**VITALITY PRODUCTS INC.**

Vancouver, BC

**FINANCIAL STATEMENTS**

For the Years Ended January 31, 2018 and 2017

**VITALITY PRODUCTS INC.**

**INDEX TO FINANCIAL STATEMENTS**

**Cinnamon Jang Willoughby**
Chartered Professional 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., which comprise of the statements of financial position as at January 31, 2018 and 2017 and the statements of loss and comprehensive loss, changes in equity and 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 Vitality Products Inc. as at January 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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**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 of related parties 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.

**Restatement of Financial Statements**

Without modifying our opinion, we draw attention to Note 4 to the financial statements as at January 31, 2018 and for the year then ended which indicated that these financial statements have been restated from those on which we originally reported on May 29, 2017 respectively, and more extensively describes the reason for the statements.

"Cinnamon Jang Willoughby"

Chartered Professional Accountants

Burnaby, BC
May 29, 2018

**VITALITY PRODUCTS INC.**
**Statements of Financial Position**
**For the Years Ended January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

| **Assets** | **2018** | Restated (Note 4) 2017 |
|---|---|---|
| Current: | | |
| Cash | **$ 80,467** | $ 58,832 |
| Accounts and other receivables (Notes 6 and 13) | **49,072** | 21,657 |
| Inventories (Note 7) | **96,943** | 81,548 |
| Prepaid expenses | **12,009** | 2,872 |
| | **238,491** | 164,909 |
| Property and equipment (Note 8) | **27** | 34 |
| Investment property (Note 9) | **239,714** | 239,932 |
| | **$ 478,232** | $ 404,875 |
| **Liabilities** | | |
| Current: | | |
| Accounts payable and accrued liabilities (Note 13) | **$ 95,725** | $ 104,445 |
| Amounts owing to related parties (Note 13) | **1,566,830** | 1,474,937 |
| Redeemable preference shares (Notes 11 and 13) | **590,637** | 572,985 |
| | **2,253,192** | 2,152,367 |
| **Shareholders' Deficiency** | | |
| Common shares, net of share issuance cost (Note 12) | **10,919,524** | 10,919,524 |
| Reserves - warrants (Note 12) | **368,337** | 368,337 |
| Reserves - equity settled employee benefits (Note 12) | **463,794** | 463,794 |
| Deficit, per Exhibit "C" | **(13,526,615)** | (13,499,147) |
| | **(1,774,960)** | (1,747,492) |
| | **$ 478,232** | $ 404,875 |

Nature of Operations and Going Concern (Note 1)

Approved and authorized by the Board on May 29, 2018

"W. Douglas Grant" (signed), Director

"Cheryl A. Grant" (signed), Director

*- See accompanying notes -*

*Exhibit "B"*

**VITALITY PRODUCTS INC.**
**Statements of Loss and Comprehensive Loss**
**For the Years Ended January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

| | 2018 | Restated (Note 4) 2017 |
|---|---|---|
| Sales | **$ 429,208** | $ 199,809 |
| Cost of sales | **110,300** | 55,629 |
| Gross margin | **318,908** | 144,180 |
| General and administrative expenses: | | |
| Consulting fees (Notes 10 and 13) | **65,799** | 47,801 |
| Depreciation | **225** | 251 |
| Directors' fees (Note 13) | **2,100** | 2,100 |
| Filing and transfer agent fees | **20,742** | 19,731 |
| Foreign exchange (gain) | **(1,213)** | (1,729) |
| Office (Note 10) | **16,195** | 12,671 |
| Professional fees | **28,679** | 26,098 |
| Promotion (Note 10) | **45,460** | 45,470 |
| Rent and administration (Note 13) | **7,791** | 7,480 |
| Telephone | **1,378** | 1,530 |
| Travel (Note 10) | **8,591** | 6,362 |
| Wages and salary (Notes 10 and 13) | **132,977** | 119,976 |
| | **328,724** | 287,741 |
| Other expenses | | |
| Accrued dividends on redeemable preference shares (Notes 11 and 13) | **17,652** | 17,652 |
| | **346,376** | 305,393 |
| Net loss and comprehensive loss for the year | **$ 27,468** | $ 161,213 |
| Loss per share | | |
| Basic and diluted | **$ 0.00** | $ 0.01 |
| Weighted average number of common shares outstanding | | |
| Basic and diluted | **25,867,285** | 25,867,285 |

*- See accompanying notes -*

*Exhibit "C"*

**VITALITY PRODUCTS INC.**
**Statements of Changes in Equity**
**For the Years Ended January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

| | Common Shares Number | Common Shares $ | Reserves $ | Deficit $ | Total $ |
|---|---|---|---|---|---|
| Balance at January 31, 2016 (Restated, Note 4) | 25,867,285 | 10,919,524 | 832,131 | (13,337,934) | (1,586,279) |
| Net loss | - | - | - | (161,213) | (161,213) |
| Balance at January 31, 2017 | 25,867,285 | 10,919,524 | 832,131 | (13,499,147) | (1,747,492) |
| Net loss | - | - | - | (27,468) | (27,468) |
| **Balance at January 31, 2018** | **25,867,285** | **10,919,524** | **832,131** | **(13,526,615)** | **(1,774,960)** |

*- See accompanying notes -*

**VITALITY PRODUCTS INC.**
**Statements of Cash Flows**
**For the Years Ended January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

| | **2018** | Restated (Note 4) 2017 |
|---|---|---|
| Operating Activities: | | |
| Net loss for the year, per Exhibit "B" | **$ (27,468)** | $ (161,213) |
| Adjustments for non-cash items: | | |
| Unrealized foreign exchange (gain) | **(1,213)** | (1,729) |
| Depreciation of capital assets | **7** | 8 |
| Depreciation of improvement on investment property | **218** | 243 |
| Accrual of dividends on redeemable preference shares | **17,652** | 17,652 |
| Changes in non-cash operating working capital: | | |
| (Increase) Decrease in accounts receivable | **(27,415)** | 8,034 |
| (Increase) Decrease in inventories | **(15,395)** | (36,023) |
| (Increase) Decrease in prepaid expenses | **(9,137)** | (122) |
| Increase (Decrease) in accounts payable and accrued liabilities | **(8,720)** | 50,462 |
| Increase (Decrease) in the amounts owed to related parties | **14,109** | 33,428 |
| Cash flows provided by operating activities | **(57,362)** | (89,260) |
| Financing Activities: | | |
| Advances from a related party | **299,993** | 127,000 |
| Repayment of amounts due to related parties | **(220,996)** | - |
| Cash flows provided by financing activities | **78,997** | 127,000 |
| Net increase in cash | **21,635** | 37,740 |
| Cash, beginning of year | **58,832** | 21,092 |
| Cash, end of year | **$ 80,467** | $ 58,832 |

*- See accompanying notes –*

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(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, 2018 and 2017, the Company experienced operating losses and has a significant working capital deficiency. 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. These circumstances indicate the existence of material uncertainties that cast significant doubt as to the Company's ability to continue as a going concern.

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. 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.

| | **2018** | Restated (Note 4) 2017 |
|---|---|---|
| Deficit | **$ 13,526,615** | $ 13,499,147 |
| Working capital (deficit) | **(2,014,701)** | (1,987,458) |

## 2. Statement of Compliance:

These financial statements have been prepared using accounting policies in accordance 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, 2018 and 2017 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on May 29, 2018. Shortly thereafter, the financial statements are made available to shareholders and others through filing on the System for Electronic Document Analysis and Retrieval ("SEDAR").

## 3. Significant Accounting Policies:

a) Cash –

Cash includes cash on hand and balances with banks.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

**3. Significant Accounting Policies: (Continued)**

b) Inventories –

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

c) Property and Equipment –

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

| | |
|---|---|
| Computer equipment | 30% |
| Office furniture and equipment | 20% |

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

The carrying values of the property 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.

d) Investment property –

Investment property is comprised of land held for capital appreciation.

The investment property is measured initially at cost with the cost being comprised of cash paid to acquire the property, including transaction costs. Subsequent to the acquisition, the cost of the property includes costs that are directly attributable to this asset, including land improvement costs, development costs and property taxes. Land improvement costs are capitalized when incurred. Development costs and property taxes are capitalized only when the activities necessary to prepare an asset for development have begun.

Depreciation on the land improvements is charged to the statement of loss and comprehensive loss so as to write-off the using the diminishing balance basis at an annual rate of 10%.

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 year.

*Current income taxes*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by year-end.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

**3. Significant Accounting Policies: (Continued)**

e) Income Taxes – (Continued)

*Deferred income taxes*

Deferred income tax is provided using the liability method on temporary differences 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 certain exceptions.

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.

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. 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;

ii) Interest income generated from cash is recognized on an accrual basis and is recorded on a monthly basis as it is earned.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

**3. Significant Accounting Policies: (Continued)**

g) Capital Stock –

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

h) Share-Based Payments –

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in equity reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in equity reserves is credited to share capital, adjusted for any consideration paid.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is charged to the statement of operations over the remaining vesting period.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

**3. Significant Accounting Policies: (Continued)**

i) 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 of 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.

j) 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.

k) 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. The resulting gains or losses are credited or charged to earnings;

ii) non-monetary items, revenue and expenses are translated at the rates of exchange when transactions are incurred or at the weighted average rate over the period and are not re-measured.

l) 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:

| *Financial asset or liability* | *Classification* |
|---|---|
| Cash | Financial asset at fair value through profit or loss |
| Accounts and other receivables | Loans and receivables |
| Accounts payable and accrued liabilities | Other liabilities |
| Amounts owing to related parties | Other liabilities |
| Redeemable preference shares | Other liabilities |

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

**3. Significant Accounting Policies: (Continued)**

l) Financial Instruments – (Continued)

(i) Financial assets or financial liabilities at fair value through profit or loss

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.

Financial liabilities at fair value through profit or loss are those non-derivative financial liabilities that the Company elects to designate on initial recognition as financial instruments that it will measure at fair value. These are accounted for in the same manner as financial assets at fair value through profit or loss. The Company has not designated any non-derivative financial liabilities as financial liabilities at fair value through profit or loss.

(ii) Loans and receivables

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

(iii) Other liabilities

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

(iv) Transaction costs

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

(v) 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.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

**3. Significant Accounting Policies: (Continued)**

m) 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 an asset 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.

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.

n) Impairment of Non-financial Assets –

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible 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.

**3. Significant Accounting Policies: (Continued)**

n) Impairment of Non-financial Assets – (Continued)

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. 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.

o) 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.

<u>Judgments</u>

i. *Investment Property*

Critical judgments are made by management in respect of the fair value of its investment property. The fair value of the investment property is reviewed regularly by management with reference to market conditions. Judgment is required in determining whether certain costs are additions to the investment property.

The fair value of investment property disclosed in Note 9 is determined by management. The determination of the fair value of investment property requires the use of estimates such as comparable property market prices. These estimates are based on market conditions existing at the reporting date.

Judgment is also applied in determining the extent and frequency of independent appraisals in order to determine fair values.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

## 3. Significant Accounting Policies: (Continued)

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

Estimates

i. *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.

*ii. 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 17 for further details.

*iii. Allowance for doubtful accounts*

Accounts receivable include unsecured receivables owed to the Company. In establishing the allowances for non-recoverable balances, significant judgment is exercised by management in determining the amount of outstanding accounts receivable that are expected to be recovered.

Although the accounts receivable balances are derived from determination of contractual provisions, the recoverability of such amounts may ultimately differ due to the potential of a customer to become financially impaired or insolvent.

*iv. Sales provisions*

The Company exercises judgment in the estimation of sales returns, vendor rebate and co-op advertising programs.

*v. Inventories*

The valuation of inventories and the estimated net realizable value is based on the most reliable information available at the time the estimates are made by management.

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
**January 31, 2018 and 2017**
***(expressed in Canadian dollars)***

## 4. Prior Period Revisions:

The Company has retrospectively revised the accounts for the following items causing the restatement of the 2017 comparatives.

a) Prior to 2017, the Company presented the Class A Series 1 and Series 3 redeemable preference shares as equity. In the current fiscal year, management determined the accounting treatment for these shares should be as a liability and not as equity.

b) Prior to 2017, the Company disclosed the aggregate amount of the cumulative dividends on the redeemable preference shares. In the current fiscal year, management determined the accounting treatment for these dividends should be to accrue the cumulative dividends on an annual basis because these shares are redeemable and presented as a financial liability.

c) Land has been presented as an investment property.

The following table summarizes the effect of these changes on the financial statements as at and for the year ended January 31, 2017:

| | As presented<br>$ | Adjustment<br>$ | Restated<br>$ |
|---|---|---|---|
| **Statement of Financial Position** | | | |
| Redeemable preference shares | 294,200 | 278,785 | 572,985 |
| Property and equipment | 239,966 | (239,932) | 34 |
| Investment property | - | 239,932 | 239,932 |
| Deficit | (13,220,362) | (278,785) | (13,499,147) |
| **Statement of Loss and Comprehensive Loss** | | | |
| Accrued dividends on preference shares | - | 17,652 | 17,652 |
| Net loss and comprehensive loss | (143,561) | (17,652) | (161,213) |
| **Statement of Changes in Equity** | | | |
| Deficit, beginning of year | (13,076,801) | (261,133) | (13,337,934) |
| Net loss | (143,561) | (17,652) | (161,213) |
| Deficit, end of year | (13,220,362) | (278,785) | (13,499,147) |

**VITALITY PRODUCTS INC.**
**Notes to Financial Statements**
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***(expressed in Canadian dollars)***

## 5. Adoption of New and Revised Standards and Interpretations:

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

*IFRS 9, "Financial Instruments"*

In July 2015, 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 change the classification and measurements requirements of financial assets, expand the hedge accounting model and introduces 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.

Management has assessed this standard as not having a significant impact on the Company's financial statements.

*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, 2018.

Management has assessed this standard as not having a significant impact on the Company's financial statements, although we expect some changes in presentation and disclosure.

*IFRS 16, "Leases"*

In January 2016, the IASB issued IFRS 16, replacing IAS 17, "Leases". IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligation. This standard is effective for reporting periods beginning on or after January 1, 2019, with early adoption permitted.

Management has not yet assessed the impact this standard will have on the Company's financial statements.

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

*IAS 40, "Investment Property"*

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company will apply the amendments on the required effective date. The Company does not expect any impact to its financial statements.

## 6. Accounts and Other Receivables:

| | **January 31, 2018 $** | January 31, 2017 $ |
|---|---|---|
| Current | | |
| Accounts receivable from related parties (see Note 13) | **-** | 103 |
| Trade receivable from other third parties | **39,821** | 17,610 |
| Government assistance program receivable (Note 10) | **9,251** | 3,282 |
| GST/HST receivable | **-** | 662 |
| Total receivables | **49,072** | 21,657 |

## 7. Inventories:

The total carrying value of inventories by classification:

| | **January 31, 2018 $** | January 31, 2017 $ |
|---|---|---|
| Finished goods | **93,293** | 77,200 |
| Raw materials | **3,650** | 4,348 |
| Total inventories | **96,943** | 81,548 |

An amount of $110,300 (2017 - $55,629) was recognized as an expense in the period (included in cost of sales).

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## 8. Property and Equipment:

| | Computer Equipment $ | Office Furniture and Equipment $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| As at January 31, 2016 | 9,726 | 6,300 | 16,026 |
| Additions | - | - | - |
| Disposals | - | (300) | (300) |
| As at January 31, 2017 | 9,726 | 6,000 | 15,726 |
| Additions | - | - | - |
| Disposals | - | - | - |
| **As at January 31, 2018** | **9,726** | **6,000** | **15,726** |
| | | | |
| **Accumulated Depreciation** | | | |
| As at January 31, 2016 | 9,722 | 6,262 | 15,984 |
| Depreciation | 1 | 7 | 8 |
| Disposals | - | (300) | (300) |
| As at January 31, 2017 | 9,723 | 5,969 | 15,692 |
| Depreciation | 1 | 6 | 7 |
| Disposals | - | - | - |
| **As at January 31, 2018** | **9,724** | **5,975** | **15,699** |
| | | | |
| **Net Book Value** | | | |
| As at January 31, 2016 | 4 | 38 | 42 |
| As at January 31, 2017 | 3 | 31 | 34 |
| **As at January 31, 2018** | **2** | **25** | **27** |

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## 9. Investment Property:

| | Cost $ | Accumulated Amortization $ | Carrying Value $ |
|---|---|---|---|
| **Cost** | | | |
| As at January 31, 2016 | 244,600 | 4,425 | 240,175 |
| Amortization | - | 243 | (243) |
| As at January 31, 2017 | 244,600 | 4,668 | 239,932 |
| Amortization | - | 218 | (218) |
| **As at January 31, 2018** | **244,600** | **4,886** | **239,714** |

The Company holds one investment property which is raw land located in Whatcom County, Washington State that was purchased on September 12, 2002 with a historical cost of $237,750 (US$150,000). Included in the balance is the cost of improvements to the land net of amortization.

Management has estimated the fair value of the investment property in excess of $500,000 based on comparable market prices for undeveloped land in Whatcom County. This is a level 2 fair value determination.

## 10. Government Assistance:

The company applies for government assistance and has been successful in receiving funding, subject to certain conditions, for the following programs:

- Digital and consumer marketing program within British Columbia
- Youth employment and intern programs

Total government assistance has been recorded against expenses recorded on the Statement of Loss and Comprehensive Loss as follows:

| | **2018** |
|---|---|
| Consulting fees | **$ 7,930** |
| Promotion | **5,036** |
| Office | **140** |
| Wages and salary | **23,325** |
| Travel | **2,009** |
| Total government assistance | **$ 38,440** |

In 2017, a total of $50,723 was recorded against expenses on the Statement of Loss and Comprehensive Loss.

Included in accounts and other receivables at January 31, 2018 is $9,251 (2017 - $3,282) for a government assistance receivable. Included in accounts payable and accrued liabilities is $1,786 of government assistance received for which the Company has not yet incurred eligible expenditures.

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## 11. Redeemable Preference Shares:

a) Authorized

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

b) Issued

| | | | **2018** | | Restated (Note 4) 2017 |
|---|---|---|---|---|---|
| | | **Shares** | **Amount** | Shares | Amount |
| | | | **$** | | $ |
| Class A, Series 1 | (a) | **2,500** | **63,005** | 2,500 | 61,505 |
| Class A, Series 3 | (b) | **26,920** | **527,632** | 26,920 | 511,480 |
| | | | **590,637** | | 572,985 |

(a) Class A Series 1

The Class A Series 1 preference shares have a 6% per annum cumulative dividend payable annually commencing January 31, 1992, are redeemable by the Company, retractable by the holder after five years from issue. The redemption price is $10 per share plus any cumulative dividends.

Included in the balance at January 31, 2018 are aggregate cumulative preference share dividends in arrears of $38,005 (2017 - $36,505).

(b) Class A Series 3

The Class A Series 3 preference shares have a 6% per annum cumulative dividend payable annually commencing January 31, 2002, are redeemable by the Company, retractable by the holder after five years from issue and convertible by the holder into common shares of the Company at $10.00 per common share. The redemption price is $10 per share plus any cumulative dividends. The Company may force conversion into common shares at the lower of $0.25 per share and the current market value price per common share.

Included in the balance at January 31, 2018 are aggregate cumulative preference share dividends in arrears of $258,432 (2017 - $242,280).

## 12. Capital Stock and Reserves:

a) Authorized:

No maximum number of voting Common shares without par value.
No maximum number of Class "B" Preference shares with a par value of $50 each.

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## 12. 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, 2016 | 25,867,285 | $ 10,919,524 | $ 368,337 | $ 463,794 |
| | - | - | - | - |
| Balance, January 31, 2017 | 25,867,285 | $ 10,919,524 | $ 368,337 | $ 463,794 |
| | - | - | - | - |
| **Balance, January 31, 2018** | **25,867,285** | **$ 10,919,524** | **$ 368,337** | **$ 463,794** |

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 18, 2017. 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, 2018, the Company granted no stock options (2017 - Nil). A summary of changes in outstanding stock options is as follows:

| | Number | Weighted Average Exercise Price |
|---|---|---|
| Balance, January 31, 2016 | 880,000 | $ 0.10 |
| Granted | - | - |
| Expired | (25,000) | 0.10 |
| **Balance, January 31, 2017 and 2018** | **855,000** | **$ 0.10** |

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## 12. Capital Stock and Reserves: (Continued)

c) Options: (Continued)

As at January 31, 2018, the following stock options were outstanding and exercisable:

| Stock Options Outstanding | Stock Options Exercisable | Exercise price | | Weighted Average Remaining Life (in years) | Expiry date |
|---|---|---|---|---|---|
| 255,000 | 255,000 | $ | 0.10 | 0.45 | July 16, 2018 |
| 400,000 | 400,000 | $ | 0.10 | 2.47 | July 21, 2020 |
| 200,000 | 200,000 | $ | 0.10 | 2.94 | January 8, 2021 |
| | | | | **1.96** | |

d) Reserves - Warrants:

During the year ended January 31, 2018, the Company issued no warrants (2017 - Nil).

## 13. Related Party Transactions:

The Company is ultimately under the control of the Grant family and has transactions with other companies under such common control. The Company is also subject to significant influence by Consolidated Firstfund Capital Corp., a company also under the control of the Grant family.

Amounts due to related parties as at January 31, 2018 and 2017 are as follows.

| | **2018** | 2017 |
|---|---|---|
| Due to Consolidated Firstfund Capital Corp. | **$ 2,099** | $ 208,985 |
| Due to a company under common control | **1,279,993** | 980,000 |
| Due to another company under common control | **20,238** | 21,452 |
| Due to shareholder | **72,500** | 72,500 |
| Due to company directors | **192,000** | 192,000 |
| Financing amounts owing to related parties | **$ 1,566,830** | $1,474,937 |
| Redeemable preference shares, Series 3 held by Consolidated Firstfund Capital Corp. | **$ 527,632** | $ 511,480 |
| Other amounts owed to directors included in accounts payable include: | **$ 19,950** | $ 18,550 |

The terms of amounts due to and from related parties listed above are unsecured, non-interest bearing and have no specific terms of repayment.

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## 13. Related Party Transactions: (Continued)

During the year the company had the following transactions with related parties:

a) The Company reimbursed $220,996 of the amount owing to Consolidated Firstfund Capital Corp. (CFC) during 2018. In addition, the Company had the following transactions with Consolidated Firstfund Capital Corp.:

- The Company rents office space from CFC on a monthly basis, for an aggregate rent expense of $5,775 (2017 - $6,300).
- CFC paid other expenses of $8,305 (2017- $8,513) on behalf the Company.
- The Company recorded accrued dividends payable to CFC on the redeemable preference shares Series 3 of $16,152 (2017 - $16,152) of preferred dividends.

b) The Company borrowed $299,993 from a company under common control in 2018 (2017 - $127,000).

c) A foreign exchange loss was recognized in 2018 of $1,213 on the amount due from a company under common control (2017 - $1,729).

d) Property tax of $1,991 (2017 - $1,959) on the Company’s investment property is paid by a company under common control in exchange for the first right of purchase of investment property.

e) For the year ended January 31, 2018 the Company had sales to directors and individuals related to directors of $174 (2017- $686). Included in accounts receivable as at January 31, 2018 is $Nil (2017 - $103) due to sales to a director and an individual related to a director. The receivables from related parties are unsecured, non-interest bearing and have no fixed repayment terms.

All of 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.

Key management compensation is accrued and paid to the Chief Executive Officer and Chief Financial Officer and directors as follows:

| | **2018** | 2017 |
|---|---|---|
| Key management personnel compensation: | | |
| Consulting fees | **$ 30,050** | $ 30,260 |
| Directors fees | **2,100** | 2,100 |
| Wages and salary paid to officers and directors | **76,000** | 72,000 |
| | **$ 108,150** | $ 104,360 |

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## 14. Financial Instruments:

a) 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 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 US dollars:

| | **2018** | 2017 |
|---|---|---|
| Due to related parties | **$ (20,238)** | $ (21,452) |
| Net exposure | **$ (20,238)** | $ (21,452) |

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 $2,038 (2017 – $2,145).

b) 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 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, 2018, the Company is exposed to liquidity risk as a result of amounts owing to related parties of $1,566,830 (2017 - $1,474,937) that are due on demand and 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.

c) 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 government assistance program claims due from the Government of Canada and accounts receivable due from customers, primarily distributors, with no history of defaults. The Company has a concentration of credit risk in its accounts receivable from three of its major customers representing approximately 42%, 17% and 11% of trade receivables. The Company has not provided for any impairment losses on receivables.

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## 15. Fair Values:

IFRS 13 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).

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at January 31, 2018 and January 31, 2017:

| | Classification (1) | Fair Value Hierarchy | **2018 Fair Value $** | 2017 Fair Value $ |
|---|---|---|---|---|
| Financial Assets: | | | | |
| Cash | FVTPL | 1 | **80,467** | 58,832 |
| Accounts receivable | LR | 3 | **49,072** | 21,657 |
| Financial Liabilities: | | | | |
| Accounts payable and accrued liabilities | OL | 3 | **95,725** | 104,445 |
| Amounts owing to related parties | OL | 3 | **1,566,830** | 1,474,937 |
| Redeemable preference shares | OL | 3 | **590,637** | 572,985 |

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

Cash is 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, accounts receivable, accounts payable and accrued liabilities, the redeemable preferred shares and amounts owing to related parties as at January 31, 2018 and January 31, 2017 approximate their carrying values due to the short-term maturity of these instruments.

The fair value of the investment property is discussed at Note 9.

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## 16. 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.

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, 2018.

## 17. Income Taxes:

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

| | **2018** | Restated 2017 |
|---|---|---|
| Loss before income taxes | **$ 27,468** | $ 161,213 |
| Statutory rates | **27.00%** | 26.00% |
| Expected income tax recovery at statutory rates | **7,416** | 41,915 |
| Effect of increase in statutory tax rates | **36,316** | - |
| Non-deductible expenses and other deductions | **(5,334)** | (4,816) |
| (Increase) Decrease in unrecognized deferred taxes | **(38,398)** | (37,099) |
| Deferred income taxes | **$ -** | $ - |

Details of deferred income tax assets are as follows:

| | **As at January 31, 2018** | As at January 31, 2017 |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital losses carried forward | **$ 694,577** | $ 666,906 |
| Capital losses carried forward | **229,993** | 221,475 |
| Tax value of equipment in excess of book value | **8,132** | 7,772 |
| Tax value of CEC in excess of book value | **49,901** | 48,052 |
| Total deferred income tax assets | **982,603** | 944,205 |
| Less: unrecognized deferred tax assets | **(982,603)** | (944,205) |
| Deferred income tax assets | **$ -** | $ - |

Estimated taxable income for the period is $Nil. Deferred tax assets have not been 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.

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## 17. Income Taxes: (Continued)

a) Non-Capital Losses –

As at January 31, 2018, the Company has non-capital losses of approximately $2,572,507 (2017 - $2,565,022) 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:

| | |
|---|---|
| 2026 | $ 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 |
| 2036 | 192,247 |
| 2037 | 142,439 |
| 2038 | 7,485 |

b) Capital Losses –

Accumulated capital losses of $1,703,651 (2017 - $1,703,651) are available to be applied against future taxable capital gains. These capital losses may be carried forward indefinitely.

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## 18. Segmented information and Economic dependence:

During the years ended January 31, 2018 and 2017, the Company only operated in one geographic segment.

For the years ended January 31, 2018 and 2017, the Company has recorded the following revenue from its major customers:

| | **2018 $** | **% of revenue** | 2017 $ | % of revenue |
|---|---|---|---|---|
| Customer 1 | **165,175** | **38** | - | - |
| Customer 2 | **91,694** | **21** | 73,165 | 37 |
| Customer 3 | **44,853** | **10** | 35,905 | 18 |

For the years ended January 31, 2018 and 2017, the Company has recorded revenue from five different products:

| | **2018 $** | **% of revenue** | 2017 $ | % of revenue |
|---|---|---|---|---|
| Product 1 | **25,752** | **6%** | 23,977 | 12% |
| Product 2 | **85,842** | **20%** | 33,968 | 17% |
| Product 3 | **98,718** | **23%** | 37,964 | 19% |
| Product 4 | **150,223** | **35%** | 69,933 | 35% |
| Product 5 | **68,673** | **16%** | 33,967 | 17% |
| | **429,208** | | 199,809 | |

During the years ended January 31, 2018 and 2017, the Company has only one supplier for the manufacture of its products.

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**19. Subsequent Events:**

a) On April 11, 2018, the Company closed a non-brokered private placement to issue 5,000,000 units for a subscription price of $0.10 per unit, raising gross proceeds of $500,000.

   Each Unit consists of one common share (each a Common Share) and one share purchase warrant (each a Warrant) of the Company, and each such Warrant entitles the holder thereof to acquire one additional common share of the Company for a period of one year from the closing of the Private Placement at an exercise price of $0.15.

b) On April 20, 2018, the Company signed an agreement to provide funding, up to a maximum of $10,000, for a youth employment program.

c) On May 3, 2018, the Company granted 2,000,000 incentive stock options to directors, officers, employees and consultants at $0.13 for five years. These shares are not subject to any vesting schedule expect for 100,000 stock options granted to the investor relations and corporate finance services consultant.

   These options are subject to a hold period of four months and a day from May 3, 2018.

**20. Commitments:**

On February 1, 2018, the Company entered into a consulting agreement for corporate advisory and development services for a fee of $7,000 per month for a minimum term of 6 months.

On May 03, 2018, the Company entered into a consulting agreement for investor relations and corporate finance services for a fee of $5,000 per month for a minimum term of 6 months.