,133</u>

b) 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 that the carrying amounts of all its financial assets and financial liabilities recognized at amortized cost in these condensed consolidated interim financial statements approximate their fair values due to the demand nature or short-term maturity of these instruments.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

	As at March 31, 2013		
	Level 1	Level 2	Level 3
Cash and cash equivalents	1,017,401	-	-
	<hr/>	<hr/>	<hr/>
	1,017,401	-	-
	<hr/>	<hr/>	<hr/>
As at December 31, 2012			
	\$		
	Level 1	Level 2	Level 3
Cash and cash equivalents	5,077	-	-
	<hr/>	<hr/>	<hr/>
	5,077	-	-
	<hr/>	<hr/>	<hr/>

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data. As at March 31, 2013, the Company does not have any Level 3 financial instruments.

Cash is classified as Level 1 fair value.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2013.

c) Management of financial risks

The financial risks arising from the Company's operations are credit risk and liquidity risk. 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. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and trade receivables. The Company deposits cash with high credit quality financial institutions as determined by ratings agencies. 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 credit limits.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

Liquidity risk

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 March 31, 2013, the Company had working capital of \$1,151,414 (December 31, 2012 - deficit of \$180,090).

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.

6. Trade and Other Receivables

The Company's trade and other receivables arise from two main sources: trade receivables due from customers for sales and Goods and Services Tax/Harmonized Sales Tax ("GST/HST") receivable due from the government taxation authorities. These are as follows:

	March 31, 2013	December 31, 2012
	\$	\$
GST/HST receivable	48,753	11,527
Trade receivables	<u>7,877</u>	<u>17,008</u>
	<u>56,630</u>	<u>28,535</u>

No allowance for doubtful accounts or impairment has been recognized for these amounts, as the amounts are all considered recoverable.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

7. Inventories

	March 31, 2013	December 31, 2011
	\$	\$
Seed and oil for resale	37,419	15,773
Labels and supplies	16,181	4,932
Containers	15,489	1,998
	<u>69,089</u>	<u>22,703</u>

During the three months ended March 31, 2013, the Company recorded a provision for write-down of inventory in the amount of \$10,463 (2013 - \$nil).

8. Amounts Due to/from Related Parties

The Company's related parties consist of companies controlled by executive officers and directors. Transactions and balances in the normal course of operations in connection with those companies and key management personnel for the three months ended March 31, 2013 and the year ended December 31, 2012 are as follows:

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

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

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

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

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

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

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

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

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

9. Property and Equipment

The changes in the Company's property and equipment for the period ended March 31, 2013 and the year ended December 31, 2012 are as follows:

	Computer equipment	Furniture and equipment	Website development costs	Total
	\$	\$	\$	\$
COST				
As at December 31, 2011	23,212	48,770	7,500	79,482
Additions	-	-	-	-
As at December 31, 2012	23,212	48,770	7,500	79,482
Additions/Disposals	3,307	-	-	3,307
As at March 31, 2013	<u>26,519</u>	<u>48,770</u>	<u>7,500</u>	<u>82,789</u>
AMORTIZATION AND IMPAIRMENT				
As at December 31, 2011	21,677	26,027	4,375	52,079
Amortization	844	4,548	1,250	6,642
As at December 31, 2012	22,521	30,575	5,625	58,721
Amortization	95	910	313	1,318
As at March 31, 2013	<u>22,616</u>	<u>31,485</u>	<u>5,938</u>	<u>60,039</u>
NET BOOK VALUE				
December 31, 2012	<u>691</u>	<u>18,195</u>	<u>1,875</u>	<u>20,761</u>
March 31, 2013	<u>3,903</u>	<u>17,285</u>	<u>1,562</u>	<u>22,750</u>

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

10. Trade and Other Payables

Trade and other payables are non-interest-bearing, unsecured and have settlement dates within one year.

	March 31, 2013	December 31, 2011
	\$	\$
Trade payables	75,143	72,985
Accrued liabilities	-	5,520
Withholding taxes payable	-	-
	<u>75,143</u>	<u>78,505</u>

The Company entered into a deed of forgiveness under which accrued compensation amounts for past services with a third party for \$NIL (December 31, 2012-\$35,522), officers and directors for \$NIL (2012 - \$108,960) and a company controlled by an officer for \$NIL (2012 - \$47,400) owed by the Company was forgiven. During the year ended December 31, 2012, the Company wrote-off trade and other payables in the amount of \$14,478. Management does not consider that the amounts are payable although there is no assurance that a formal claim will not be made against the Company for some or all of this balance in the future.

11. Loans Payable

	March 31, 2013	December 31, 2012
	\$	\$
Non-interest-bearing loan from an unrelated party, unsecured, with no fixed terms of repayment	-	12,500
Non-interest-bearing loan due to an unrelated party, unsecured, with no fixed terms of repayment	-	22,500
Loan bearing interest at 8% per annum from an officer of the Company. The loan is unsecured and has no fixed terms of repayment. During the year ended December 31, 2012, the Company accrued interest of \$624 (2011 - \$1,459)	-	8,333
Non-interest-bearing loans from Race Capital Corp., unsecured, with no fixed terms of repayment	-	42,429
Non-interest-bearing loan from the spouse of an officer and director of the Company, unsecured, with no fixed terms of repayment	<u>-</u>	<u>82,070</u>
	<u>-</u>	<u>167,832</u>

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

12. Share Capital

a) Authorized

The total authorized capital is an unlimited number of common shares without par value and unlimited preferred shares without par value.

b) Issued and outstanding

The total issued and outstanding share capital consists of 25,681,051 common shares without par value. A total of 11,127,410 common shares are held in escrow.

During the three month period ended March 31, 2013:

- 81,080 shares were issued pursuant to the exercise of 81,080 warrants at an exercise price of \$0.10 for proceeds of \$8,108.
- 2,050,000 stock options were issued with an exercise price of \$0.175 per share, expiring February 28, 2018. The options are fully vested. Stock based compensation of \$239,220 was recorded during the quarter.
- 10,000,000 common shares at a price of \$0.175 per share for gross proceeds of \$1,750,000 (the "Financing") less share issue costs of \$213,053. Pursuant to an Agency Agreement signed with the Agent on June 6, 2012, the Company paid the Agent a cash commission of \$105,105 equal to 10% of gross proceeds for shares sold, except those shares sold pursuant to a list of purchasers provided to the Agent by the Company (the "President's List"), for which the Agent received a cash commission of \$34,948 equal to 5%. The Agent was also granted non-transferable share purchase warrants (the "Agent Warrants") to purchase up to 10% of the number of shares sold under the Financing to purchasers not on the President's List at a price of \$0.175 per share for a period of twelve months from the date of closing of the Financing. These warrants have been valued at \$36,000 and are included as part of share issue cost (note 12(d)). In addition, the Company paid the Agent a corporate finance fee of \$50,000 and reimbursed expenses incurred by the Agent in connection with the Financing, which amounted to approximately \$23,000.
- 11,599,971 shares were issued in exchange for 8,400,000 Class B common shares and 6,385,457 Class C common shares of NS.

c) Stock options

The Company has a stock option plan (the "Plan") in place under which it is authorized to grant options to directors, officers, employees and consultants. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued and outstanding common shares of the Company at any time. Under the Plan, the exercise price of each option will be determined by the Board of Directors, subject to TSX-V approval, and the term of the options will be determined by the Board of Directors and will not exceed the maximum term permitted by the TSX-V.

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

The following is a summary of changes in stock options for the periods ended March 31, 2013 and December 31, 2012:

	Number of options	March 31, 2013 Weighted average exercise price	Number of options	December 31, 2012 Weighted average exercise price
Options outstanding, beginning of period	-	\$ -	-	\$ -
Options granted	2,050,000	0.175	-	-
Options outstanding, end of period	2,050,000	\$ 0.175	-	\$ -
Options exercisable, end of period	2,050,000	\$ 0.175	-	\$ -

The following are the outstanding stock options as of March 31, 2013:

Expiry	Number of options	Exercise price
March 4, 2018	2,050,000	\$0.175
	<hr style="width: 50%; margin: 0 auto;"/> 2,050,000 <hr style="width: 50%; margin: 0 auto;"/>	

As of March 31, 2013 and December 31, 2012 the fair value of these stock options was \$239,220 (2012 – \$nil). The Black-Scholes option pricing model inputs for warrants issued during the years ended January 31, 2013 and 2012 are as follows:

	2013	2012
Risk-free interest rate	1.30%	-
Expected life	5 years	-
Annualized volatility	90%	-
Expected dividends	-	-
Exercise price	\$0.175	-

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

d) Warrants

The following is a summary of changes in warrants for the periods ended March 31, 2013 and December 31, 2012:

	March 31, 2013		December 31, 2012	
	Number of warrants	Weighted average exercise price (CDN \$)	Number of warrants	Weighted average exercise price (CDN \$)
Warrants outstanding, beginning of period	200,000	\$ 0.10	-	\$ -
Warrants issued	600,600	0.175	-	-
Warrants exercised	(81,080)	0.10	-	-
Warrants outstanding, end of period	719,520	\$ 0.163	-	\$ -

As of March 31, 2013 and December 31, 2012 the fair value of these share purchase warrants was included as transaction cost and share issue cost was \$18,000 and \$36,000 respectively (2012 – nil). The Black-Scholes option pricing model inputs for warrants issued during the years ended January 31, 2013 and 2012 are as follows:

	2013	2012
Risk-free interest rate	1.30%	
Expected life	1.5 years	
Annualized volatility	90%	
Expected dividends	-	
Exercise price	\$0.16	

e) Reserves

As of March 31, 2013 and December 31, 2012 the reserves of the Company were as follows:

	March 31, 2013	December 31, 2012
Stock option reserves	\$ 239,220	\$ -
Warrant reserves	54,000	
Total Reserves	<u>\$ 293,220</u>	<u>\$ -</u>

Naturally Splendid Enterprises Ltd.

Notes to Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

Three Months Ended March 31, 2013

12. Commitments

On March 28, 2013, the Company entered into an offer to lease new premises with a lease term commencement date of August 1, 2013, terminating July 31, 2018. The basic rent is payable in advance and in twelve monthly installments of \$3,656. The Company shall be responsible for its proportionate share of all expenses in respect of operating costs and property taxes as defined by the lease terms.

13. Events After the Reporting Period

- Subsequent to March 31, 2013, 57,320 warrants were exercised at a price of \$0.10 for proceeds of \$5,732.