

VITALITY PRODUCTS INC.

Vancouver, BC

FINANCIAL STATEMENTS

For the Years Ended January 31, 2015 and 2014

VITALITY PRODUCTS INC.
INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report

Statements of Financial Position

Exhibit "A"

Statements of Comprehensive Loss

Exhibit "B"

Statements of Changes in Equity

Exhibit "C"

Statements of Cash Flows

Exhibit "D"

Notes to Financial Statements

Exhibit "E"



Cinnamon Jang Willoughby

Chartered Accountants

A Partnership of Incorporated Professionals

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Vitality Products Inc.:**

We have audited the accompanying financial statements of Vitality Products Inc. (the "Company"), which comprise of the statements of financial position as at January 31, 2015 and January 31, 2014, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2015 and January 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw your attention to Note 1 to the financial statements which indicates that the continuation of the Company's operations is dependent on the ability to receive continued financial support or generate profitable operations in the future. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

"Cinnamon Jang Willoughby"

Chartered Accountants

Burnaby, BC
May 26, 2015

VITALITY PRODUCTS INC.
Statements of Financial Position
For the Years Ended January 31, 2015 and 2014
(expressed in Canadian dollars)

Assets	2015	2014
Current:		
Cash and cash equivalents	\$ 19,296	\$ 6,112
Accounts receivable (Note 5)	17,763	12,654
Inventories	754	26,197
Prepaid expenses	8,467	833
	46,280	45,796
Land and equipment (Note 6)	240,498	240,811
	\$ 286,778	\$ 286,607
Liabilities		
Current:		
Accounts payable and accrued liabilities (Note 7)	\$ 1,124,213	\$ 946,330
	1,124,213	946,330
Shareholders' Deficiency		
Common shares, net of share issuance cost (Note 8)	10,919,524	10,329,928
Preferred shares, net of share issuance cost (Note 8)	294,200	745,796
Reserves - warrants (Note 8)	368,337	368,337
Reserves - equity settled employee benefits (Note 8)	440,739	440,739
Deficit, per Exhibit "B"	(12,860,235)	(12,544,523)
	(837,435)	(659,723)
Nature of Operations and Going Concern (Note 1)		
Segmented Information (Note 10)	\$ 286,778	\$ 286,607

Approved and authorized by the Board on May 26, 2015

 "W. Douglas Grant" (signed) _____, Director

 "Bruce J. McDonald" (signed) _____, Director

- See accompanying notes -

VITALITY PRODUCTS INC.
Statements of Comprehensive Loss
For the Years Ended January 31, 2015 and 2014
(expressed in Canadian dollars)

	2015	2014
Sales	\$ 63,916	\$ 5,301
Cost of sales	24,176	1,680
Gross income before general and administrative expenses	39,740	3,621
General and administrative expenses:		
Consulting fees (Note 9)	32,050	39,547
Depreciation	313	351
Directors' fees (Note 9)	1,400	2,100
Filing and transfer agent fees	19,564	20,879
Foreign exchange loss	2,631	931
Office	3,896	3,575
Professional fees	25,508	25,622
Promotion	18,975	6,487
Rent and administration (Note 9)	11,133	31,779
Share-based compensation (Note 9)	-	11,005
Telephone	1,067	957
Travel	7,585	1,194
Wages and salary (Note 9)	93,330	43,968
	217,452	188,395
Net loss and comprehensive loss for the year	177,712	184,774
Deficit, beginning of year	12,544,523	12,359,749
Dividends on preferred shares (Note 8)	138,000	-
Deficit, end of year, to Exhibit "A"	\$ 12,860,235	\$ 12,544,523
Loss per share		
Basic and diluted	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding		
Basic and diluted	21,918,847	19,887,285

- See accompanying notes -

VITALITY PRODUCTS INC.
Statements of Changes in Equity
(expressed in Canadian dollars)

	<u>Common Shares</u>		<u>Preferred Shares</u>		Reserves	Deficit	Total
	Number	Amount \$	Number	Amount \$			
Balance at January 31, 2013	19,887,285	10,329,928	75,420	745,796	798,071	(12,359,749)	(485,954)
Share-based compensation	-	-	-	-	11,005	-	11,005
Net loss	-	-	-	-	-	(184,774)	(184,774)
Balance at January 31, 2014	19,887,285	10,329,928	75,420	745,796	809,076	(12,544,523)	(659,723)
Issuance of common shares (Note 8)	5,980,000	589,596	-	-	-	-	589,596
Conversion of preferred shares (Note 8)	-	-	(46,000)	(451,596)	-	-	(451,596)
Dividends on preferred shares (Note 8)	-	-	-	-	-	(138,000)	(138,000)
Net loss	-	-	-	-	-	(177,712)	(177,712)
Balance at January 31, 2015	25,867,285	10,919,524	29,420	294,200	809,076	(12,860,235)	(837,435)

- See accompanying notes -

VITALITY PRODUCTS INC.
Statements of Cash Flows
For the Years Ended January 31, 2015 and 2014
(expressed in Canadian dollars)

	2015	2014
<hr/>		
Operating Activities:		
Net loss for the year, per Exhibit "B"	\$ (177,712)	\$ (184,774)
Adjustments for non-cash items:		
Depreciation	313	351
Share-based compensation	-	11,005
Changes in non-cash operating working capital:		
(Increase) Decrease in accounts receivable	(5,109)	(10,900)
Decrease (Increase) in inventories	25,443	(21,687)
(Increase) Decrease in prepaid expenses	(7,634)	(55)
Increase (Decrease) in accounts payable and accrued liabilities	177,883	197,106
<hr/>		
Cash flows provided by (used in) operating activities	13,184	(8,954)
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Net increase (decrease) in cash and cash equivalents	13,184	(8,954)
Cash and cash equivalents, beginning of year	6,112	15,066
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Cash and cash equivalents, end of year	\$ 19,296	\$ 6,112
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Supplemental disclosure of cash and non-cash activities:		
Property tax on land paid by a related party in exchange for the first right of purchase of land	\$ 1,844	\$ 1,677
Issuance of common shares in exchange for Class "A" preferred shares, Series 6 plus cumulative unpaid dividends (Note 8)	589,596	-

- See accompanying notes -

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

1. Nature of Operations and Going Concern:

Vitality Products Inc. (the "Company") is a publicly traded company that was incorporated under the Province of British Columbia on February 29, 1984. The head office of the Company is located at #304 - 837 West Hastings Street, Vancouver, BC, Canada, V6C 3N6. The Company is listed on the TSX Venture Exchange (TSX-V) and trades under the symbol "VPI".

The Company is in the business of manufacturing, marketing, and distributing natural health products, including vitamins, minerals and nutritional supplements.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the years ended January 31, 2015 and 2014, the Company experienced operating losses. The operations of the Company have been primarily funded by the issuance of share capital and through advances by related parties. Continued operations are dependent on the Company's ability to generate profitable operations in the future or obtain continued financial support from related parties or equity, neither of which is certain.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described above, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These financial statements do not include any adjustments relating to the realization of assets and liquidation of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

	2015	2014
Deficit	\$12,860,235	\$12,544,523
Working capital (deficit)	(1,077,933)	(900,534)

2. Statement of Compliance:

These financial statements are audited and have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements of the Company for the years ended January 31, 2015 and 2014 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 26, 2015. Shortly thereafter, the financial statements are made available to shareholders and others through filing on the System for Electronic Document Analysis and Retrieval ("SEDAR").

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies:

These financial statements have been prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC.

a) Basis of Presentation –

The financial statements have been prepared on the historical cost basis except for financial instruments, which are measured at fair value.

These financial statements have been prepared using IFRS principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due.

All amounts are presented in Canadian dollars. The functional currency of the Company's operations is the Canadian dollar.

b) Cash and Cash Equivalents –

Cash and cash equivalents include cash on hand and balances with banks.

c) Inventories –

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. When circumstances that previously caused inventories to be written down below cost no longer exist, the amount of previously written down inventory is reversed. Inventories consist of raw materials and finished goods.

d) Land and Equipment –

The following assets are recorded at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the statement of comprehensive loss so as to write-off the cost of assets using the diminishing balance basis at the following annual rates:

Computer equipment	30%
Land improvements	10%
Office furniture and equipment	20%

The estimated depreciation rates and depreciation methods are reviewed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of the land and equipment are reviewed at each date of the statement of financial position for impairment when events or changes in circumstances indicate the carrying values may not be recoverable.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

e) Income Taxes –

Income tax expense (recovery) represents the sum of tax currently payable (recoverable) and changes to deferred tax assets and liabilities as a result of operations during the period.

Current income taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income taxes

Deferred income tax is provided using the statement of financial position liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are recognized for all taxable temporary differences with the exception of the following circumstances:

- Where the deferred income tax asset and liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- Deferred tax liabilities in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive loss.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

e) Income Taxes – (Continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

f) Revenue Recognition –

Revenue is recognized from various sources as follows:

- i) Income generated from the sale of products is recognized when the significant risks and rewards of ownership pass to the purchaser (including delivery of the product), no significant uncertainties remain regarding the recovery of the consideration due or associated costs, the amount of revenue can be measured reliably, and there is no continuing management involvement with the products. Reasonable assurance is assumed when products are shipped to customers and customers approve of the invoice;
- ii) Certain license fee income and royalty fee income generated from distribution agreements are comprised of up-front fees and milestone payments. Up-front fees are recognized over the estimated term during which the Company maintains substantive obligations. Milestone payments are recognized as revenue when the milestone is achieved, customer acceptance is obtained and the customer is obligated to make performance payments; and
- iii) Interest income generated from cash and cash equivalents is recognized on an accrual basis and is recorded on a monthly basis as it is earned.

Reasonableness of collection is considered when recording the revenue from various sources above.

Revenue from the sale of products is measured at the fair value of the consideration received or receivable from the products sold, net of returns, allowances, discounts, volume rebates and applicable taxes.

g) Capital Stock –

The Company records proceeds from share issuances as net of share issuance costs.

h) Reserves - Warrants –

Warrants issued in conjunction with the issuance of common shares are recorded at the fair value of the warrants as estimated using the Black-Scholes option pricing model. Cash received on exercise of warrants is credited to the then issued and outstanding capital stock of the Company, with an offsetting debit to reserves - warrants.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

i) Share-Based Compensation –

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. An expense is recognized over their vesting period. The expense is charged to share-based compensation and the offset is credited to reserves - equity settled employee benefits. Cash received on exercise of incentive stock options is credited to the then issued and outstanding capital stock of the Company, with an offsetting debit to reserves - equity settled employee benefits.

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimates and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

j) Government Assistance –

The Company periodically applies for financial assistance under available government programs. Government assistance is accounted for using the cost reduction method, whereby the benefit is recognized as a reduction in the cost of the related expenditure in the reporting period the qualifying expenditure is made. The benefit is only recognized if there is reasonable assurance that it will be realized.

k) Loss per Common Share –

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that weighted average common shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

l) Foreign Currency Transactions –

Foreign currency transactions are accounted for as follows:

i) monetary items are translated at the rates of exchange prevailing at the period end date;

ii) non-monetary items are translated at historic exchange rates; and

iii) revenue and expenses are translated at rates of when revenues are invoiced and expenses are incurred.

The resulting gains or losses are credited or charged to earnings.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

m) Financial Instruments –

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

The following is a summary of the Company's classification of financial assets and liabilities:

<i>Financial asset or liability</i>	<i>Classification</i>
Cash and cash equivalents	Financial asset at fair value through profit or loss
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Financial assets at fair value through profit or loss are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the period end date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in profit or loss.

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs related to financial assets at fair value through profit or loss are expensed as incurred. Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

n) Impairment of Financial Assets –

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

n) Impairment of Financial Assets – (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in income when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

o) Impairment of Non-financial Assets –

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

p) Critical Accounting Policies, Key Judgments and Estimates –

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual outcomes could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Ability to continue as a going concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events (as discussed in Note 1), whose subsequent changes could materially impact the validity of such an assessment.

Income taxes

The Company calculates deferred income taxes based upon temporary differences between the assets and liabilities that are reported in its financial statements and their tax bases as determined under applicable tax legislation. The future realization of deferred tax assets can be affected by many factors, including current and future economic conditions and net realizable sale prices, and can either be increased or decreased where, in the view of management, such change is warranted. In determining whether a deferred tax asset is probable, management reviews the timing of expected reversals of taxable temporary differences, the estimates of future taxable income and prudent and feasible tax planning that could be implemented. Refer to Note 11 for further details.

Assessment and impairment of land and equipment

Management reviews the depreciation rates and methods of depreciation for equipment annually and the carrying amounts of land and equipment at each date of the statement of financial position for impairment. As of January 31, 2015 and January 31, 2014, management determined that depreciation rates and methods of depreciation were appropriate and there has been no impairment.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

3. Significant Accounting Policies: (Continued)

p) Critical Accounting Policies, Key Judgments and Estimates – (Continued)

Valuation of share-based compensation

The fair value of stock options issued is subject to the limitation of the Black-Scholes option pricing model that incorporates market data and involves uncertainty estimates used by management in the assumptions. The Black-Scholes option pricing model requires the input of highly subjective assumptions such as future volatility of the stock price. Changes in these assumptions can materially affect the fair value estimate.

4. Adoption of New and Revised Standards and Interpretations:

The IASB issued a number of new and revised International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), amendments and related interpretations.

Effective February 1, 2014, the Company adopted the following new and revised IFRS that were issued by the IASB.

IAS 32, "Financial Instruments: Presentation"

IAS 32 was amended by the IASB in December 2011. The amendments clarify that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The application of these amendments to IAS 32 did not have a material impact on the Company's financial statements.

IAS 36, "Impairment of Assets"

IAS 36 was amended by the IASB in May 2013. The amendments clarify when disclosures of the recoverable amount of impaired assets are required as well as the additional disclosures required for the measurement of the recoverable amount of impaired assets when the recoverable amount that is based on fair value less costs of disposal is determined using a present value technique. The application of these amendments to IAS 36 did not have a material impact on the Company's financial statements.

IAS 39, "Financial Instruments: Recognition and Measurement"

IAS 39 was amended by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The application of these amendments to IAS 39 did not have a material impact on the Company's financial statements.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

4. Adoption of New and Revised Standards and Interpretations: (Continued)

IFRS 10, "Consolidated Financial Statements"; IFRS 12, "Disclosure of Interests in Other Entities"; IAS 27, "Separate Financial Statements"

The IASB issued amendments in October 2012 to IFRS 10, IFRS 12 and IAS 27. The amendments introduce an exception for investment entities to the principle that all subsidiaries must be consolidated. The amendments define an investment entity and require an investment entity to measure subsidiaries at fair value through profit or loss. Furthermore, the amendments add additional disclosure requirements for investment entities and require an investment entity to measure its investments in subsidiaries at fair value through profit or loss when it presents separate financial statements. The application of these amendments did not have a material impact on the Company's financial statements.

IFRIC 21, "Levies"

The IASB issued this new interpretation in May 2013. This interpretation provides guidance on accounting for levies within the scope of *IAS 37, Provisions, Contingent Liabilities and Contingent Assets*. IFRIC 21 states that the obligating event that gives rise to a liability to pay a levy is considered a trigger event for payment of the levy, as identified by the legislation, and that the liability to pay a levy is recognized over time progressively if the obligating event occurs over a period of time. The application of IFRIC 21 did not have a material impact on the Company's financial statements.

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

IAS 1, "Presentation of Financial Statements"

The IASB amended IAS 1 in December 2014 to clarify the existing presentation and disclosure requirements and provide guidance to assist in determining what to disclose and how that information should be presented in the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

4. Adoption of New and Revised Standards and Interpretations: (Continued)

IFRS 9, "Financial Instruments"

IFRS 9 was issued by the IASB in November 2009 and will replace *IAS 39, "Financial Instruments: Recognition and Measurement"*. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In October 2010, the IASB added requirements for financial liabilities to IFRS 9. These requirements were largely carried forward from the existing requirements in IAS 39; however, fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

In November 2013, the IASB amended IFRS 9 to include a new general hedge accounting model. The amendment also removed the January 1, 2015 effective date.

In July 2014, the IASB issued the final version IFRS 9 that supersedes the requirements of earlier versions of the standard. The new standard will replace both *IAS 39, "Financial Instruments: Recognition and Measurement"* and *IFRIC 9, "Reassessment of Embedded Derivatives"*. The standard will retain the classification and measurements requirements and new hedge accounting model introduced by the previous versions while introducing a single forward-looking expected credit loss impairment model. The final version of this new standard is effective for annual periods beginning on or after January 1, 2018. However, an entity may elect to apply the earlier versions of this new standard to annual periods beginning before January 1, 2018 if, and only if, its initial application date is before February 1, 2015.

IFRS 15, "Revenue from Contracts with Customers"

In May 2014, the IASB issued this new standard which will supersede the requirements of *IAS 11 Construction Contracts*, *IAS 18 Revenue*, *IFRIC 13 Customer Loyalty Programmes*, *IFRIC 15 Agreements for the Construction of Real Estate*, *IFRIC 18 Transfers of Assets from Customers*, and *SIC-31 Revenue - Barter Transactions Involving Advertising Services*.

The standard will apply a core principal in that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It will follow a five-step analysis of transactions to determine when and how much revenue is to be recognized. This new standard is effective for annual periods beginning on or after January 1, 2017.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

4. Adoption of New and Revised Standards and Interpretations: (Continued)

Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 - 2013 Cycle

The following standards were revised to incorporate amendments issued by the IASB in December 2013:

- *IFRS 2 Share-based Payment* was amended to clarify the definition of vesting conditions.
- *IFRS 3 Business Combinations* was amended to clarify the accounting for contingent consideration in a business combination and clarify that scope exceptions for joint ventures.
- *IFRS 8 Operating Segments* was amended to add disclosure requirement for aggregation of operating segments and clarify the reconciliation of the total reportable segments' assets to the entity's assets.
- *IFRS 13 Fair Value Measurement* was amended to clarify that the portfolio exception applies to all contracts within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* or *IFRS 9 Financial Instruments*, regardless of if they are financial assets or liabilities.
- *IAS 16 Property, Plant and Equipment* and *IAS 38 Intangible Assets* were amended to clarify the requirements for the revaluation model.
- *IAS 24 Related Party Disclosures* was amended to clarify the identification and disclosure for related party transactions when key management personnel services are provided by a management entity.
- *IAS 40 Investment Property* was amended to clarify that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination.

The amendments are effective for annual periods beginning on or after July 1, 2014.

Annual Improvements to IFRSs 2012 - 2014 Cycle

The following standards were revised to incorporate amendments issued by the IASB in September 2014:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* was amended to clarify the application guidance in which an entity reclassifies an asset/disposal group from held for sale to held for distribution (or vice versa), and the circumstances in which an asset/disposal group no longer meets the criteria for held for distribution.
- *IFRS 7 Financial Instruments: Disclosures* was amended to clarify guidance on servicing contracts and the applicability of certain amendments to IFRS 7 to interim financial statements.
- *IAS 19 Employee Benefits* was amended to clarify application of the discount rate for certain currencies.
- *IAS 34 Interim Financial Reporting* was amended to clarify the meaning of disclosure of information "elsewhere in the interim financial report".

The amendments are effective for annual periods beginning on or after January 1, 2016.

The Company has not early adopted these standards, amendments and interpretations; however the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company. These standards and interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

5. Receivables:

	As at January 31, 2015 \$	As at January 31, 2014 \$
Current		
Accounts receivable from other third parties	7,294	627
Government assistance program receivable	10,469	9,897
GST/HST receivable	-	2,130
Total receivables	17,763	12,654

6. Land and Equipment:

	Land \$	Improvements to Land \$	Computer Equipment \$	Office Furniture and Equipment \$	Total \$
Cost					
As at January 31, 2013	237,750	6,910	9,726	12,790	267,176
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at January 31, 2014	237,750	6,910	9,726	12,790	267,176
Additions	-	-	-	-	-
Disposals	-	-	-	(6,490)	(6,490)
As at January 31, 2015	237,750	6,910	9,726	6,300	260,686
Accumulated Depreciation					
As at January 31, 2013	-	3,584	9,715	12,715	26,014
Depreciation	-	333	3	15	351
Disposals	-	-	-	-	-
As at January 31, 2014	-	3,917	9,718	12,730	26,365
Depreciation	-	299	2	12	313
Disposals	-	-	-	(6,490)	(6,490)
As at January 31, 2015	-	4,216	9,720	6,252	20,188
Net Book Value					
As at January 31, 2013	237,750	3,326	11	75	241,162
As at January 31, 2014	237,750	2,993	8	60	240,811
As at January 31, 2015	237,750	2,694	6	48	240,498

7. Accounts Payable and Accrued Liabilities:

	As at January 31, 2015 \$	As at January 31, 2014 \$
Accounts payable to related parties (see Note 9)	863,814	719,736
Accounts payable to third parties	3,575	1,428
Accrued liabilities to related parties (see Note 9)	227,400	198,000
Accrued liabilities to third parties	29,424	27,166
Total accounts payable and accrued liabilities	1,124,213	946,330

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

8. Capital Stock and Reserves:

a) Authorized:

No maximum number of Common shares without par value.

No maximum number of Class "A" Preferred shares with a par value of \$10 each:

27,100 Preferred shares, Series 1, non-voting, non-participating, with a 6% cumulative dividend accruing from October 1, 1992, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. Cumulative undeclared dividends in the amount of \$33,505 (2014 - \$32,005) have accrued on these shares.

4,675 Preferred shares, Series 2, non-voting, non-participating, with a 6% cumulative dividend accruing from October 1, 1994, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption.

39,500 Preferred shares, Series 3, non-voting, non-participating, with a 6% cumulative dividend accruing from February 1, 2002, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. Cumulative undeclared dividends in the amount of \$209,976 (2014 - \$193,824) have accrued on these shares.

22,775 Preferred shares, Series 4, non-voting, non-participating, with a 6% cumulative dividend accruing from November 1, 2002, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. The holders of the shares are entitled to convert at par value, plus all unpaid dividends accrued to the date of conversion, to common shares at a conversion rate of \$0.35 per common share on or before October 31, 2007.

32,927 Preferred shares, Series 5, non-voting, non-participating, with a 6% cumulative dividend accruing from November 1, 2003, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. The holders of the shares are entitled to convert at par value, plus all unpaid dividends accrued to the date of conversion, to common shares at a conversion rate of \$0.28 per common share for the first two years, and in the three subsequent years at a conversion rate per share of 10% higher than the conversion price in the preceding year.

46,000 Preferred shares, Series 6, non-voting, non-participating, with a 6% cumulative dividend accruing from October 1, 2009, redeemable at the option of the Company at \$10 per share plus all unpaid dividends accrued thereon to the date of redemption. The holders of the shares are entitled to convert at par value, plus all unpaid dividends accrued to the date of conversion, to common shares at a conversion rate of \$0.10 per common share for the first two years, and in the three subsequent years at a conversion rate per share of 10% higher than the conversion price in the preceding year. If any shares have not been redeemed at the end of the five years, the shares, together with all unpaid dividends accrued thereon, will automatically be converted by the Company into common shares at a conversion price per common share which is the greater of \$0.10 and the current market price per common share as at September 30, 2014. Cumulative undeclared dividends in the amount of \$Nil (2014 - \$119,701) have accrued on these shares.

No maximum number of Class "B" Preference shares with a par value of \$50 each.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

8. Capital Stock and Reserves: (Continued)

b) Issued and Fully Paid:

Common shares:

	Number of Shares	Share Capital	Reserves - Warrants	Reserves - Equity Settled Employee Benefits
Balance, January 31, 2013	19,887,285	\$ 10,329,928	\$ 368,337	\$ 429,734
Share-based compensation	-	-	-	11,005
Balance, January 31, 2014	19,887,285	\$ 10,329,928	\$ 368,337	\$ 440,739
Conversion of preferred shares	4,600,000	451,596	-	-
Dividends on preferred shares	1,380,000	138,000	-	-
Balance, January 31, 2015	25,867,285	\$ 10,919,524	\$ 368,337	\$ 440,739

Class "A" Preferred shares:

	Number of Shares	Share Capital
Balances, January 31, 2013		
Series 1 preferred shares	2,500	25,000
Series 3 preferred shares	26,920	269,200
Series 6 preferred shares	46,000	451,596
	75,420	\$ 745,796
Balances, January 31, 2014		
Series 1 preferred shares	2,500	25,000
Series 3 preferred shares	26,920	269,200
Series 6 preferred shares	46,000	451,596
	75,420	\$ 745,796
Conversion of Series 6 preferred shares to common shares	(46,000)	(451,596)
	(46,000)	(451,596)
Balances, January 31, 2015		
Series 1 preferred shares	2,500	25,000
Series 3 preferred shares	26,920	269,200
Series 6 preferred shares	-	-
	29,420	\$ 294,200

On September 30, 2014, the Company issued 5,980,000 common shares to a company managed by a common director pursuant to the conversion of 46,000 Class "A" preferred shares, Series 6 at a deemed value of \$10.00 per share, plus cumulative preferred dividends in arrears in the amount of \$138,000, at the conversion rate of \$0.10 per common share.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

8. Capital Stock and Reserves: (Continued)

c) Options:

The Company has adopted a rolling stock option plan under the rules of the TSX Venture Exchange. The Company's shareholders ratified and approved the continuance of the plan at the annual and special general meeting that was held on July 22, 2014. Under the plan, the Company is authorized to grant options to directors, officers, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option is set by the board of directors at the time such option is allocated under the plan, and cannot be less than the discounted market price. The options can be exercisable for a maximum term of 5 years and generally vest 33.33% in specified increments unless otherwise specified by the board of directors. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued on the exercise of options are restricted from trading during the four-month period subsequent to the date of grant.

For stock options granted to directors, officers, employees and consultants, the Company recognizes share-based compensation expense based on the estimated fair value of stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant.

During the year ended January 31, 2015, the Company granted no stock options. During the year ended January 31, 2014, the Company granted 310,000 stock options with a weighted average fair value of \$0.0355 per option. Stock-based compensation totaling \$11,005 was expensed during the year ended January 31, 2014.

The following assumptions were used for the Black-Scholes valuation of stock options granted during the year ended January 31, 2014:

Risk-free interest rate	1.54%
Expected life of options	5 years
Fair value per option granted	\$ 0.0355
Annualized volatility	159%
Dividend rate	0.00%

A summary of changes in outstanding stock options is as follows:

	Number	Weighted Average Exercise Price
Balance, January 31, 2013	800,000	\$ 0.10
Granted	310,000	0.10
Expired	-	-
Balance, January 31, 2014	1,110,000	\$ 0.10
Granted	-	-
Expired	(695,000)	0.10
Balance, January 31, 2015	415,000	\$ 0.10

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

8. Capital Stock and Reserves: (Continued)

c) Options: (Continued)

150,000 stock options outstanding as at January 31, 2015 expire on January 13, 2016.

265,000 stock options outstanding as at January 31, 2015 expire on July 16, 2018.

d) Reserves - Warrants:

During the year ended January 31, 2015, the Company issued no warrants (2014 - Nil).

9. Related Party Transactions:

The Company has incurred transactions with key management personnel, individuals related to a director and companies managed by a common director. Transactions for the year and balances outstanding at the year-end are as follows:

	2015	2014
Key management personnel compensation:		
Consulting fees accrued and payable to officers and directors	\$ 15,000	\$ 15,000
Directors fees accrued and payable	1,400	2,100
Share-based compensation recognized as the valuation of the stock options granted to officers and directors	-	4,260
Sales earned from a director and an individual related to a director	239	-
Consulting fees accrued and payable to an individual related to a director	15,000	15,000
Rent and administration payable to a company managed by a common director	6,000	23,500
Share-based compensation recognized as the valuation of the stock options granted to individuals related to a director	-	5,858
Wages and salary paid to an individual related to a director	72,000	27,500
Dividends on preferred shares paid to a company managed by a common director	138,000	-

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to the above:

Included in accounts payable and accrued liabilities as at January 31, 2015 is \$861,692 (2014 - \$719,736) due to companies managed by a common director, \$191,900 (2014 - \$176,500) due to directors and officers and \$37,622 (2014 - \$21,500) due to an individual related to a director for a total of \$1,091,214 (2014 - \$917,736). These amounts are unsecured, non-interest bearing, and due on demand with no specific terms of repayment.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

10. Segmented Information:

The Company owns land located in Whatcom County, Washington State. As a result, the corporation has land and equipment in two geographic regions being Canada and the USA.

The following table sets out the capital assets owned in each geographical location:

	As at January 31, 2015		
	Canada	US	Total
Land and equipment	\$ 54	\$ 240,444	\$ 240,498

	As at January 31, 2014		
	Canada	US	Total
Land and equipment	\$ 68	\$ 240,743	\$ 240,811

11. Income Taxes:

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2015	2014
Loss before income taxes	\$ 177,712	\$ 184,774
Statutory rates	26.00%	25.84%
Expected income tax recovery at statutory rates	46,205	47,746
Effect of an increase in tax rates	-	31,418
Non-capital losses expired	(43,532)	-
Non-deductible expenses and other deductions	(284)	(2,932)
(Increase) Decrease in unrecognized deferred taxes	(2,389)	(76,232)
Deferred income tax recovery	\$ -	\$ -

Details of deferred income tax assets are as follows:

	As at January 31, 2015 \$	As at January 31, 2014 \$
Deferred income tax assets:		
Non-capital losses carried forward	579,887	577,580
Capital losses carried forward	221,475	221,475
Tax value of equipment in excess of book value	7,634	7,552
Tax value of CEC in excess of book value	48,052	48,052
Total deferred income tax assets	857,048	854,659
Less: unrecognized deferred tax assets	(857,048)	(854,659)
Deferred income tax assets	\$ -	\$ -

Estimated taxable income for the period is \$Nil. Deferred tax assets have not be recognized because it is not probable that future taxable income will be available against which the company can utilize the benefits from the deductible temporary differences and unused tax losses.

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

11. Income Taxes: (Continued)

a) Non-Capital Losses –

As at January 31, 2015, the Company has non-capital losses of approximately \$2,230,336 (2014 - \$2,221,460) which may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

2016	127,936
2027	131,398
2028	369,903
2029	300,735
2030	273,908
2031	253,316
2032	225,192
2033	184,217
2034	187,424
2035	176,307

b) Capital Losses –

Accumulated capital losses of \$1,703,651 (2014 - \$1,703,651) are available to be applied against future taxable capital gains. These capital losses may be carried forward indefinitely.

12. Financial Instruments:

a) Fair Values –

IFRS 7 requires disclosure of a three-level hierarchy for fair value measurements based upon transparency of inputs to the valuation of an asset or liability as of measurement date. The three levels of the fair value hierarchy are:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

12. Financial Instruments: (Continued)

a) Fair Values – (Continued)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2015 and January 31, 2014:

	Classification ⁽¹⁾	Fair Value Hierarchy	2015 Fair Value \$	2014 Fair Value \$
Financial Assets:				
Cash and cash equivalents	FVTPL	1	19,296	6,112
Accounts receivable	LR		17,763	12,654
Financial Liabilities:				
Accounts payable and accrued liabilities	OL		1,124,213	946,330

- ⁽¹⁾ FVTPL = Financial asset at fair value through profit or loss;
LR = Loans and receivables;
OL = Other liabilities

Cash and cash equivalents are measured at fair value on a recurring basis. The Company does not have any non-recurring fair value measurements. There were no transfers between Level 1, 2 and 3 in the year.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities as at January 31, 2015 and January 31, 2014 approximate their carrying values due to the short-term maturity of these instruments.

b) Currency Risk –

Currency risk is the risk that the value of financial assets and liabilities will fluctuate due to changes in foreign currencies. The Company is exposed to currency risk primarily arising from accounts payable balances denominated in U.S. dollars. The Company does not use derivative instruments to hedge its exposure to this risk.

The statements of financial position include the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2015 US\$	2014 US\$
Accounts payable	(20,937)	(18,306)
Net exposure	(20,937)	(18,306)

A 10% strengthening (weakening) of the U.S. dollar against the Canadian currency would have increased (decreased) the Company's net loss from these account balances by \$2,094 (2014 - \$1,831).

VITALITY PRODUCTS INC.
Notes to Financial Statements
January 31, 2015 and 2014
(expressed in Canadian dollars)

12. Financial Instruments: (Continued)

c) Liquidity Risk –

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by managing adequate cash and cash equivalents balances and by raising equity or debt financing. The Company has no assurance that such financing will be available on favourable terms. As at January 31, 2015, the Company has a working capital deficit which exposes it to liquidity risk. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares. All of the Company's financial liabilities have a maturity of less than one year.

d) Credit Risk –

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss. The financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. The maximum amount of credit risk exposure is limited to the carrying amount of the balances in the financial statements.

The Company mitigates the risk associated with cash and cash equivalents by dealing only with large financial institutions with good credit ratings. The Company views the credit risk associated with accounts receivable as minimal as the balance consists of GST/HST rebates, government assistance program claims due from the Government of Canada and accounts receivable due from customers, primarily distributors, with no history of defaults.

13. Capital Management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue its operation. Therefore, the Company monitors the level of risk incurred in its operation relative to its capital structure.

The Company considers its capital structure to include working capital and equity. The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms.

The Company's investment policy is to hold cash in interest-bearing bank accounts and highly liquid short-term interest-bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the period ended January 31, 2015.