



Naturally Splendid Enterprises Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Nine Months Ended

September 30, 2019

NATERA™
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This Management's Discussion and Analysis ("MD&A") for Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") for the nine months ended September 30, 2019 and includes events up to November 28, 2019, the date of this MD&A. It should be read in conjunction with the unaudited condensed consolidated interim financial statement of the Company for the nine months ended September 30, 2019 (the "Interim Financial Statements") and with the audited financial statement of the Company for the year ended December 31, 2018 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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

COMPANY OVERVIEW

Naturally Splendid is in the business of developing, manufacturing and distributing nutritional, natural ingredient health products for humans and pets with a significant emphasis on plant-based ingredients including hemp and hemp extracts. Historically, distribution has largely been in Canada. While this remains true, the Company has expanded its distribution network and currently exports into the United States and Australia, as well as exported into Korea in 2016 and starting in 2017 has shipped products into Germany and Japan as well.

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

On October 18, 2017, the Company acquired 100% of Prosnack Natural Foods Inc. ("Prosnack"), a producer of Elevate Me™ energy bars and products as well as private label foods and related production equipment. The Company paid \$278,499 by way of 1,345,752 common shares of the Company, \$101,000 in cash. The Company has recently removed a financial obligation to the former Prosnack shareholders who would have received 25% of the sales above that target, up to a cumulative maximum of \$1.2 million. Prosnacks results are consolidated with the Company's results from the date of acquisition.

On April 24, 2018, the Company agreed to acquire all the issued and outstanding shares of Absorbent Concepts Inc. ("ACI"), an organic hemp processor located in Abbotsford, Canada in exchange for assuming all the outstanding bank loans of ACI as at the acquisition date. Concurrent with the closing of the share purchase agreement, the Company entered into a \$200,000 interest bearing loan agreement at 5.5% per annum with the seller of ACI where repayments will be contingent upon achieving milestones related to net income and other qualitative performance targets. The transaction completed on July 16, 2018. During the nine months ended September 30, 2019, the loan agreement with the seller of NSHP was settled. After accounting for achieved milestones of \$130,000 and the remaining \$70,000 was recorded as a gain on settlement of debt. Currently, the Company has made the decision to relocate this facility closer to the source of the hemp biomass and is reviewing several scenarios.

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".

The Company has a rapidly growing business model in the food manufacturing business. Naturally Splendid has evolved into more than a hemp company as we expand third party processing capacity and position the Company for the potential opportunities in cannabis edibles. While the Company acknowledges that the cannabis edibles opportunity presents significant growth and revenue potential, much of the cannabis industry has been challenged with finding viable economic models. Therefore, the Company has identified and continues to expand the business, focusing on manufacturing more traditional plant-based nutritional bars and bites.

Since the Company's initial foray into hemp nutritional products over twelve years ago, the Company has established a thriving business developing and manufacturing mainstream and niche plant-based, nutritional and sports related products in their state-of-the-art, 20,000 square foot manufacturing facility located in Pitt Meadows, BC.

The Company drives revenue from the food manufacturing business from two diverse, yet complimentary revenue streams. The Company manufactures our own Company Branded Products, as well as a growing Contract Manufacturing / Private Label business model.

Having a viable food manufacturing business model outside the hemp / cannabis space, yet complimentary to that market, mitigates the challenges many hemp and/or cannabis specific companies are experiencing, while still positioning NSE for an industry that is expected to grow both in Canada and abroad.

Supporting this strategy, Naturally Splendid has been systematically developing a food manufacturing business that produces our own Company Branded Products as well as manufactures nutritious, mostly plant-based, bars and bites for the North American market and abroad.

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

NSE differentiates itself from most every other hemp company by expanding our ingredient offerings to include many plant-based ingredients while offering custom formulation services that include contract manufacturing in the recently commissioned Safe Quality Food Level 2 (SQF2) Facility, proprietary ingredients, and R&D – ultimately creating enhanced, value-added products that are distributed globally.

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

With one of the highest-grade food standards certifications in the industry, such as Safe Quality Food Level 2 (SQF2), clients are assured that the products they buy meet the international standards for food safety and quality.

NSE remains committed to leading with assurance and quality. This reputation can be leveraged as the 'cannabis edibles and infused markets' begin to mature thus creating a significant competitive advantage when the 'edibles companies come calling'.

NSE currently manufactures a wide variety of bars and bites for their own in-house brands such as Natera™ Sport, Natera Hemp Foods, Elevate Me, Woods Wild Bar and Chii Hemp Foods, as well as Contract Manufacturing bars and bites for a wide range of clients from small and medium enterprises, to internationally recognized brands.

As market demands shift to more plant-based ingredients, NSE continues to expand its ingredient and formulation offerings to include protein, omega and other natural health products.

The Company is committed to providing plant-based ingredients to ensure a better quality of life for humans, pets and livestock, and has developed and is preparing to launch a hemp-based skincare line.

Additionally, as a certified hemp processor, NSE is offering bulk hemp ingredients and products that include hemp seed, hemp protein, hemp oil and its by-products.

Products for the Sports and Active Lifestyle Markets

Naturally Splendid has begun penetrating the Sports Nutrition Market

Naturally Splendid has successfully launched its Natera Sport Line of products, including Natera Sport KEY-TO-LIFE keto friendly bars which are now available in over 2,000 retail stores across Canada. This fast selling, recently launched product was developed, manufactured and marketed from within the resources of Naturally Splendid. The Company has several new product launches timed for the first quarter of 2020 with the launch expected at Canada's largest west coast health and nutrition tradeshow, CHFA Expo West in February.

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

SALES

DOMESTIC SALES

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

Additionally, the Company continues to increase Private Label and Co-Packing manufacturing capacity and as a result has attracted several significant Contract Manufacturing clients. The combined sales opportunities in these categories surpass the Company's Branded Product sales and will likely continue to do so thanks to the retail distribution network and marketing strength of these clients. Their combined distribution networks represent many over 15,000 points of sale across Canada.

Collectively, Company Branded Products and Contract Manufacturing Clients products, are available in most of the major retailers in Canada.

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

The total sum of Company Branded Products, Contract Manufacturing Clients and Food Service Distribution is generating more sales opportunities than at any point in the company's history.

INTERNATIONAL SALES

Australia

During 2017 the Company developed its relationship with a major distributor with access to five key market segments; Retail, Food Service, Health Practitioners, Veterinarians and E-commerce. On November 9, 2017 the Company completed its first shipment to Australia. The Company is preparing to market its NATERA and Elevate Me brands of products (conventional and organic and bars, hemp seeds & hemp protein) to satisfy three of the five sectors as an initial launch; allowing for market research, customer acceptance and development of logistical elements to prepare for further key market segment penetration and product introductions.

South Korea

In 2016 the Company began exporting bulk hulled hemp seed to South Korea. In a 10 month span, the Company exported approximately \$6,000,000 CDN to Korea. However, by the end of 2016 and subsequently, in 2017 to the present, the price for bulk hulled hemp seed prices declined by as much as 65%, therefore, the Company made the decision to focus on other areas of business. In this regards, the Company has developed a line of hemp fortified products under the NATERA Sport banner that will be presented to Korean distributors. The hemp market in Korea has proven out in the past and is going through the expected consumer education process resulting in consumers wanting finished, value added nutritional products rather than the more basic hulled hemp seed.

Additionally, Korea's hemp and cannabidiol (CBD) regulations continue to evolve in a favourable manner. The Company's range of products that can be CBD fortified is extensive ranging from food, to supplements as well as skin care and cosmetics.

Western Europe

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

Thailand

Naturally Splendid began nurturing a distribution relationship with a long-established Thai distribution company. The Company has presented to private industry as well as government organizations as hemp and marijuana regulations evolve in Thailand. Thailand's hemp and cannabidiol (CBD) regulations are evolving positively. The Company's range of products that can be CBD fortified is extensive, ranging from food, to supplements as well as skin care and cosmetics.

Japan

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

Japan's hemp and cannabidiol (CBD) regulations continue to evolve in a favourable manner. The Company's range of products that can be CBD fortified is extensive ranging from food, to supplements as well as skin care and cosmetics.

The Company will market CBD products only in jurisdictions where such products are legally permitted and in accordance with all regulatory and licensing requirements.

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

BIOTECHNOLOGY & INNOVATION

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

HempOmega™

Naturally Splendid is marketing HempOmega™ as an ingredient to the NATERA Pro 3-6-9 hemp protein, a functional beverage for athletic clients. NATERA Pro 3-6-9 was launched at the CHFA in August 2017. Additionally, the Company has begun to commercialize its microencapsulated hemp oil, HempOmega™, by selling to Sipp Industries Inc. who are using the ingredient in the formula of unique Hemp Omega™ fortified craft beers. Hemp infused IPA is now being sold in five states, with more states awaiting approval.

Hemp Protein Isolate

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

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

OPERATIONS - PROSNACK ACQUISITION

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

The acquisition of Prosnack was accounted for as a business combination. The resulting goodwill represents the established growth potential and synergies between Prosnack and the Company.

On closing of the transaction, the sellers of Prosnack and the Company entered into a five year earn-out agreement. During the term of the earn-out agreement, the Company was to pay a 25% commission on the sales exceeding a base rate generated by the Vice President of Sales and Marketing. This has been accounted for as contingent consideration payable and added to the purchase price. No payments have been made to date.

As at December 31, 2018, the fair value of the contingent consideration payable was reassessed in accordance with IFRS 9, and a loss on revaluation of contingent consideration payable of \$565,000 was recorded in the consolidated statements of loss and comprehensive loss during the year ended December 31, 2018 due to a change in forecasted sales revenues.

During the nine months ended September 30, 2019, the earn-out agreement has been terminated with the departure from the Company of Prosnack principal, Alan Maddox. No payments have been made and the contingent consideration payable has been written -off.

The changes in the contingent consideration payable for the period ended September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019	December 31, 2018
Balance, beginning of year	\$ 400,000	\$ 400,000
Acquisition of Prosnack	-	-
Revaluation	565,000	565,000
Write-off of contingent consideration payable	(965,000)	
Balance, end of year	\$ -	\$ 965,000
Current portion	-	(271,000)
Long term portion	\$ -	\$ 694,000

OPERATIONS – NATURALLY SPLENDID HEMP PROCESSORS LTD ACQUISITION

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

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

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

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

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

NSHP entered into a loan agreement with the seller of NSHP for \$200,000. The repayment of the loan is dependent on satisfaction of 6 different milestones based on net income, achievement of research and development milestones. Should the milestones not be reached, the loan from the seller of NSHP will be forgiven and included in income.

As at December 31, 2018, \$20,000 is classified as current portion of loan payable for milestones achieved and \$180,000 is classified as long-term portion of loan payable for milestones not yet achieved and not expected to be achieved within twelve months. During the nine months ended September 30, 2019, the loan agreement with the seller of NSHP was settled. After accounting for achieved milestones of \$130,000 and the remaining \$70,000 was recorded as a gain on settlement of debt.

OPERATIONS – DISPOSITION OF POS BPC MANUFACTURING CORP.

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

The results of operations of BPC for the period ended February 21, 2018, the date of sale are as follows:

	February 21, 2018
Administrative expenses	
Management fees	\$ 21,000
Office	4,287
Wages and benefits	5,558
Loss before other items and income tax	(30,845)
Other items	
Foreign exchange gain	-
Gain on sale of BPC	5,102,068
Net income (loss) and comprehensive income (loss) for the period	\$ 5,071,223
Comprehensive income (loss) attributed to:	
Owners of the company	\$ 5,086,337
Non-controlling interest	(15,114)
	\$ 5,071,223

The cash flows for BPC for the period ended February 21, 2018, the date of sale, are as follows:

	February 21, 2018
Cash flows from operating activities	
Net income (loss) for the period	\$ 5,071,223
Items not affecting cash:	
Gain on sale of subsidiary	(5,102,068)
	(30,845)
Changes in non-cash working capital:	
Due to related parties	30,845
Cash provided by operating activities	-
Investing activity	
Proceeds from the sale of subsidiary	3,536,650
Cash provided by investing activity	3,536,650
Net change in cash	3,536,650
Bank indebtedness, beginning of period	(31,078)
Cash (bank indebtedness), end of period	\$ 3,505,572

MANAGEMENT AND BOARD OF DIRECTORS

Director (Chair), Peter Hughes

Acting as Chairman of the Board, Mr. Hughes has relied on over 30 years of experience managing and financing private and public companies in fulfilling his role as the lead, independent Director of the Company. Peter provides critical leadership at the Board level, and as chair of the Audit Committee and Corporate Governance/Nominating Committee.

Director and Chief Executive Officer, Douglas Mason

Effective August 21, 2019, Doug resigned as the CEO and director of the Company.

Co-Founder, President, Chief Executive Officer and Director, Craig Goodwin

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

Co-Founder, Executive Director of Operations and Director, Bryan Carson

Bryan has taken on a significant role in operations, optimizing production capacity including on-going analysis of budgets, costing and margins. Bryan's increased attention in this area provided immediate returns in increased capacity and margins. He is also responsible for overseeing facility expansions and certifications such as SQF2 (Safe Quality Food Level 2). Additionally, Bryan has taken a significant role in new product development, proactively creating market ready products in a variety of categories.

Chief Operating Officer, Barry Dashner

Barry has over 40 years of successful business experience. After 4 years with a major equipment manufacturer, expanding on his Control Systems degree, he co-founded a ‘high technology’ company. As a result of developing advanced technologies using lasers, vision and imbedded micro-computers the company became a leading vision systems company throughout North America. Leading a merger/acquisition of 5 companies in 1999, LMI Technologies expanded internationally into Europe and Asia. With continued product development and growth, the company was successfully acquired in 2012. Barry has provided business consulting services including streamlining operations, technical consulting and coaching to ‘C’ level management. Barry’s focus on leadership, customers, markets, staff and operating efficiencies provides a comprehensive set of proven senior management skills. Barry is a member of Naviond, a group of successful entrepreneurs / business owners and is on the Board of a charitable foundation.

Director and Senior Management Advisor, Russ Crawford

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

Chief Financial Officer, Sead Hamzagic, CPA, CGA

Effective June 15, 2019, Sead resigned as the Company’s CFO.

Chief Financial Officer, Reena Sall, CPA, CMA

As of July 1, 2019, Reena Sall was appointed as the CFO of the Company. Reena gained comprehensive understanding of the day-to-day operations, and financial systems as the Controller of the Company. With significant public sector experience, she will continue to provide the financial leadership, implementing short, medium and long-range planning, risk management, corporate strategic development, internal controls, and the requirements needed for future expansion.

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.

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

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

SUMMARY OF QUARTERLY RESULTS

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

	Three months ended			
	September 30, 2019 \$	June 30, 2019 \$	March 31, 2019 \$	December 31, 2018 \$
Total Revenue	635,984	950,738	772,803	769,736
Gross Margin	199,755	281,962	249,534	110,889
Income (loss) from operations	(2,046,395)	(477,112)	(1,103,965)	(1,402,512)
Discontinued operations	-	-	-	5,102,068
Comprehensive income (loss)	(2,046,395)	(477,112)	(1,103,965)	1,653,463
Basic and diluted income (loss) per share	(0.02)	(0.00)	(0.01)	0.02

	Three months ended			
	September 30, 2018 \$	June 30, 2018 \$	March 31, 2018 \$	December 31, 2017 \$
Total Revenue	499,538	483,675	320,827	388,665
Gross Margin	155,494	154,437	103,304	(33,015)
Income (loss) from operations	(1,696,560)	(1,555,701)	(1,513,220)	(1,459,994)
Discontinued operations	-	-	(30,845)	(129,387)
Comprehensive income (loss)	(1,699,726)	(1,551,701)	(13,397)	(1,424,981)
Basic and diluted income (loss) per share	(0.02)	(0.02)	0.00	(0.02)

DISCUSSION OF OPERATIONS

Overview

During the nine months ended September 30, 2019, the Company's sales increased by approximately \$1,055,000 from the comparative period. The Company continued to expand its private label bars and bites business by approximately \$856,000 and other branded products increased by approximately \$11,000. Branded hemp products decreased by approximately \$208,000 as the Company focused more on its new Natera Sport products which expanded by approximately \$396,000.

The Company is focused on private label and branded sales and has entered the international markets such as German, Australian and Japanese markets.

During the nine months ended September 30, 2019 selling and distribution expense increased by \$773,000 coinciding with the increased revenue. Administrative expenses decreased by approximately \$475,000. Significant decreases include share-based compensation due to timing of issuances offset by increases in amortization, consulting fees and corporate promotion. Several inventory adjustments were recognized during the prior year resulting in better cost of goods.

Q3 Results

Revenue

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	\$ 635,984	\$ 499,538	\$ 2,359,525	\$ 1,304,040

Revenue during the nine months ended September 30, 2019 was \$2,359,525 (2018: \$1,304,040). The Company continued to expand its private label bars and bites business by approximately \$856,000 and other branded products by approximately \$11,000. Branded hemp products decreased by approximately \$208,000 as the Company focused more on its new Natera Sport products which expanded by approximately \$396,000. The Company is focused on private label and branded sales and has entered the international markets such as German, Australian and Japanese markets. The addition of NHSP did not materially impact the sales for the period ended September 30, 2019.

Costs of Sales and Gross Profit

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cost of Sales	\$ 436,229	\$ 344,044	\$ 1,628,274	\$ 890,805
Gross Profit	199,755	155,494	731,251	413,235
Margins	31.41%	31.13%	30.99%	31.69%

Cost of Sales during the nine months ended September 30, 2019 was \$1,628,274 compared to \$890,805 in 2018. The Company significantly changed its sales mix when compared to 2018 with a reduction of export bulk seed sales, which, sold at a lower gross margin percentage, thus the period ended September 30, 2019 provided better margins due to the minimal volume of bulk seed sales. The Company is now focused on its higher margin products and new commercial opportunities. The addition of NHSP did not materially impact the cost of sales for the period ended September 30, 2019.

Selling and Distribution Expenses

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Facility	\$ 388,148	\$ 67,911	\$ 860,479	\$ 285,028
Freight and delivery	52,548	9,710	80,987	24,089
Product development, net of grants	11,357	24,340	11,705	39,723
Product promotion, net of grants	96,658	91,626	179,628	273,215
Inventory write-down and bad debts	141,200	-	262,475	-
Selling and distribution expenses	\$ 689,911	\$ 193,587	\$ 1,395,274	\$ 622,055

Selling and distribution expenses in total during the nine months ended September 30, 2019 are significantly higher compared to the comparative nine-month period mainly due to the increased facility expenses in 2019 which are due to the additional costs on increased sales. Product development decreased during the period as the Company looks forward to developing new products. Product promotion is related to the increased promotion of the Natera Sports bars. Also, during the nine months ended September 30, 2019 the Company had a write-down of inventory of \$262,475.

Administrative Expenses

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Accounting and audit	\$ 526	\$ 31,668	\$ 125,399	\$ 167,074
Amortization and depreciation	222,414	124,275	519,882	326,356
Bank charges, interest and accretion	19,356	4,338	45,776	22,540
Consulting	614,389	269,034	1,268,309	868,980
Corporate promotion	163,481	95,434	427,999	237,317
Depreciation on right of use assets	44,605	-	133,815	-
Directors' fees	10,000	13,500	39,500	40,000
Interest accretion on lease liabilities	38,709	-	118,570	-
Legal	12,030	28,673	59,046	78,932
Office, rent and salaries	472,510	621,410	1,177,028	1,502,543
Share-based payments	-	451,007	66,852	1,227,909
Transfer agent and filing fees	23,715	11,380	72,000	56,171
Travel	10,674	7,748	27,371	29,195
	\$ 1,632,409	\$ 1,658,467	\$ 4,081,547	\$ 4,557,017

Administrative expenses decreased during 2019 compared to 2018, the decrease was mainly due to a reduction in share-based payments, increases were mainly due to corporate promotion and consulting and increased activities across a wider range of markets this year and the Company is developing a number of new commercial ingredient products which have a longer sales cycle and is working to develop a number of international markets. The addition of NHSP in July did not materially impact the expenses for the period ended December 31, 2018.

Accounting and audit fees were lower during the nine months ended September 30, 2019 due to Audit costs in the prior year and the timing of invoices including the additional Prosnack. *Amortization* has increased significantly with the addition of the Prosnack and NSHP acquisition, which reflects the addition of depreciable assets including packaging equipment and related leasehold improvements and the amortization of intangible assets; *Bank charges and interest accretion* increased due to bank transactional costs;

Consulting fees, which represent outside business consultants and certain officers of the Company, were higher as the Company has additional senior management in the current quarter; **Corporate Promotion** increased over the year as corporate promotional activities regarding corporate and general product awareness campaigns in comparison to the comparative period; **Directors fees** remained fairly consistent to the prior period. **Depreciation on right of use assets** is a new category due to IFRS 16 in the treatment of leases, the operational leases are now capitalized and depreciated. In the prior year the lease expenses were expensed in the Office, rent and salaries category. **Interest accretion on lease liabilities** is a new category due to IFRS 16 in the treatment of leases, the operational leases have been recorded as a liability at a net present value and the interest is accreted during the period of the lease similar to an interest financing cost. In the prior year the lease expenses were expensed in the Office, rent and salaries category. **Legal fees** remained consistent during the period. Legal fees were slightly higher in 2018 as the Company used management to provide some of the preliminary services on its settlement with a loan in NSHP and commercial agreements and its investment in international trade mark and intellectual property protection in the prior period; **Office rent and salaries** reflects the cost of the production, warehouse and office premises, administrative staff, the decrease was mainly due to the adoption of IFRS 16 as noted above; **Share based payments** were due to options and warrants issued in the current period. **Transfer agent, filing fees and Travel** remained fairly consistent during the period.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, the Company had cash of \$789,453 (December 31, 2018 - \$188,814) and a working capital of \$232,264 (December 31, 2018 - \$426,053). As at the date of this MD&A, the Company has working capital deficit of approximately \$452,800.

Capital Lease Obligations:

In January 2017, the Company entered into a lease contract to acquire food packaging equipment. Under this lease, the Company is required to make monthly lease payments of \$9,765 (including GST) until May 2022. The Company has accounted for this as a capital lease obligation and recognized interest expense of \$8,945 (December 31, 2018 - \$19,697) in the consolidated statements of loss and comprehensive loss.

In July 2018, the Company acquired NSHP which had a lease contract for production equipment. Under the lease, the Company is required to make monthly lease payments of \$2,804 (including GST) until September 2020. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The Company has accounted for this as a capital lease obligation and recognized interest expense of \$2,699 (December 31, 2018 - \$4,500) in the consolidated statements of loss and comprehensive loss.

In May 2019, the Company entered into a lease contract to acquire food production equipment. Under the lease, the Company is required to make monthly lease payments of \$810 (including GST) until March 22, 2024. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The Company has accounted for this as a capital lease obligation and recognized interest expense of \$1,461 (December 31, 2018 - \$nil) in the consolidated statements of loss and comprehensive loss.

Cash flows for the period ended:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash used in cash activities from continuing operations	\$ (1,370,446)	\$ (866,315)	\$ (3,006,585)	\$ (3,234,232)
Cash used in cash activities from discontinued operations	-	-	-	-
Cash used in cash activities	(1,370,446)	(866,315)	(3,006,585)	(3,234,232)
Cash used in investing activities from continuing operations	(356,270)	(72,677)	(608,650)	(564,650)
Cash provided by investing activities from discontinued operations	-	-	-	3,536,650
Cash provided by investing activities	(356,270)	(72,677)	(608,650)	2,972,000
Cash provided by financing activities from continuing operations	2,279,116	(449,266)	4,215,874	152,810
Cash used in financing activities from discontinued operations	-	-	-	-
Cash provided by financing activities	2,279,116	(449,266)	4,215,874	152,810
Decrease in cash from continuing operations during the year	552,400	(1,388,258)	600,639	(3,646,072)
Increase in cash from discontinued operations during the year	-	-	-	3,536,650
Net change in cash	552,400	(1,388,258)	600,639	(109,422)
Cash, beginning of year	237,053	1,548,837	188,814	270,001
Cash, end of year	\$ 789,453	\$ 160,579	\$ 789,453	\$ 160,579

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

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

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

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

On April 30, 2019, the Company closed a second tranche of its private placement issuing 1,817,128 units for gross proceeds of \$254,398. Each unit is comprised of one common share and one-half common share purchase warrants exercisable at \$0.21 for a period of 2 years.

On June 7, 2019, the Company closed a third tranche of its private placement issuing 2,581,426 units for gross proceeds of \$361,400. Each unit is comprised of one common share and one-half common share purchase warrants exercisable at \$0.21 for a period of 2 years.

On September 6, 2019, the Company closed a non-brokered private placement financing announced on July 8, 2019, issuing 6,019,427 units for gross proceeds of \$842,740.72. Each unit is comprised of one common share and one-half common share purchase warrants exercisable at \$0.21 for a period of 2 years.

On September 27, 2019, the Company closed non-brokered private placement financing for a total of 18,990,292 units for gross proceeds of \$1,614,174.89. Each Unit consists of one common share of Naturally Splendid and one common share purchase warrant exercisable at \$0.12 per share for the first year and \$0.20 per share for the second year for a period of 2 years.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 141,438,513 common shares outstanding common shares outstanding plus 8,640,000 share purchase options and 31,164,963 warrants.

OFF BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS BETWEEN RELATED PARTIES

Related parties

During the nine months ended September 30, 2019 and 2018, remuneration of key management was as follows:

	September 30, 2019	September 30, 2018
Management and consulting fees	\$ 679,900	\$ 803,353
Directors' fees	39,500	40,000
Share-based payments	53,654	919,406
	\$ 773,054	\$ 1,762,759

As at September 30, 2019, the following amounts are due to related parties:

- \$213,839 (December 31, 2018 – \$157,854) is due to management, directors and consultants for fees outstanding.
- \$nil (December 31, 2018 – \$200,000) is due to an officer from a loan in the NSHP subsidiary.
- \$55,000 (December 31, 2018 – \$55,000) is due to a member of management and director of the Company for a non-interest bearing, short-term loan.

As at September 30, 2019, the following amounts are due from related parties:

- \$70,000 (December 31, 2018 – \$200,000) loan to an officer by the Parent in the acquisition of NSHP. The loan has an annual interest rate of 5.5% and is receivable on or before April 30, 2020. This loan receivable is secured by the officer by assignment of a \$200,000 life insurance policy for the benefit of NHSP and mortgage on the borrower's primary residence. This loan has been settled.
- \$4,991 (December 31, 2018 – \$4,000) advance due from a member of management.

Key management compensation

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

During the nine months ended September 30, 2019, \$67,500 (December 31, 2018 – \$117,500) of management fees payable were settled through the issuance of 500,000 shares ((December 31, 2018 – 500,000 shares) (Note 16)).

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

Accounting pronouncements adopted

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

IFRS 16 Leases

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

This standard became effective for the Company's annual period beginning January 1, 2019 for leases where the Company is the lessee. It recognizes a right-of-use asset and a lease liability for its operating premises leases previously classified as operating leases. The Company chose to adopt the modified retrospective approach on transition to IFRS 16 on January 1, 2019 and has chosen not to restate comparative information in accordance with the transitional provisions in IFRS16. As a result, the comparative information continues to be presented in accordance with the Company's previous accounting policies.

The impact of adopting this new standard resulted in an additional right of use asset of \$1,353,021 capitalized and a corresponding lease liability of the same amount included as a liability in the consolidated statements of financial position. The assets will be amortized on a straight-line basis over the term of the remaining lease period and the lease liability is measured at the present value of the remaining lease payments, discounted using the Company's estimated incremental borrowing rates and reported as follows:

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

Right-of-use assets

The following is the continuity of the cost and accumulated depreciation of right-of-use assets (operating premise leases) as at and for the nine months ended September 30, 2019:

	September 30, 2019
Cost	
Balance, January 1, 2019 and September 30, 2019	\$ 1,353,021
Accumulated depreciation	
Balance, January 1, 2019	\$ -
Depreciation	133,815
Balance, September 30, 2019	\$ 133,815
Carrying amount as at September 30, 2019	\$ 1,219,206

Lease liabilities

The following is the continuity of lease liabilities (operating premise leases) as at and for the nine months ended September 30, 2019:

	September 30, 2019
Cost	
Balance, January 1, 2019	\$ 1,353,021
Lease payments	(199,999)
Interest accretion on lease liabilities	118,569
Balance, September 30, 2019	1,271,591
Current portion	28,804
Non-current portion	\$ 1,242,787

ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates

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

Recoverability of receivables

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

Valuation of inventory

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

Useful lives of intangible assets and property and equipment

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

Interest rates

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

Share-based payments

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

Critical accounting judgments

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

Recovery of deferred tax assets

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

Determination of cash-generating units (“CGU”)

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

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

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

Assessment of the transactions as an asset acquisition or business combination

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

Determination of purchase price allocations and contingent consideration

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

Determination of discontinued operations

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

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

Going concern

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

FINANCIAL INSTRUMENTS

Categories of financial instruments

Financial Assets	September 30, 2019	December 31, 2018
Fair value through profit or loss, at fair value		
Cash	\$ 789,453	\$ 188,814
Restricted cash	34,500	34,500
Loans and receivables, at amortized cost		
Trade and other receivables	504,828	372,647
Advances and deposits	5,399	30,408
Loans receivable	-	200,780
	\$ 1,334,180	\$ 827,149

Financial Liabilities	September 30, 2019	December 31, 2018
Fair value through profit or loss, at fair value		
Contingent consideration payable	\$ -	\$ 965,000
Other liabilities, at amortized cost		
Cheques issued in excess of bank deposits	-	-
Trade and other payables	2,096,606	1,310,130
Due to related parties	55,000	55,000
Short-term loan	500,000	-
Long-term loan payable	-	200,000
	\$ 2,651,606	\$ 2,530,130

Fair value

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

Management of financial risks

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

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of cash, trade and other receivables, and restricted cash. The Company deposits cash with major Canadian commercial banks. In order to reduce its credit risk in relation to trade receivables, the Company has adopted credit policies that include the analysis of the financial position of its customers and the regular review of their respective credit limits.

Liquidity risk

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

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at September 30, 2019, the Company had a working capital of \$232,264 (December 31, 2018 – \$426,053).

Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. A significant change in the exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's future results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. As at September 30, 2019 and December 31, 2018, the Company is exposed to currency risk through the following financial assets denominated in a currency other than the Canadian dollar:

	September 30, 2019		December 31, 2018	
	US \$	CDN \$	US \$	CDN \$
Cash	12,211	16,167	5,252	7,086
Trade receivables	19,164	25,373	43,123	58,829
Trade payables	126,732	167,790	35,289	48,141

Based on the above, assuming all other variables remain constant, a 10% (December 31, 2018 – 10%) strengthening or weakening of the Canadian dollar against the US dollar would have decreased/increased the Company's loss and comprehensive loss by \$9,536 (December 31, 2018 – \$1,300).

Other risk

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

FURTHER INFORMATION

Risk Factors

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

Limited Operating History

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

Additional Requirements for Capital

Substantial additional financing may be required if the Company is to be successful in developing its business. No assurances can be given that the Company will be able to raise the additional capital that it may require for its anticipated future development. Any additional equity financing may be dilutive to investors and debt financing, if available, may involve restrictions on financing and operating activities.

There is no assurance that additional financing will be available on terms acceptable to the Company, if at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion.

Management of Growth

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

Success of Products is Dependent on Public Taste

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

Raw Materials

The Company and/or its manufacturers must acquire sufficient raw materials so that the products can be produced to meet the demand of its customers. A shortage could result in loss of sales and damage to the Company. The Company may be required to source other raw goods producers in the event that consumer demand increase. Also, if the Company and/or its manufacturers become unable to acquire raw goods, and are unable to find one or more replacement suppliers a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company will likely be unable to meet customer demand.

Limited Number of Products

The Company was heavily reliant on the production and distribution of hemp and related products. The change to branded products and private label may not achieve sufficient market acceptance, it will be difficult for us to achieve consistent profitability.

Even if branded and private label products are distributed by the Company they will need to conform to international safety and quality standards, sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality.

Consumer Perception of Hemp

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 regulated substances. Additional negative perception also occurs due to the fact that some countries 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 understand or accept hemp as a food product.

Brand Awareness

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

Development of New Products

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

Dependence on Management Team

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

Reliance on Third-Party Manufacturers

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

Reliance on Distributors and Key Customers

Other than Chii, we do not sell our products directly to end customers. Instead, we will rely on third-party distributors for the sale and distribution of our products. We plan to sell our products through an extensive

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

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

Development of Generic In-House Brands

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

Product Liability Insurance

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

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

Product Recall

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

Trademark Protection

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

Patent Infringement

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

Government Regulation

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

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

Government Regulation relating to the CBD Technology

The 2019 crop year is the first full year of legal production and harvest of cannabinoid material from cannabis plants in Canada. The production, handling, processing, distribution and sale of this plant material from both hemp and marijuana varieties is only possible by approved licenses issued by Health Canada. CBD extracted from this plant material is closely monitored and restricted.

Health Canada regulations pertaining to consumer products containing cannabinoids and categorized as "edibles" will be released on October 17, 2019. Until that time, it remains illegal to produce and sell any products other than those described in the Cannabis Act and made available to consumers through licensed production and legally authorized provincial distribution channels. Initially, it is expected regulations for non-toxic cannabinoids such as CBD and CBG will be similar to those containing THC.

In anticipation of the development of a commercial pathway for safe cannabinoid products, NSE has developed products and formulations containing these ingredients. Product development and testing is being conducted in countries where these activities are legal. It is our intention to introduce these products in Canada when they are legalized under the Cannabis Act.

Competition

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

Product Liability Claims

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

Global Economic Conditions

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

Smaller Companies

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

Forward Looking Statements

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

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

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

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