Naturally Splendid Enterprises Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Quarter Ended

June 30, 2022

This Management's Discussion and Analysis ("MD&A") for Naturally Splendid Enterprises Ltd. ("Naturally Splendid" or the "Company") has been prepared as of August 28, 2022. It should be read in conjunction with the unaudited consolidated financial statement of the Company for the six months ended June 30, 2022 (the "Financial Statements") and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards, ("IFRS") as issued by the International Accounting Standards Board. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Statements in this MD&A that are not historical facts are "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. Readers are cautioned not to put undue reliance on forward-looking statements. Forward-looking statements is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook.

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

COMPANY OVERVIEW

Naturally Splendid develops, manufactures, and distributes consumable products with a primary focus on sustainable plant-based ingredients.

The Company owns Prosnack, a food manufacturing facility in Pitt Meadows BC. The Company maintains a relationship with Plasm Pharmaceutical Inc. Additionally, the Company owns several plant-based brands primarily for human consumption and owns pet lines for the canine and equestrian markets.

Naturally Splendid owns 100% of Prosnack Natural Foods. Prosnack, which operates a HACCP manufacturing facility in Pitt Meadows, BC. (Hazard Analysis Critical Control Points)

The Company is currently reviewing the Safe Quality Food (SQF) program and is in the process of recertifying the facility to include the manufacturing of plant-based entrees.

Prosnack manufactures a wide range of bars and bites in our 20,000 square foot manufacturing facility, located in Pitt Meadows, BC. Prosnack manufactures Company-owned brands and provides contract manufacturing for various SME Clients.

For products in our product portfolio that are not manufactured in our own facility, the Company has forged strategic relationships with several contract manufacturers that are utilized for certain products/ingredients.

Naturally Splendid has made the strategic decision to focus our main priority on manufacturing and distributing an extensive line of plant-based, meat-alternative entrees; initially, the Company secured the exclusive Canadian distribution rights to a line of plant-based entrees from Flexitarian Foods Pty. Ltd., a division of Australia's largest plant-based food manufacturers. Currently, the Company imports this line from Australia.

The initial term of the exclusive Canadian distribution rights with Flexitarian Foods Pty. Ltd. was for two (2) years with a two (2) year renewal. The exclusive Canadian distribution rights have now been extended to include the exclusive Canadian manufacturing rights as well. The new exclusive Canadian manufacturing and distribution rights are for ten (10) years with a ten (10) year renewal clause.

We will begin to manufacture the plant-based products in our existing Company-owned food manufacturing facility, Prosnack Natural Foods, in Q1 2023, depending on permitting and availability of certain components of the manufacturing line.

The existing manufacturing facilities will be retrofitted to accommodate the new manufacturing lines to manufacture up to forty (40) food service, QSR, & retail-ready plant-based entrees and appetizers.

This plant-based line of entrees and appetizers will be marketed under the Plantein™ Plant-Based Foods banner. Additionally, the Company will strategically select private label clients who we will contract manufacture for under their own private label brands.

Naturally Splendid has several Company-owned brands featuring plant-based ingredients, including Plantein™ Plant-Based Foods, NATERA Hemp Foods, NATERA Sport, NATERA FX, CHII™ Hemp Foods, Elevate Me™ protein bars, Woods Wild™ mushroom fortified bars, Pawsitive FX™ for the canine market, and Timer's Nutrition™ for the equestrian market.

The Company is committed to providing plant-based products to ensure a better quality of life for humans, pets, livestock and the environment.

Historically, distribution has primarily been in Canada. While this remains true, the Company has expanded its distribution network and currently exports into the United States, Australia and South Korea.

PLASM was formed for the purpose of commercializing multiple uses of the drug Cavaltinib™ which has been licensed to PLASM. We will begin with the Health Canada approved phase 2 clinical trial for a potential COVID-19 treatment and then pursue additional indications.

Health Canada has authorized PLASM to conduct a phase 2 clinical trial for a potential COVID-19 treatment. Cavaltinib™ is a plant-based drug originating from curcumin which is derived through a patented extraction technology.

Aside from the use as a potential COVID-19 treatment, additional indications from the phase 2 clinical trial with the target drug Cavaltinib™ are anticipated to present additional applications around respiratory ailments and inflammatory conditions potentially.

PUBLIC MARKETS

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."

HISTORY

The Company's initial foray into plant-based nutritional products began over twelve years ago, focusing at that time on hemp. The Company has established a business strategy for developing mainstream and niche plant-based products designed for grocery and the sports & active lifestyle markets. The Company has expanded the range of plant-based products and technologies to include nutraceutical and pharmaceutical applications.

Previously, the Company was positioned for the potential opportunities in the evolving cannabis edibles market. At that time, the Company anticipated the cannabis edibles opportunity represented significant growth and revenue potential.

Canadian regulations surrounding cannabinoid edibles did not evolve as initially anticipated, thus limiting the opportunities to commercialize such products. Therefore, the Company suspended business activities in the cannabis edibles market in April 2020.

The Company continues to manufacture products focused primarily on plant-based ingredients. The plant-based market has proven to be one of the fastest-growing consumer trends over the past two years and is growing at a rate outpacing most every other food consumer category.

The strategic decision has been made to focus on the fast-growing plant-based consumer markets as plant-based products are rapidly going mainstream, and Naturally Splendid has been positioning for this opportunity over the years.

Naturally Splendid product lines are not limited to in-house manufacturing. The Company has several strategic relationships with manufacturers that produce additional products for the sports and nutraceutical markets and the pet market, and currently meets Plantein™ Plant-Based Foods' demand through a strategic relationship with our Australian manufacturers.

OPERATIONS
Prosnack Natural Foods Inc.
Naturally Splendid Foods Ltd.
Plasm Pharmaceutical Inc.

Prosnack Natural Foods Inc.
Safe Quality Food Certified (SQF) Food Manufacturing Facility, Pitt Meadows, BC

The Company owns 100% of Prosnack Natural Foods Inc. ("Prosnack"), a producer of energy bars and bites for our branded products and contract manufacturing customers.

The Company has expanded its ingredient offerings to include a wide range of plant-based ingredients while providing custom formulation services with our in-house R&D Department and contract manufacturing in our food manufacturing facility. The Company has proprietary novel ingredients like HempOmega™ and our unique hemp protein isolate. With the surge in plant-based nutrition driven by consumer demand, the Company will initiate product development with a focused approach to developing a range of plant-based products that utilize these unique ingredients– ultimately creating novel value-added consumer products.

Hemp remains a key ingredient in many of the Company's recipe formulations; however, it has expanded its roster of plant-based offerings far beyond hemp-based products.

With certifications such as Safe Quality Food (SQF), HACCP and cGMP, clients are assured the products produced in our facilities meet international standards for food safety and quality. Our SQF certification creates a competitive advantage for the Company to secure significant contract manufacturing clients and creates the opportunity to take Company branded products to retailers such as Whole Foods, Costco and others who demand products be manufactured in highly certified facilities.

The Company owns and manufactures a variety of bars and bites for Company brands, such as NATERA Sport KEY-TO-LIFE bars, Elevate Me™, and mushroom fortified bars for the Woods Wild Bar™ line.

Prosnack provides contract manufacturing services for select clients producing nutritional bars and bites distributed in retail outlets in Canada.

The Company has recently entered into an exclusive Canadian manufacturing agreement with Flexitarian Foods Pty. Ltd., a division of Australia's largest plant-based manufacturer. This exclusive manufacturing agreement will see the Company make a further investment into the existing facility to manufacture a wide range of meat replacements, plant-based appetizers, and entrees.

The Company's competitive advantage will be to strategically produce Australia's popular meat replacement entrees for Contract, Private Label markets, and the Plantein™ brand for Retail and Food Service customers. The Company believes in expanding the meatless plant-based category by providing these popular products to a broader base of companies.

As consumer demands continue to increase for more plant-based products, outpacing traditional food channels, the Company continues to expand its ingredient and formulation offerings to include a wider variety of plant-based proteins and omegas and will continue developing products focusing on plant-based ingredients.

Naturally Splendid Foods Ltd.
Operating Company managing distribution and branded Company Products

On December 31, 2021, the Company amalgamated some of its subsidiaries into one company. The amalgamation combined all our branded companies into one company offering various products.

The decision to amalgamate the companies was to reduce expenses and manage all the brands with one company separating it from Prosnack, who will become a manufacturer of Contract and Private label customers and our own branded products.

Plasm Pharmaceutical Inc.
Plant-based pharmaceuticals for the potential treatment of COVID-19 and other inflammatory ailments

On September 1, 2020, the Company entered into a Joint Venture Agreement ("JV Agreement") with Biologic Publishing Inc. ("Biologic") to form a joint venture to further develop and pursue phase 2 clinical studies, utilizing one of Biologic's patented technologies as a candidate for a potential COVID-19 treatment.

PLASM™ has been conceived and assembled to further develop and carry out clinical trials on the Cavaltinib™-Branded Drug(s) in the specific Field described in the License Agreement. The Field includes but is not limited to treatment and/or prophylaxis of respiratory indications, including COVID-19.

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

Initially, the Company was to invest $500,000 into the joint venture to conduct a Health Canada approved phase 2 clinical trial gauging the effectiveness of Cavaltinib™ as a potential treatment for COVID-19.

The Company was to have earned 16% ownership of the joint venture upon payment of the $500,000. The $500,000 is under review as there may be an opportunity to increase this investment to conduct an even more comprehensive clinical trial to determine the effectiveness of Cavaltinib™ as a potential treatment for COVID-19.

Initially, the Company had agreed to make payment in five equal tranches as follows:
First tranche of $100,000 paid to PLASM on or before December 15, 2020 *(not met)*
Second tranche of $100,000 paid to PLASM on or before January 15, 2021*(not met)*
Third tranche of $100,000 paid to PLASM on or before February 15, 2021*(not met)*
Fourth tranche of $100,000 paid to PLASM on or before March 15, 2021*(not met)*
Fifth tranche of $100,000 paid to PLASM on or before April 30, 2021*(not met)*

The Company shall issue 350,000 common shares to Biologic and 500,000 stock options to individuals of Biologic and a consultant of the Company on the closing of the JV Agreement. Each option will be exercisable into one option at the current market price for 18 months from issuance.

On October 27, 2020, the Company granted 500,000 stock options to individuals of Biologic and a consultant of the

Company. The options were granted at an exercise price of $0.10 for a period of five (5) years, vesting immediately and expiring on October 27, 2025, with an estimated fair market value of $19,575.

During the year ended December 31, 2020, the Company made a payment of $5,000 towards the JV Agreement with Biologic. During the year ended December 31, 2021, a $17,000 payment was made towards the JV Agreement.

As of the date of this MD&A, the Company has made no additional payments towards the terms of the JV Agreement.

As at June 30, 2022, the Company maintains a relationship with Plasm Pharmaceutical, a company that has been approved for conducting a phase 2 clinical trial approved by Health Canada for the treatment of COVID-19.

Health Canada Approved Phase 2 Clinical Trial

On November 2, 2020, Health Canada provided a Notice of Authorization to proceed with a phase 2 clinical trial for a potential COVID-19 treatment utilizing the target drug Cavaltinib™. The Authorization Letter received on November 2, 2020, follows the completion of a series of Information Request Notices from Health Canada regarding the clinical trial protocols.

The Company has now completed all required submissions and documentation required by Health Canada and has final approval to initiate the strategic execution of the phase 2 clinical trial for a potential COVID-19 treatment.

About Cavaltinib™

PLASM™ has secured licensing rights for this BIOLOGIC-owned patent that covers 38 countries.

BIOLOGIC has supplied Naturally Splendid with versions of the patented technology that Cavaltinib™ is based on for almost two (2) years. During this time, the Company has gained an excellent overall understanding of the science and technologies that will be utilized in this clinical study.

Cavaltinib™ is an amplified variant of a current Biologic patented technology that, taken in capsule form, would greatly reduce or eliminate the need for virus-infected patients to congregate in hospitals or clinics for infusions or other complex treatments.

The resulting benefit of this type of capsule delivery mechanism would make distribution of the treatment far more effective, at a fraction of the cost of treatment requiring hospitalization, which in turn could provide an extra layer of safety for front-line medical staff.

With this treatment option for those at high risk of morbidity or mortality, the goal is to provide hope while reducing the impact on Health Care Services and thus providing additional time for the scientific community to develop the right vaccines.

Company Brands
Plant-based Products for Active Lifestyles
Plant-based Products for Active Pets

Our Company Brands for Active Lifestyles

Naturally Splendid has developed and launched several Company plant-based brands for the active lifestyle market. The Company also has pet lines for the canine and equestrian markets.

- Plantein™ Plant-Based Foods meat-replacement entrees.
- NATERA is the Company’s brand that has four separate categories:
  - NATERA Sport
  - NATERA Hemp Foods
- Nutritional Bar Lines for the active lifestyle

ElevateMe™
Wood Wild Bar™

- Pet Market for active pets and animals
  PawsitiveFX™
  Timer's Nutrition™

Plantein™ Plant-Based Foods
40 SKUs of plant-based, meat alternative products.

Naturally Splendid has signed an exclusive Canadian manufacturing and distribution agreement for an extensive line of plant-based meat alternative products with a Division of Australia's largest plant-based food manufacturer.

The Company has come to terms with Flexitarian Foods Pty. Ltd. of Australia for Canada's exclusive manufacturing and distribution rights for an initial term of ten years with a ten-year extension. The Company has also been granted sales and distribution access to the United States market, the EU and Asia. Initially, the Company was branding the product under NATERA Plant-Based foods but was able to secure the trademark name of Plantien™ for use in Canada.

Plantein™ Plant-Based Foods will offer a range of meat-replacement, plant-based alternatives for multiple categories, including; beef, chicken, pork, fish, and shellfish. In each category, there are multiple products that provide a significant choice for consumers looking to include plant-based foods into their eating habits. Plantein™ Plant-Based Foods is currently available for foodservice and through e-commerce and is preparing for its retail launch, now targeted for Q1 2023.

The launch of Plantein™ Plant-Based Foods in Canada will start with the popular roster of products, including Plant-Based Burgers, Schnitzel, Kiev, Sweet Chili Tenders, Seasoned Tenders, Nuggets, Crispy Burger and Phishy Fillets.

The Company has launched two Plantein™ plant-based products nationally in Denny's Canada. The two products are Plantein™ Nuggets and Plantein™ Tenders.

NATERA Sport
Plant-based bars, bites and supplements for the sports and active lifestyle markets

The Company has developed several plant-based bar formulations under several Company brands and markets a novel curcumin supplement, ProCurc™ 30.

<u>Plant-Based Bars & Bites</u>
The Company has successfully launched its NATERA Sport KEY-TO-LIFE™ keto-friendly bars, that has been sold in retail stores across Canada.

Natera Sport KEY-TO-LIFE™ keto bars were developed, manufactured and marketed from within the resources of Naturally Splendid.

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

ProCurc™ 30
In February 2020, at CHFA Expo West, Canada's largest west coast health and nutrition tradeshow, the Company launched ProCurc™ 30 under the NATERA™ Sport Brand.

ProCurc™ 30 was formulated based on the strength of the amazing attributes of curcumin. This natural plant-based ingredient has traditionally been utilized for its anti-fungal, anti-bacterial and anti-viral properties in many cultures for hundreds of years.

Our curcumin formulated products are clinically tested, peer-reviewed and have proven to be amongst the most powerful curcumin-based anti-viral, anti-inflammatory and antioxidant products currently available in the market today, based on research recently published in medical journals.

The launching of ProCurc™ 30 has provided additional traction in the sports nutrition and supplement market. The Company will continue to add plant-based products to the NATERA Sports line.

NATERA Hemp Foods
NATERA Hemp Foods have been a popular brand of Naturally Splendid since going public in 2013

Hemp can be said to have the most digestible protein of any plant on Earth and has a ratio of Omega 3 & 6 that, according to the World Health Organization, is perfect for human health.

The company focuses on Natural Flavoured Hemp Hearts and has discontinued Hemp Protein sales under this brand.
Maple and Salted, flavoured hemp seeds have been discontinued as well.

Additional Hemp Food Brands

CHII™ Hemp Foods
Originating in 1998, CHII is one of Canada's longest established hemp companies

The CHII™ line is mainly distributed through an e-commerce platform, marketing. These products are offered to the consumer as conventional or organic.
Hemp Hearts
Hemp Protein
Hemp Flour
Hemp Protein
Hemp Oil

Nutritional Bar Lines:

Elevate Me™
Fruit and nut-based nutritional bars for sports and active lifestyles.
Founded in 2003, Elevate Me™ is dedicated to providing food that combines great taste with healthy ingredients. We ensure that every ingredient on our labels is something you recognize.

Elevate Me™ products contain whole ingredients rich with nutrients and natural protein designed to help achieve a healthy lifestyle.

Woods Wild Bars™
Four flavours of mushroom fortified bars are crafted to provide long-lasting energy while drastically reducing the number of carbohydrates and overall sugar content.

Sustainably picked gourmet mushrooms with powerful immune regulating and adaptogenic benefits paired with a robust array of antioxidants, vitamins, and minerals for the active lifestyle market.

Company Brands for the Pet Markets
The pet brands at Naturally Splendid are considered ‘micro-brands’ at this time. The Company is entertaining opportunities to collaborate with industry experts to build these products.
Pawsitive FX™Timer’s Nutrition™

Pawsitive FX™
PawsitiveFX™ is formulated to improve the health and wellness of canines. We ensure that our products use 100% natural ingredients that are healthy and safe for your pet and sustainable for the environment. Three natural balms for the canine market for paw and snout health; Happy Snout; Happy Paws; Strong Paws. The line also offers hemp oil for canine nutrition.

Timer’s Nutrition™
Timer’s Nutrition is a line of hemp-based nutritional products for the equestrian market.

Several products have been tested for this market, and the Company is looking to collaborate with industry experts to launch this line.

Currently, the Company has suspended the launch of this niche market to focus on the more mainstream plant-based nutritional markets for human nutrition.

SALES

Naturally Splendid sales can be separated into three categories; e-commerce, domestic, and international.

E-COMMERCE SALES

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

The ongoing pandemic has altered many activities, including daily shopping, with more and more consumers resorting to online shopping for their purchases. Studies predict penetration rates, which are currently at 15 percent, are expected to increase to 25 percent by 2025, making a 67 percent increase in online sales in just five years.

The Company has focused on developing a sophisticated, robust e-commerce strategy. In April, the Company updated and re-launched several websites related to their consumer brands.

On November 13, 2020, Mr. Kris Tarr was added as an Advisory Board member. Mr. Tarr has over three decades of online marketing and e-commerce experience, having worked for globally recognized organizations such as Coca-Cola, Disney and Nickelodeon. As a consultant, he has guided over a hundred small and medium-size businesses in developing and implementing online e-commerce strategies. Mr. Tarr will be assisting in the area of e-commerce and online marketing.

In March 2021, the Company created the position of VP of E-Commerce and appointed Mr. Tarr to this position. Mr. Tarr has worked for globally recognized organizations such as Coca-Cola, Disney, and Nickelodeon and he has pioneered e-commerce and social media strategies for a wide variety of clients ranging from global corporations to regional enterprises.

The Company launched a ‘centralized e-commerce website’ designed to process online transactions across all Company brands. This e-commerce strategy is designed to optimize online transactions.

This e-commerce strategy is expected to bolster our online sales of company-branded products, focusing on the faster-growing categories.

The products available on-line include; Plantein^{TM} Plant Based Foods; NATERA Sport; Chii^{TM} Hemp Foods; Elevate Me^{TM}, Woods Wild Bars^{TM} and Pawsitive FX^{TM}.

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 newly established distribution network for the Plantein^{TM} Plant-Based Foods meat-replacement products serves thousands of retail and foodservice clients across Canada and includes Canex Foods, Sysco Canada and Gordon Foods, amongst others.

Foodservice includes recognizable iconic brands such as Denny's Restaurants (Canada). Retail clients include many independent retailers, with larger chain stores being cultivated as manufacturing and packaging capacity increases.

The NATERA / Elevate Me^{TM} brands have been distributed widely across Canada in retail stores such 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 and building on the foundation of products that have been distributed in over 2,000 stores across Canada.

In addition to retail, the Company has expanded into foodservice, selling to restaurants and diversifying its sales distribution channels, increasing overall sales.

Foodservice represents an 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.

Naturally Splendid's most recent addition, Plantein^{TM} Plant-Based Foods, will be the primary focus of the Company expanding distribution across Canada.

INTERNATIONAL SALES

<u>United States</u>
The Company has distribution in the United States primarily through the TJX family of companies, including TJ Max, Marshalls and HomeSense.

<u>Australia</u>
In 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 was preparing to market its NATERA and Elevate Me^{TM} products (conventional and organic bars, hemp seeds & hemp protein) as an initial launch, allowing for market research, customer acceptance, and the development of logistical elements to prepare for further key market segment penetration and product introductions. This is delayed due to COVID restrictions and the change in focus with meatless plant-based food entrees to the North American market.

<u>South Korea</u>
In 2016 the Company began exporting bulk hulled hemp seed to South Korea. In 10 months, the Company exported

approximately $6,000,000 CDN to Korea. By the end of 2017, the price for bulk hulled hemp seed prices declined by as much as 65%. Therefore, the Company decided to suspend exports to Korea at that time.

However, in Q2 of 2020, the Company experienced a resurgence in orders for bulk hulled hempseed from this region. The Company has shipped three containers of bulk hemp seed to South Korea, has taken orders for the fourth container of bulk hemp seed, and pursued additional contracts with these clients and new opportunities. Since business resumption, the company has processed multiple hemp seed bulk shipments to South Korea.

The hemp market in Korea has proven out in the past and is going through the expected consumer education process resulting in consumers seeking finished, value-added nutritional products and the more basic hulled hemp seed.

COVID-19 Pandemic Update

On March 24, 2020, the COVID-19 pandemic took over the global world and markets, forcing the Company to halt production for safety concerns while developing and initiating new safety protocols. On May 19, 2020, the Company resumed production with limited employees respecting the latest safety procedures, including social distancing, to continue fulfilling sales orders.

Like many businesses, the pandemic has significantly impacted the Company's revenue. In this regard, the Company is directing resources towards the new Plantein™ Plant-Based Foods, as the 'meat alternative' category has outpaced traditional food categories before the pandemic and is benefiting. The pandemic has lasted far longer than at first anticipated by government and medical experts. Ongoing operational pandemic-related challenges continue. The far-reaching economic impact of the pandemic has made it necessary to adjust operationally and strategically.

In this regard, COVID has contributed to a unique scenario, whereas plant-based nutrition has never been more popular with consumers. When combined with the shifting consumer buying patterns, from traditional shopping habits to more e-commerce purchases than ever before, the pandemic has created the opportunity to develop and launch our e-commerce strategy that focuses on our roster of plant-based consumer products.

BIOTECHNOLOGY & INNOVATION
Novel plant-based ingredients

Naturally Splendid continues to explore biotechnology opportunities based on botanicals and plant-based formulations.

On September 1, 2020, a Definitive Agreement was executed with Biologic Publishing Inc (Biologic) to license certain patented technologies and pursue a phase 2 clinical trial for potential COVID-19 treatment utilizing the target drug CavaltinibTM.

In addition to applications for Cavaltinib™ as it directly relates to COVID 19, the joint venture will have licensing rights to several other auto-immune, anti-inflammatory categories determined by the outcome of the clinical studies.

ProCurc 30, ProCurc 50, Cavaltinib™

Naturally Splendid launched ProCurc™ 50 under the NATERA™ FX banner in 2019; in February 2020, the company launched ProCurc™ 30 under the NATERA™ Sports brand.

Company Proprietary, Novel, Plant-Based Ingredients

The development of HempOmega™, micro-encapsulated hemp oil and a hemp protein isolate, is a future opportunity for the Company. These proprietary ingredients can be used in product development for Company Branded Products and offered as unique ingredients, creating innovative products and formulations in several marketing sectors such as retail, foodservice and pets.

HempOmega™
Naturally Splendid includes HempOmega™ as an ingredient in the NATERA Pro 3-6-9 hemp protein, a functional beverage for athletic clients. NATERA Pro 3-6-9 was launched at the CHFA in August 2017. This product is being considered for rebranding and repositioning within the Company's expanding plant-based sports nutrition line, NATERA Sport.

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

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

Naturally Splendid will continue to review opportunities selling proprietary its products and developed ingredients, such as HempOmega™ powder and HempOmega™ emulsion, and look for applications for the Company's proprietary technology.

MANAGEMENT AND BOARD OF DIRECTORS

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

Chief Financial Officer, Director (Chair), George Ragogna
Effective December 17, 2019, George was appointed Director of the Company. George has been working in the Financial Services industry for over 30 years. He has over 20 years of experience in progressive leadership roles for distribution at the Cooperators and was a Trustee for a $1 billion pension fund, and is the Compliance and Privacy Officer. George is responsible for developing and executing annual business plans, identifying new product risks and improving the company's distribution expenses. George's recent accomplishments outside of the Financial Services industry are in consulting and completing applications for individuals/Corporations seeking to become Licensed Producers and has worked directly with Health Canada completing the application processes successfully.

Director, Larry Gilmour
Effective November 1, 2020, Larry was appointed Director of the Company. Larry's professional career began in sales and marketing with internationally recognized brands such as; Libby's (Libby, McNeil and Libby); Playtex Corp.; and Black and Decker. Larry has also owned and operated chain grocery outlets including owner / operator of a Super Valu grocery store and an IGA grocery store, both of which were located in Vancouver, BC.. More recently Larry has been advising small to medium business owners in infrastructure, financing, sales and marketing where he has a successful track record taking businesses with existing consumer bases and growing that business.

SELECTED ANNUAL INFORMATION

The following table includes information obtained from the audited consolidated financial statements of the Company and from its accounting predecessor. The audited consolidated financial statements for these fiscal years were prepared in accordance with International Financial Reporting Standards and are expressed in Canadian dollars.

Statements of Loss Data	**Year Ended December 31, 2021 $**	**Year Ended December 31, 2020 $**	**Year Ended December 31, 2019 $**
Total Revenue	763,796	1,576,408	3,037,512
Cost of Sales	(681,615)	(1,460,279)	(2,114,712)
Expenses	(3,351,547)	(4,808,656)	(6,935,495)
Other Income (Loss)	127,435	32,885	(1,017,375)
Deferred Income Tax	-	-	-
Discontinued Operations	-	-	-
Net Loss	(3,141,931)	(4,659,642)	(7,030,070)
Basic and Diluted Loss Per Share	(0.01)	(0.03)	(0.06)
Statements of Financial Position Data	**As at December 31, 2021 $**	**As at December 31, 2020 $**	**As at December 31, 2019 $**
Total Assets	4,274,380	4,053,463	5,600,947
Total Current Liabilities	4,746,309	3,943,365	3,570,308
Total Non-Current Liabilities	830,125	1,057,612	1,312,545
Total Liabilities	5,576,434	5,000,977	4,882,853
Total Equity	(1,302,054)	(947,514)	718,094

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			
	June 30, 2022 $	**March 31, 2022 $**	**December 31, 2021 $**	**September 30, 2021 $**
Total revenue	63,861	93,453	144,143	149,614
Gross profit	(17,862)	38,990	1,715	5,239
Loss from operations	(966,546)	(747,787)	(655,365)	(735,578)
Comprehensive income (loss)	(966,546)	(747,892)	(655,365)	(735,578)
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

	Three months ended			
	June 30, 2021 $	March 31, 2021 $	December 31, 2020 $	September 30, 2020 $
Total revenue	216,661	253,378	227,577	323,195
Gross profit	43,436	31,791	(26,801)	30,368
Income (loss) from operations	(1,007,352)	(743,636)	(1,319,483)	(911,215)
Comprehensive income (loss)	(1,007,352)	(743,636)	(1,319,483)	(911,215)
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

DISCUSSION OF OPERATIONS

Overview

On March 24, 2020, the COVID-19 pandemic took over the global world and markets forcing the Company to halt production for safety concerns. On May 19, 2020, the Company resumed production with limited employees to fulfill sales orders. The pandemic has significantly impacted the Company's revenue for 2020 and 2021. As of December 31, 2021, the Company is no longer certified for Safe Quality Foods (SQF) which has impacted the Company's private label bars and bites revenue.

During the six months ended June 30, 2022, the Company's sales decreased by approximately $313,000 from the comparative period. The Company had decreased sales in its private-label bars and bites business by approximately $85,000. Branded hemp products decreased by approximately $170,200 and its Natera Sport products decreased by approximately $73,000. Sales in new Plant-based products decreased by approximately $4,300. This is in line with the Company shifting its focus on the new plant-based entrees for contract manufacturing, private label and branded products and will continue to sell to the international Korean markets.

During the six months ended June 30, 2022, selling and distribution expenses decreased by approximately $17,000 largely due to a decrease in production (facility costs, quality assurance, lab testing and reduced production). Administrative expenses decreased by approximately $87,000 mainly from a decrease in management and consulting fees, bank charges and interest, and amortization and depreciation.

Q2 Results

Revenue

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Revenue	$ 63,861	$ 216,661	$ 157,314	$ 470,039

Costs of Sales and Gross Profit

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cost of Sales	$ 81,723	$ 173,225	$ 136,186	$ 394,812
Gross Profit	(17,862)	43,436	21,128	75,227
Margins	(27.97%)	20.05%	13.43%	16.00%

The Cost of Sales during the six months ended June 30, 2022, was $136,186 compared to $394,812 in 2021. The Company's sales were from its new line of plant-based entrees which maintain a higher gross margin. The Company continues to focus on its higher-margin products and new commercial opportunities with its plant-based entrees.

Selling and Distribution Expenses

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Inventory write-down and bad debts	$ 151,439	$ 112,166	$ 151,439	$ 140,816
Facility	76,167	171,514	139,804	259,868
Freight and delivery	10,155	4,431	40,132	12,795
Product promotion	69,002	391	80,634	15,189
Selling and distribution expenses	**$ 306,763**	**$ 288,502**	**$ 412,009**	**$ 428,668**

Selling and distribution expenses during the six months ended June 30, 2022, decreased compared to the comparative period predominantly by facility costs due to decreased production. This resulted in a decrease in production wages and salary costs during the period in 2022 compared to 2021.

During the six months ended June 30, 2022, the company had received $Nil (2021 - $144,291) in government assistance from the Canadian Emergency Wage Subsidy (CEWS). Product promotion is related to e-commerce fees charges for plant-based products sold on Amazon, Shopify and other platforms. Also, during the six months ended June 30, 2022, the Company had a write-down of inventory of $151,439 (2021 - $67,654) and bad debts of $Nil (2021 - $73,162).

Administrative Expenses

		Three months ended June 30, 2022		Three months ended June 30, 2021		Six months ended June 30, 2022		Six months ended June 30, 2021
Accounting and audit	$	47,521	$	19,500	$	47,521	$	39,000
Amortization and depreciation		128,224		141,575		260,441		283,150
Bank charges and interest		30,264		33,530		56,038		110,817
Corporate promotion		41,532		37,464		66,780		57,835
Directors' fees		10,000		10,000		20,000		20,000
Interest on lease liabilities		27,607		34,270		56,405		69,899
Legal		8,344		30,318		25,497		40,148
Management and consulting		139,500		178,172		293,000		320,110
Office, rent and salaries		190,946		258,367		456,963		422,152
Transfer agent and filing fees		6,361		11,159		27,385		36,971
Travel		4,406		1,777		6,206		3,603
	$	**634,705**	**$**	**756,132**	**$**	**1,316,236**	**$**	**1,403,685**

Administrative expenses decreased in 2022 compared to 2021 by $87,449. The decrease was primarily due to a decrease in management and consulting fees and bank charges and interest.

Amortization and depreciation have decreased compared to the prior year due to few additions in property, plant and equipment in 2022, this amount also includes the depreciation on the right of use assets for the operating premise leases which remained consistent with the prior year; ***Bank charges and interest*** decreased due to interest and penalty charges being reduced as a result of meeting payment obligations; ***Management and consulting***, which represent outside business consultants and certain officers of the Company, decreased for new consultants hired for the plant-based distribution in the latter part of 2021; ***Corporate promotion*** decreased due to reduced investor relations activity during the period; ***Directors' fees, Interest on lease liabilities and travel*** remained consistent year over year. ***Office rent and salaries*** reflect the cost of the production, warehouse, office and outside freezer storage premises, corporate salaries, the increase was due to some employee severances and an increase in freezer storage, otherwise, the office, rent and salaries remained consistent.

Transfer agent and filing fees remained consistent year over year.

During the years ended December 31, 2020, and 2021, the Canadian Federal Government rolled out the Canadian Emergency Wage Subsidy (CEWS) to assist businesses that were heavily impacted by COVID-19. The Company was eligible to receive the federal government wage subsidy. During the six months ended June 30, 2021, the Company received $144,291 recorded as a reduction to salaries in facilities expenses and office, rent and salaries. During the six months ended June 30, 2022, the government assistance ceased, and no subsidy was received.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2022, the Company had cash of $120,232 (December 31, 2021 - $1,388,296) and a working capital deficit of $2,829,130 (December 31, 2021 –$2,457,954).

Capital Lease Obligations

The Company has various lease contracts outstanding for food packaging equipment and production equipment. The monthly lease payments and terms are summarized below. Following the final lease payments, the Company will own the equipment free and clear of all encumbrances. The aggregate interest expense recognized for these lease contracts is $1,974 (2021 - $4,576). These assets are included within the manufacturing facility and equipment under property and equipment on the consolidated statements of financial position.

As at June 30, 2022, the Company has the following three lease contracts for food packaging and production equipment:

(a) Food packaging equipment – monthly lease payments of $9,765 (including GST) until May 2022, of which $299,216 remains unpaid;
(b) Food production equipment acquired from NHSP – monthly lease payments of $3,141 (including GST) until September 2020, of which $22,845 remains unpaid;
(c) Food packaging equipment – monthly lease payments of $851 (including GST) until March 22, 2024; and
(d) Food packaging equipment – monthly lease payments of $643 (including GST) until August 2024.

The Company recognized right-of-use assets for its operating premise leases. The aggregate interest expense recognized for these lease contracts is $56,405 (2021 – $65,322). These assets are included within the manufacturing facility under property and equipment on the consolidated statements of financial position.

Cash Flows for the Three and Six months Ended

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash used in operating activities	$ (804,550)	$ (341,142)	$ (2,114,735)	$ (797,681)
Cash used in operating activities	(804,550)	(341,142)	(2,114,735)	(797,681)
Cash used in investing activities	-	-	(103,229)	7,500
Cash provided by (used in) investing	-	-	(103,229)	7,500
Cash provided by financing activities	(68,888)	(48,853)	949,900	620,472
Cash provided (used in) by financing	(68,888)	(48,853)	949,900	620,472
Increase (decrease) in cash from continuing operations during the year	(873,438)	(389,995)	(1,268,064)	(169,709)
Net change in cash	(873,438)	(389,995)	(1,268,064)	(169,709)
Cash, beginning of period	993,670	422,620	1,388,296	202,334
Cash, end of period	$ 120,232	$ 32,625	$ 120,232	$ 32,625

SHARE CAPITAL

During the six months ended June 30, 2022, the Company completed the following transactions:

- On January 7, 2022, the Company closed a non-brokered private placement (the “Offering”) to issue 36,681,866 units (each a “Unit”) at a price of $0.03 per Unit for total gross proceeds of $1,100,456. Each Unit comprised of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at $0.05 per share for a period of two years from the date of the issue. The fair value of the Warrants was determined to be $Nil using the residual value method, with $1,120,456 being the fair value of the shares. $122,455 proceeds from this issuance were received during the year ended December 31, 2021.

- 666,666 units valued at $20,000 with the same terms as the Offering were issued for services.

- Share issuance costs consisting of cash costs of $33,065 were incurred, and 1,774,504 finders' warrants with a fair value of $39,888 were issued in connection to the financings.

During the year ended December 31, 2021, the Company completed the following transactions:

• 13,779,000 warrants at $0.055 were exercised for total gross proceeds of $757,845.

• On December 23, 2021, the Company closed a non-brokered private placement (the "Offering") to issue 71,683,846 units (each a "Unit") at a price of $0.03 per Unit for total gross proceeds of $2,150,515. Each Unit comprised of one common share and one common share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at $0.05 per share for a period of two years from the date of the issue. The fair value of the Warrants was determined to be $358,419 using the residual value method, with $1,792,096 being the fair value of the shares. $319,964 relating the Offering was received subsequent to year end.

• 3,646,073 shares valued at $145,843 were issued to settle debt of $255,225, resulting in a gain on settlement of debt of $109,382.

• Share issuance costs consisting of $69,303 were incurred, and 595,000 finders' warrants with a fair value of $8,734 were issued in connection to the financings.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 330,624,458 common shares outstanding plus 9,640,000 share purchase options and 120,602,833 warrants.

OFF BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

Subsequent to the six months ended June 30, 2022,

(a) The Company amended its lease agreement with the lessor of the food packaging equipment to retain equipment equal to the partial lease payments made and to return equipment to the lessor equal to the balance of unpaid lease payments.

TRANSACTIONS BETWEEN RELATED PARTIES

Related Parties

Key Management Compensation

		June 30, 2022		June 30, 2021
Management fees	$	203,375	$	258,875
Consulting fees		111,000		32,500
Directors' fees		20,000		20,000
	$	**334,375**	**$**	**311,375**

i) Management fees of $72,000 (2021 – $90,000) were accrued for 1105953 B.C. Ltd., a company controlled by the Company's Chief Executive Officer.
ii) Management fees of $72,000 (2021 – $90,000) were for Kal-Mad Enterprises Ltd., a company controlled by the Company's Vice President of Operations.
iii) Management fee of $59,375 (2021 - $59,375) were accrued for the Company's Director of Sales.
iv) Consulting fees of $72,000 (2021 – $32,500) were accrued, for the Chairman of the Board of Directors and Chief Financial Officer for monthly consulting services.
v) Consulting fees of $Nil (2021 - $Nil) were accrued for Alastair Gregor, the Company's Executive Chef.
vi) Consulting fees of $39,000 (2021 - $19,500) were accrued for Kris Tarr, the Company's VP of Ecommerce.
vii) Fees accrued to directors of the Company amount to $20,000 (2021 - $20,000).

Key management personnel were not paid post-employment benefits, termination benefits or other long-term benefits during the periods ended June 30, 2022 and 2021.

Related Party Liabilities

The following amounts are included in accounts payable and accrued liabilities as at June 30, 2022 and December 31, 2021:

Amounts due to:		June 30, 2022		December 31, 2021
1105953 BC Ltd.	$	147,058	$	240,508
Kal-Mad Enterprises Ltd.		46,550		128,935
Agrinomics I.T. Consulting Ltd.		95,163		100,163
George Ragogna, Consultant & Chairman		35,963		54,563
Craig Goodwin, CEO & Director		-		10,783
Directors		7,875		7,167
Director of Sales		-		259
VP of Ecommerce		45,500		55,634
Executive Chef		25,410		25,095
Sead Hamzagic		-		1,963
Total related party payables	**$**	**403,519**	**$**	**625,070**

As at June 30, 2022, $Nil (2021 – $55,000) is due to the CEO, of the Company for a non-interest-bearing, short-term loan.

As at June 30, 2022, $Nil (2021 – $Nil) is due to the CFO, and chairman of the Company for a non-interest-bearing, short-term loan.

The above loans to the CEO and the CFO were repaid in full during the period ended June 30, 2022.

CHANGES IN ACCOUNTING POLICIES

Accounting Pronouncements Adopted

No accounting pronouncements have been adopted by the Company.

ACCOUNTING ESTIMATES AND JUDGMENTS

Critical accounting estimates

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

Recoverability of receivables

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

Valuation of inventory

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

Useful lives of property, equipment and intangibles

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

Share-based payments

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

Leases

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment of the lease term is reviewed if a significant event or a significant change in circumstance occurs, which affects this assessment and that is within the control of the lessee. The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact.

Critical accounting judgments

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

Recovery of deferred tax assets

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

Determination of cash-generating units ("CGU")

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

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

Judgment is required in determining whether property and equipment, technology license and other intangibles have indicators of impairment. 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.

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.

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

Government assistance
The Company applies judgment in determining whether they are eligible for government assistance including when they have met the terms that the assistance would not be repayable.

Interest rates

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

Contingent liabilities

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

Application of IFRS 16

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

Determination of functional currency

The functional currency is the currency of the primary economic environment in which an entity operates and has been determined for each entity within the Company. The functional currency for the Company and its subsidiaries has been determined to be the Canadian dollar.

FINANCIAL INSTRUMENTS

Categories of Financial Instruments

Financial Assets	**Fair Value Hierarchy**	**June 30, 2022**	**December 31, 2021**
Fair value through profit or loss, at fair value			
Cash	Level 1	$ 120,232	$ 1,388,296
Restricted cash	Level 1	34,500	34,500
Loans and receivables, at amortized cost			
Trade and other receivables		30,834	7,978
Advances and deposits		126,049	149,386
		$ 311,615	**$ 1,580,160**

Financial Liabilities	Fair Value Hierarchy	June 30, 2022	December 31, 2021
Other liabilities, at amortized cost			
Trade and other payables		$ 2,265,556	3,044,816
Loans from related parties		-	78,000
Short-term loans		123,059	183,333
Shareholder loan		-	32,000
Lease liabilities		1,245,230	1,331,578
		$ 3,633,845	**$ 4,669,726**

Fair Value

The fair value recorded on initial recognition of financial assets and financial liabilities at amortized cost is determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The carrying value of cash, accounts payable and accrued liabilities, loan from related party and short-term loans approximate their fair value due the short-term maturity of these instruments.

Management of Financial Risks

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of these risks. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern.

Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner. The risks associated with these consolidated financial instruments and the policies on how to mitigate these risks are set out below.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company is reliant upon equity issuances and loans as its main sources of cash. The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company continuously reviews its actual expenditures, forecasts cash flows and matches the maturity dates of its cash to capital and operating needs. The Company's trade and other payables are due within 90 days of December 30, 2021, loan from related party and short-term loans are due on demand. The Company's lease liabilities have payments due in accordance with the lease agreements.

The Company has been successful in raising financing in the past; however, there is no assurance that it will be able to do so in the future. As at June 30, 2022, the Company had a working capital deficit of $2,829,130 (December 31, 2021 – $2,457,954).

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 June 30, 2022 and December 31, 2021, the Company is exposed to currency risk through the following financial instruments denominated in a currency other than the Canadian dollar:

	June 30, 2022			December 31, 2021		
	US$	AUD$	CDN$	US$	AUD$	CDN$
Cash	4,144	-	5,335	666	-	846
Trade receivables	330	-	425	330	-	420
Accounts payable and accrued liabilities	156,549	40,811	237,749	184,998	188,491	408,680

Based on the above, assuming all other variables remain constant, a 5% strengthening or weakening of the Canadian dollar against the US dollar would have decreased/increased the Company's loss and comprehensive loss by $8,051. A 5% strengthening or weakening of the Canadian dollar against the AUD dollar would have decreased/increased the Company's loss and comprehensive loss by $2,041.

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 a growing movement among some consumers to buy local food products in an attempt to reduce the carbon footprint associated with transporting food products from longer distances, and this could result in a decrease in the demand for food products and ingredients that the Company imports from western Canadian region. These changes could lead to, among other things, reduced demand and price decreases, which could have a material adverse effect on the Company's business.

Raw Materials

The Company and/or its manufacturers must acquire sufficient raw materials so that the products can be produced to meet the demand of its customers. A shortage could result in loss of sales and damage to the Company. The Company may be required to source other raw goods producers in the event that consumer demand increase.

Also, if the Company and/or its manufacturers become unable to acquire raw goods, and are unable to find one or more replacement suppliers a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Company will likely be unable to meet customer demand.

Limited Number of Products

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

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

Consumer Perception of Hemp

Prior to expanding formulation capability to include a wide array of plant-based ingredients the Company was highly dependent upon consumer perception of hemp and hemp based products. Hemp is a term reserved for low tetrahydrocannabinol ("THC") strains of the cannabis plant. Some in the public may associate hemp with high TCH cannabis plants, which are regulated substances. Additional negative perception has occurred due to the fact that some countries prohibit the growing of the hemp plant even though consumption of hemp-based food products is allowed.

However, hemp regulations continue to see positive advancement in many countries as the awareness of the benefits become more widely known. Although not completely mainstream as yet, the perception of hemp in general continues to improve.

Brand Awareness

Historically, the Company's products were primarily sold in Canada. In 2016, the Company commenced selling its shelled hemp seed in South Korea and in 2017 began initial sales in Australia and Japan.
As the Company is in the early stages of marketing and distributing, brand awareness has been limited. However, the Company has seen recent successes with the Natera™ KEY-TO-LIFE keto friendly bars have been sold in over 1,000 retail outlets, as well as making inroads with the Natera™ Sport Bites which have been featured in mainstream magazines.

The Company's efforts to enter the United States market are in the formulation stage, there is no assurance that it will be able to achieve brand awareness across South Korea, or to successfully enter the United States or other markets with its brands and products. In addition, the Company must develop successful marketing, promotional and sales programs in order to sell its products. If the Company is not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on the business, financial condition and operating results.

Development of New Products

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

Dependence on Management Team

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

Reliance on Third-Party Manufacturers

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

Reliance on Distributors and Key Customers

The Company will rely on third-party distributors for the sale and distribution of our products. We plan to sell our products through an extensive regional sales and distribution network throughout Canada.

To the extent that our distributors are distracted from selling our products or do not expend sufficient efforts in managing and selling our products, our sales will be adversely affected. Our ability to maintain our distribution network and attract additional distributors will depend on a number of factors, many of which are outside of our control.

Some of these factors include: (i) the level of demand for our brand and products in a particular distribution area; (ii) our ability to price our products at levels competitive with those offered by competing products and (iii) our ability to deliver products in the quantity and at the time ordered by distributors.

While the Company will seek to diversify its customer base, the loss of any one of its large customers will result in a material adverse effect on the Company's business and may adversely affect revenues going forward.

Development of Generic In-House Brands

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

Product Liability Insurance

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

Although the Company reviews its insurance coverage with its agent and internally, and it believes it has adequate product liability insurance, the Company cannot provide any assurances that it will be able to obtain or maintain adequate product liability insurance on acceptable terms, if at all, or that such insurance will provide adequate coverage against potential liabilities.

Claims or losses in excess of any product liability cover that may be obtained by the Company could have a material adverse effect on its business, financial conditional and results of operations.

Product Recall

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

Trademark Protection

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

Patent Infringement

While the Company believes that its products and operations do not violate the intellectual property rights of third parties, other parties could bring legal actions against the Company claiming damages and seeking to enjoin the manufacture, sale and distribution of the Company's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Company and diversion of effort by its management and technical personnel. If any such actions are successful, in addition to any potential liability for damages, the Company could be required to obtain a license in order to continue to market the affected products.

There can be no assurance that the Company would prevail in such action or that any license required under any such patent would be available on acceptable terms, if at all. Failure to obtain needed patents, licenses or proprietary information held by others may have material adverse effect on the Company's business.
In addition, if the Company were to become involved in such litigation, it could consume a substantial portion of the Company's time and resources.

Government Regulation

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

The Company also may be unable to disseminate third-party literature that supports its products if the third-party literature fails to satisfy certain requirements.

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

Competition

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

Product Liability Claims

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

Global Economic Conditions

Current global economic conditions could have a negative effect on the Company's business and results of operations. Market disruptions have included extreme volatility in securities prices, as well as diminished liquidity and credit availability. An economic crisis may adversely affect the Company in a variety of ways. Access to lines of credit or the capital markets may be severely restricted, which may preclude the Company from raising funds required for operations and to fund continued expansion.
It may be more difficult for the Company to complete strategic transaction with third parties. Financial and credit market turmoil could also negatively impact suppliers, customers and banks with whom the Company does business.

Such developments could decrease the Company's ability to source, produce and distribute its products or obtain financing and could expose it to risk that one of its suppliers, customers or banks will be unable to meet their obligations under agreements with them. If economic conditions worsen, it is possible these factors could significantly impact the Company's financial conditions.

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

Smaller Companies

Market perception of junior companies may change, potentially affecting the value of investors' holdings and the ability of the Company to raise further funds through the issue of further common shares or otherwise. The share price of publicly traded smaller companies can be highly volatile.

The value of the common shares may go down as well as up and, in particular, the share price may be subject to sudden and large falls in value given the restricted marketability of the common shares.

Forward Looking Statements

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

Forward looking statements are based on a number of material factors and assumptions, including consumer buying patterns will increase in specialty and grocery stores, economic conditions in Canada will continue to show modest improvement in the near to medium future, the average cost of whole hemp seed will fluctuate in line with historical trends, no material change to competitive environment in the distribution of hemp-based food additives and supplements, the Company will be able to access sufficient qualified staff, there will be no material changes with the Company's larger customers and there will be no material changes to the tax and other regulatory requirements governing the Company.

While the Company considers these assumptions may be reasonable based on information currently available to it, these assumptions may prove to be incorrect. Actual results may vary from such forward-looking information for a variety of reasons, including but not limited to risks and uncertainties disclosed in the section titled "*Risk Factors*" above.

The Company intends to discuss in its quarterly and annual reports any events or circumstances that occurred during the period to which such documents relate that are reasonably likely to cause actual events or circumstances to differ materially from those disclosed in this Filing Statement.

New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forwarding looking statement.

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