

VITALITY PRODUCTS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS For the Nine Months Ended October 31, 2018 and 2017

The following information should be read in conjunction with the condensed interim financial statements and related notes for the nine months ended October 31, 2018 and 2017 and the audited financial statements and related notes and management's discussion and analysis for the years ended January 31, 2018 and 2017. These documents and additional information relating to the Company are on the SEDAR website at www.sedar.com.

The following discussion and analysis of the financial conditions and financial performance contain forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause actual results to differ materially from any future results expressed or implied by such statements. Forward-looking statements include, but are not limited to, those with respect to: anticipated future operating results, anticipated levels of sales and anticipated timing and progress of product development and marketing. These statements are predictions only and actual results may differ materially. Factors that could cause such actual results to differ materially from any future results expressed or implied by such forward-looking statements include, but are not limited to, our ability to obtain additional equity, our ability to retain and expand our human resources, the successful development of our products, regulatory risks and expanding our channels of distribution.

The effective date of this document is December 28, 2018.

Business Overview

Vitality Products Inc. (VPI - TSX-V) is a manufacturer, marketer and distributor of premium quality natural health products, including vitamins, minerals and nutritional supplements. Vitality's mission is to provide a healthy, energized lifestyle through high quality supplements. The Company is focused on key growth categories and the Canadian Natural Health Food Market. The Company maintains a distribution facility in Vancouver, British Columbia and an investment property in Whatcom County, Washington.

In September 2013, the Company announced the revitalization of one of Canada's oldest natural health companies with the launch of Vitality's new line of vitamins and supplements. The Company formulated, branded and launched four products in key growth categories: multivitamins, digestion, stress and sleep. The Company introduced the following four unique products: VITALITY[®] Time Release Super Multi+[™], VITALITY[®] Time Release B Complete + C[™], VITALITY[®] Digest+[™] and VITALITY[®] Relax+[™].

In April 2016, the Company announced the launch of its fifth product: VITALITY[®] Power Iron + Organic Spirulina[™]. Iron deficiency is one of the largest nutritional public health problems in both developing and industrialized countries according to the World Health Organization (*Statistics Canada, "Iron sufficiency of Canadians, 2009 to 2011"*). Without iron, the body cannot build red blood cells to deliver oxygen throughout the body. Vitality Power Iron + Organic Spirulina is Canada's new, high powered iron: a powerful blend of highly absorbable iron (bisglycinate) 45 mg; organic spirulina to enhance bioavailability; plus, high dose key nutrients of vitamin B12 and folic acid for blood support, absorption, energy and mood. Retailers identify the uniqueness of the product as 45 mg is the highest allowable level of iron in a natural health product by Health Canada and is coupled with certified organic spirulina, a superfood dense in iron and minerals. Vitality Power Iron + Organic Spirulina entered retail stores in June 2016. Over 135 retail stores pre-ordered Vitality Power Iron + Organic Spirulina.

Business Overview (Continued)

Vitality Power Iron + Organic Spirulina won Silver for Consumer Choice - Women's Products - 2016 alive Awards (www.alive.com/awards/2016/consumer-choice-womens-products) following CHFA East in September 2016. Vitality Power Iron + Organic Spirulina won Bronze for Consumer Choice - Women's Products - 2018 alive Awards (www.alive.com/awards/2018/consumer-choice-womens-products) following CHFA East in September 2018. The annual alive Awards promote and recognize outstanding product innovation while enhancing the credibility of natural health products. Since 1993, these prestigious gold, silver, and bronze awards have been presented to manufacturers of the best products in a variety of natural health categories.

Vitality Power Iron + Organic Spirulina won another award in March 2017 as the product was recognized with a Clean Choice Award from Clean Eating Magazine.

Vitality has completed its submission to the Food and Drug Administration (FDA) for notification of Vitality Power Iron + Organic Spirulina. The Company has now completed all regulatory requirements for sale of its award-winning product in the United States.

Vitality's clean line of premium quality natural health products are non-GMO (contain no genetically modified organisms), gluten-free, soy-free and vegan friendly. All products are made locally near Vancouver, British Columbia, Canada and are third party tested. Vitality named the products by their benefits to help retailers and consumers understand the products and added QR codes on labels to direct consumers online for additional product information. Vitality's new branding, products and product information are available at the Company's website: www.vitality.ca.

Vitality has successfully completed two Trade Missions with the Government of British Columbia and the Government of Canada to meet key buyers and importers to explore entry of VITALITY vitamins and supplements into Japan and China. The most recent Trade Mission was to exhibit within the Canadian Pavilion at Food and Hotel China (FHC); the Show was attended by over 100,000 visitors from November 13-15 in Shanghai. The Company recognizes the growth opportunity for its line of vitamins and supplements outside of Canada. During the Trade Missions to Osaka, Tokyo and Shanghai, the Company had one-on-one meetings with buyers and introductions to local Canadian Trade Commissioners.

The Company introduced VITALITY Blue C (vitamin C 300 mg and blueberries) to buyers at the Table Top shows. Blue C has received one of the Company's 92 Natural Health Product Numbers (NPNs) and is not currently sold in Canada. The Company joined the Trade Mission to explore the opportunity of launching current and new products in foreign markets while leveraging the reputation of VITALITY and manufacturing practices in British Columbia, Canada.

Vitality attended and exhibited at 2018 CHFA East - Canada's largest natural health trade show and conference in September 2018 in Toronto, Ontario. During the show, the Company presented with its national distributor, met retailers, sold products and provided information to prospective buyers.

Vitality attended and exhibited at the VEG Expo in Vancouver, BC in May 2018. The Company had the opportunity at the trade show to meet with consumers at its own booth, sell its products and provide information regarding Vitality's products.

Vitality attended the Natural Products Expo West trade show in Anaheim, California in March 2018. During the show, the Company met with brokers, distributors and retailers.

Business Overview (Continued)

Vitality attended and exhibited at 2018 CHFA West - western Canada's largest natural health trade show and conference in February 2018 in Vancouver, British Columbia. The Company is a member of Canadian Health Food Association (CHFA), Canada's largest trade association dedicated to natural health and organic products. According to CHFA, the natural health product industry contributes \$4 billion, and the organic product industry contributes another \$5 billion, to the Canadian economy. The Company had the opportunity to meet with retailers at its own booth and provide information regarding Vitality's products.

In August 2016, the Company announced national distribution of its products through Purity Life Health Products LP (Purity Life), Canada's leading distributor of natural health products. Purity Life supplies the highest quality products to over 7,000 stores across Canada. Vitality is now available for retailers to order from Purity Life. More information on Purity Life is available at www.puritylife.com.

Vitality continues to work with Christmas Natural Foods Ltd. (Christmas) which services natural health retailers in Western Canada including the majority of the retail stores where Vitality products are available for sale. Vitality was focused on sales only in Western Canada from launch in October 2013 until August 2016. More information on Christmas is available at www.christmasnaturalfoods.com.

In January 2017, the Company announced the appointment of Acosta Canada Corporation (Acosta) as national broker for Vitality. Acosta, through its Natural/Specialty Sales division, worked with the Company to promote Vitality products. In September 2017, the Company announced that Acosta will no longer be broker for Vitality.

Vitality's products are available for sale in 550 retail stores (2017 - 450 retail stores) located across Canada, including Thrifty Foods, Whole Foods, Choices, Nature's Fare, Amaranth, Planet Organic, Nutter's, Old Fashion Foods, Vita Health and Nature's Emporium. A full list of the retailers is available at www.vitality.ca. Understanding the importance of online sales, Vitality has re-launched its corporate website to be focused on retailers and consumers by providing product information, online shopping and access to natural health content.

Vitality commenced business in 1946 and its name and design were trademarked in 1952. The Company has leveraged its trademark to secure the social media properties: www.facebook.com/vitality and [@vitality](http://www.twitter.com/vitality). The Company is currently communicating to customers using [@vitality](http://www.twitter.com/vitality).

Vitality has developed a complete product line of Natural Health Products (NHPs). Health Canada requires a full licensing process for NHPs. Included in the definition of NHPs are certain food and beverage products claiming to benefit health: such as energy bars and juice with vitamins; supplements such as herbs, digestive enzymes, vitamins and minerals and essential fatty acids; and traditional personal care products. The Licensed Natural Health Products Database (LNHPD) contains product specific information on those natural products that have been issued a product license by Health Canada.

Vitality has applied for and received 92 Natural Health Product Numbers (NPNs) for its NHPs and all 92 NHPs are registered in the LNHPD and have received an eight digit NPN. The issuance of a product license means that the product has been assessed by Health Canada, found to be safe, effective and of high quality under its recommended condition of use. This is an adequate number of approvals for the Company to proceed with a marketing and licensing program of its NHPs.

Over the years multiple formulations have been developed. Previously many of these products were registered with Drug Identification Numbers or were simply distributed as food supplements. In 1979, many new products formulations were added including nine time release formulations. Since 2003, the Company has transitioned 60 former natural health products and researched, formulated and received licenses for an additional 32 natural health products. An NPN is required to sell products in Canada.

Business Overview (Continued)

The development costs of formulating, testing and registering our 92 NHPs with Health Canada are well in excess of \$500,000. Historically, the Company has expensed these development costs under its accounting policies. This key strategic asset is not recognized on our statements of financial position. The Company expects to generate income from the many years of investment in our NHPs.

The Company continues to investigate opportunities to market and distribute its products, including products with time release vitamins and minerals formulations, and its website, www.vitality.ca. All product launches involve risks including but not limited to the availability of financing on favourable terms, human resources, availability of product ingredients at favourable costs, changes to government regulations, adverse sales and competition.

Selected Annual Information

The following table sets out selected audited financial information of the Company and is derived from the audited financial statements prepared by management. The statements are prepared in conformity with International Financial Reporting Standards (“IFRS”) and are expressed in Canadian dollars.

Fiscal Year	Revenues	Net (Loss) Income	Net (Loss) Income Per Share (Basic and Diluted)	Total Assets	Total Long-term Financial Liabilities
2018	\$429,208	\$(27,468)	\$(0.00)	\$478,232	\$0
Restated 2017	\$199,809	\$(161,213)	\$(0.01)	\$404,875	\$0
Restated 2016	\$123,767	\$(234,218)	\$(0.01)	\$339,276	\$0

There are several factors that have caused year-to-year variations in the Company’s financial condition and results in operations. For an explanation of 2017 restatements, please refer to Note 4 in the fiscal 2018 financial statements and in Changes in Accounting Policies including Initial Adoption below.

Revenues have increased every year since the Company launched Vitality’s new line of vitamins and supplements after years of development in September 2013. Revenues increased during fiscal 2016 to \$123,767, an increase of 94% in revenues over fiscal 2015 (\$63,916). Revenues continued to increase during fiscal 2017 to \$199,809, an increase of 61% in revenues over fiscal 2016. Revenues also continued to increase during fiscal 2018 to \$429,208, an increase of 115% in revenues over fiscal 2017. The year-to-year growth in revenues is attributable to the expansion of Vitality’s retail store customers across Canada and the launch of its fifth product during fiscal 2017.

Total assets increased in fiscal 2018 to \$478,232 (2017 - \$404,875) due to increases in all current assets: cash to \$80,467 (2017 - \$58,832); accounts receivable to \$49,072 (2017 - \$21,657); inventories to \$96,943 (2017 - \$81,548); and prepaid expenses to \$12,009 (2017 - \$2,872). The overall increase in current assets during the past three years is due to the overall growth of the Company’s sales and expanding distribution of Vitality products.

Total assets increased in fiscal 2017 to \$404,875 (2016 - \$339,276) as increases in inventories to \$81,548 (2016 - \$45,526), in cash and cash equivalents to \$58,832 (2016 - \$21,092), and in prepaid expenses to \$2,872 (2016 - \$2,750) were offset by a decrease in accounts receivable to \$21,657 (2016 - \$29,691).

Total assets increased in fiscal 2016 to \$339,276 (2015 - \$286,778) as increases in inventories to \$45,526 (2015 - \$754), in cash and cash equivalents to \$21,092 (2015 - \$19,296), and in accounts receivable to \$29,691 (2015 - \$17,763) were offset by a decrease in prepaid expenses to \$2,750 (2015 - \$8,467).

Selected Annual Information (Continued)

The Company's primary asset on its statements of financial position during fiscal years 2018, 2017 and 2016 is its investment property in Whatcom County, Washington. This land is recorded at its historical cost of \$237,750.

The Company's net loss increased in fiscal 2016 as the Company recognized a share-based compensation expense of \$23,055. No share-based compensation expense was recorded in fiscal 2018 and fiscal 2017. The share-based compensation expense is generally high due to the assumptions required in the Black-Scholes option-pricing model, specifically, the Company's stock price volatility over the past five years.

Summary of Quarterly Results

The following table sets out selected unaudited financial information of the Company and is derived from unaudited condensed interim financial statements prepared by management. The condensed interim financial statements are prepared in conformity with IFRS and are expressed in Canadian dollars.

Fiscal Period	Revenues	Net (Loss) Income	Net (Loss) Income Per Share (Basic and Diluted)
2019 Q3	\$143,970	\$(8,688)	\$(0.00)
2019 Q2	\$146,861	\$(265,776)	\$(0.01)
2019 Q1	\$127,233	\$(27,534)	\$(0.00)
2018 Q4	\$90,676	\$(11,701)	\$(0.00)
2018 Q3	\$136,642	\$17,797	\$0.00
2018 Q2	\$129,458	\$9,947	\$0.00
2018 Q1	\$72,432	\$(43,511)	\$(0.00)
Restated 2017 Q4	\$54,013	\$(30,313)	\$(0.00)

During the third quarter of fiscal 2019, Vitality sales increased 5% to \$143,970 (2018 Q3 - \$136,642) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and directly by online shoppers. The cost of sales increased to \$38,726 (2018 Q3 - \$35,063) and promotion increased to \$22,524 (2018 Q3 - \$12,094) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company received \$12,185 (2018 Q3 - \$5,924) of government assistance that offset additional resources spent on the Vitality branding, product development, marketing materials, website development, salaries and expanding distribution channels.

During the second quarter of fiscal 2019, Vitality sales increased 13% to \$146,861 (2018 Q2 - \$129,458) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and directly by online shoppers. The cost of sales increased to \$38,451 (2018 Q2 - \$31,226) and promotion increased to \$12,561 (2018 Q2 - \$8,340) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company recorded a share-based compensation expense of \$238,700 (2018 Q2 - \$Nil). The Company received \$32,768 (2018 Q2 - \$Nil) of government assistance that offset additional resources spent on the Vitality branding, product development, marketing materials, website development, salaries and expanding distribution channels.

During the first quarter of fiscal 2019, Vitality sales increased 76% to \$127,233 (2018 Q1 - \$72,432) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and directly by online shoppers. The cost of sales increased to \$33,951 (2018 Q1 - \$18,954) and promotion increased to \$20,736 (2018 Q1 - \$12,903) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company received \$34,790 (2018 Q1 - \$12,812) of government assistance that offset additional resources spent on the Vitality branding, product development, marketing materials, website development, salaries and expanding distribution channels.

Summary of Quarterly Results (Continued)

During the fourth quarter of fiscal 2018, Vitality sales increased 68% to \$90,676 (2017 Q4 - \$54,013) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and directly by online shoppers. The cost of sales increased to \$25,057 (2017 Q4 - \$13,975) and wages and salary increased to \$33,813 (2017 Q4 - \$27,943) due to the Company's focus on expanding distribution and growing sales nationally and online.

During the fourth quarter of fiscal 2018, the Company applied for and received financial assistance under an available government program. The Company received \$9,917 which was used to reduce eligible costs associated with the promotion of Vitality products to local markets in British Columbia. The maximum amount available to the Company for the approved project is \$29,750. As a result, the following Company expenses were reduced in the fourth quarter of fiscal 2018: consulting fees (\$280), office (\$68), promotion (\$2,944), travel (\$1,145) and wages and salary (\$3,694). The remaining balance of \$1,786 was used in fiscal 2019.

During the fourth quarter of fiscal 2018, the Company applied for and received financial assistance under an available government program. The Company received \$10,900 which was used to reduce eligible costs associated with two graduate internships offered by Vitality. The maximum amount available to the Company for the two approved projects is \$40,000 (\$20,000 per project). As a result, the Company's net loss decreased during the fourth quarter of fiscal 2018 as wages and salary expense was reduced by \$10,900 in 2018 Q4.

During the third and fourth quarters of fiscal 2018, the Company applied for and received financial assistance under an available government program. The Company received \$6,598 which was used to reduce eligible costs associated with a graduate internship offered by Vitality. The maximum amount available to the Company for the approved project is \$20,000. As a result, the Company's net income increased (net loss decreased) during the third and fourth quarters of fiscal 2018 as wages and salary expense was reduced by \$5,924 in 2018 Q3 and \$674 in 2018 Q4.

During the third quarter of fiscal 2018, Vitality reached profitability for the second consecutive quarter as the Company's net income improved to \$17,797 (2017 Q3 - net loss of \$45,961). The Company's sales increased 201% to \$136,642 (2017 Q3 - \$45,452) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and directly by online shoppers. The cost of sales increased to \$35,063 (2017 Q3 - \$12,407) and consulting fees increased to \$13,500 (2017 Q3 - \$8,003) due to the Company's focus on expanding distribution and growing sales nationally and online.

During the second quarter of fiscal 2018, Vitality reached profitability as the Company's net income of \$9,947 (2017 Q2 - net loss of \$40,810) was the Company's first profitable quarter since the launch of Vitality's new line of premium quality natural health products in September 2013. The Company's sales increased 92% to \$129,458 (2017 Q2 - \$67,369) as Vitality's supplements continued to receive re-orders from retail stores, be ordered by more retail stores located in Canada and by more online shoppers. The cost of sales increased to \$31,226 (2017 Q2 - \$17,845) and consulting fees increased to \$16,500 (2017 Q2 - \$14,131) due to the Company's focus on expanding distribution and growing sales across Canada.

During the first quarter of fiscal 2018, the Company's sales increased 120% to \$72,432 (2017 Q1 - \$32,975) as Vitality's products were ordered by more retail stores located in Canada and by more customers shopping online. The cost of sales increased to \$18,954 (2017 Q1 - \$11,402), consulting fees increased to \$27,969 (2017 Q1 - \$17,082) and promotion expense increased to \$12,903 (2017 Q1 - \$4,987) due to the Company's efforts in expanding distribution and growing sales.

Summary of Quarterly Results (Continued)

During the first quarter of fiscal 2018, the Company applied for and received financial assistance under an available government program. The Company received \$3,029 which was used to reduce eligible costs associated with the introduction of Vitality Power Iron + Organic Spirulina to export markets. The approved project focused on retail introduction of the product. As a result, the following Company expenses were reduced in the first quarter of fiscal 2018: office (\$72), promotion (\$2,092) and travel (\$865).

During the first quarter of fiscal 2018, each quarter of fiscal 2017 and the fourth quarter of fiscal 2016, the Company applied for and received financial assistance under an available government program. The Company received \$20,158 which was used to reduce eligible costs associated with the optimization of on-line platforms project for Vitality. The project's objective was to develop and optimize the Company's on-line platforms. The project is now complete. As a result, the Company's net loss decreased during the first quarter of 2018, each quarter of fiscal 2017 and the fourth quarter of fiscal 2016 as consulting fees expense was reduced by \$805 in 2017 Q1, \$175 in 2017 Q2 and \$7,425 in 2018 Q1 and wages and salary expense was reduced by \$762 in 2016 Q4, \$7,086 in 2017 Q1, \$291 in 2017 Q2, \$637 in 2017 Q3, \$1,689 in 2017 Q4 and \$1,288 in 2018 Q1.

During the first quarter of fiscal 2018, each quarter of fiscal 2017 and each quarter of fiscal 2016, the Company applied for and received financial assistance under an available government program. The Company received \$32,654 which was used to reduce eligible costs associated with the market assessment and commercialization strategy project for Vitality regarding the application of alginates for NHPs. The project's objective was to determine the feasibility of reformulating an existing NHP of the Company or formulating a new alginate product. The project is now complete. As a result, the Company's net loss decreased during each quarter of fiscal 2016, each quarter of 2017 and the first quarter of fiscal 2018 as wages and salary expense was reduced by \$3,166 in 2016 Q1, \$10,014 in 2016 Q2, \$3,608 in 2016 Q3, \$1,756 in 2016 Q4, \$7,048 in 2017 Q1, \$3,674 in 2017 Q2, \$415 in 2017 Q3, \$1,593 in 2017 Q4 and \$845 in 2018 Q1, consulting expense was reduced by \$225 in 2018 Q1 and packaging materials expense was reduced by \$310 in 2017 Q1.

During the fourth quarter of fiscal 2017, the Company's sales increased 23% to \$54,013 (2016 Q4 - \$43,761) as Vitality's products were ordered by more retail stores located in Canada. The cost of sales increased to \$13,975 (2016 Q4 - \$9,448) and promotion expense increased to \$12,614 (2016 Q4 - \$4,648) due to the Company's efforts in expanding distribution and improving sales.

Results of Operations

The financial results of the Company for the three months ended October 31, 2018 show a net loss of \$8,688 or \$0.00 per share compared to a net income of \$17,797 or \$0.00 per share for the same period last year. Sales for the three months ended October 31, 2018 of the Company's premium natural health products increased 5% to \$143,970 (2017 - \$136,642). The Company's general and administrative expenses for the three months ended October 31, 2018 increased to \$110,610 (2017 - \$79,333). Wages and salary increased to \$48,695 (2017 - \$33,642), travel increased to \$9,166 (2017 - \$3,823) and promotion increased to \$22,524 (2017 - \$12,094) as the Company expanded distribution and grew sales. The Company continues to focus its efforts on expanding distribution and sales nationally and online at vitality.ca, amazon.ca and well.ca.

During the three months ended October 31, 2018, the Company received \$12,185 (2017 - \$5,924) of government assistance that offset additional resources spent on the Vitality branding, product development, label design, marketing materials, website development, salaries and expanding distribution channels.

Transactions with Related Parties

The Company pays \$500 per month for office rent in Vancouver, BC and administration to Consolidated Firstfund Capital Corp., a related company with common directors and a common officer. For additional information on transactions with related parties refer to Note 13 of the condensed interim financial statements and related notes for the nine months ended October 31, 2018 and 2017.

Liquidity and Capital Resources

The Company had a working capital deficit of \$1,584,275 as at October 31, 2018, including cash of \$457,218. During the nine months ended October 31, 2018, the Company's cash position increased \$376,751.

At October 31, 2018, the Company had received a cumulative total of approximately \$1,280,000 from a related company under common control to assist the Company in managing its working capital since July 2009. This amount is unsecured, non-interest bearing and due on demand with no specific terms of repayment.

At October 31, 2018 the Company has redeemable, retractable preferred shares Series 1 and 3, which bear cumulative dividends at 6% which represent a financial liability. The redemption price of these shares is \$10 per share plus any cumulative dividends aggregating to \$603,840 at October 31, 2018. The Company intends to pay these undeclared preferred shares dividends out of the cash flows from its future operations or in common shares of the Company in lieu of cash. The Company may settle \$539,713 relating to the Series 3 preference shares with common shares at the lower of \$0.25 per share and the current market price of common shares at the date of conversion.

In April 2018, the Company closed a private placement (the "Private Placement") pursuant to which the Company has now issued an aggregate of 5,000,000 units of the Company (each a "Unit"), at a subscription price of \$0.10 per Unit, for 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 per Warrant common share of \$0.15; provided, however, that if at any time after the date that is more than four months and one day following the closing of the Private Placement the closing price of the Company's common shares is equal to or greater than \$0.40 per common share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 10th business day after the date on which such notice is given by the Company. The Common Shares and the Warrants comprising the Units are now subject to a hold period of four months and a day from the date of closing in each instance. Following the proven success of the line through repeat orders, same store sales growth, and reaching profitability, the Company will use proceeds from the Private Placement to expand distribution and grow sales in-store and online (at vitality.ca, well.ca and amazon.ca); to explore additional markets; for inventory and general working capital.

The 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 course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to receive continued financial support from its related parties and lenders, maintaining profitable operations and obtaining additional equity. These circumstances indicate the existence of material uncertainties that cast significant doubt as to the company's ability to continue as a going concern.

Liquidity and Capital Resources (Continued)

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.

In the opinion of management, the future cash flows from operations and the continued financial support from related parties, is sufficient to support the Company's ability to operate on an ongoing basis.

Additional Disclosure of Financial Information

The following is supplementary financial information not included in the financial statements:

	<u>October 31, 2018</u>	<u>October 31, 2017</u>
<u>Rent and administration</u>		
Office rent and administration in Vancouver, BC	\$ 4,500	\$ 4,500
Distribution facility rent and expenses in Vancouver, BC	<u>2,664</u>	<u>1,306</u>
	<u>\$ 7,164</u>	<u>\$ 5,806</u>

Financial Instruments and Other Instruments

Financial instruments include cash and cash equivalents, accounts receivable, accounts payable, amounts owing to related parties and redeemable preference shares. Financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification. Refer to Note 3(m), Note 14 and Note 15 of the condensed interim financial statements and related notes for the nine months ended October 31, 2018 and 2017 for financial instruments classifications and fair value measurements disclosure.

The fair values of cash and cash equivalents, accounts receivable, and accounts payable, amounts owing to related parties and redeemable preference shares approximate their carrying values due to the short-term maturity of these instruments. The Company's cash and cash equivalents have been valued using Level 1 inputs and are measured at fair value on a recurring basis.

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.

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 October 31, 2018, 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.

Changes in Accounting Policies including Initial Adoption

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. The Company has a concentration of credit risk in its accounts receivable from three of its major customers representing approximately 33%, 30% and 15% of accounts receivable as at October 31, 2018.

The financial statements of the Company for the nine months ended October 31, 2018 and 2017 have been prepared 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 Company has retrospectively revised the accounting for the following items causing the restatement of the January 31, 2017 comparatives:

- a) The redeemable preference shares Series 1 and 3 have been presented as a current liability because they are redeemable at the option of the holder;
- b) Prior to January 31, 2018, the Company disclosed the aggregate amount of the cumulative dividends on its redeemable preference shares. In the current fiscal year, management determined the accounting treatment for these dividends should be to accrue the cumulative dividends because these shares are redeemable and are presented as a financial liability; and
- c) The Company’s investment property has been reclassified from property and equipment.

A summary of the effect of these changes is in Note 4 to the condensed interim financial statements for the nine months ended October 31, 2018 and 2017.

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations as set out in Note 5 to the condensed interim financial statements for the nine months ended October 31, 2018 and 2017. The adoption of IFRS 15, *“Revenue from Contracts with Customers”* is expected to change the Company’s accounting policy for recognizing and recording revenue. This new standard is effective for annual periods beginning on or after January 1, 2018. Management does not anticipate the adoption of IFRS 15 will have a significant impact on net income but will likely result in some presentation and disclosure changes.

Management has assessed the application of the other new and revised IFRS that were issued by the IASB and adopted by the Company effective February 1, 2018 as not having any material impact on the Company’s financial statements.

At the date of authorization of the financial statements, the IASB and IFRIC have issued a number of new and revised standards and interpretations as set out in Note 5 to the condensed interim financial statements for the nine months ended October 31, 2018 and 2017, which could be applicable to the Company and are not yet effective for the relevant reporting periods. 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.

Changes in Accounting Policies including Initial Adoption (Continued)

The Company continues to monitor the development of IFRS with respect to any potential impact to the financial statements of the Company.

Disclosure Controls and Procedures and Internal Control Over Financial Reporting

Management maintains appropriate information systems, procedures and controls to ensure that information that is publicly disclosed is complete, reliable and timely. Management is also responsible for establishing adequate internal controls over financial reporting to provide sufficient knowledge to support the representations made in this MD&A, the financial statements for October 31, 2018 and 2017 and all related public filings.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing certificates are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements during the period ended October 31, 2018.

Disclosure of Outstanding Share Data

At December 28, 2018, the Company has 31,122,285 issued and outstanding common shares.

At December 28, 2018, the Company has 2,500 issued and outstanding Class "A" Preference shares, Series 1. The Class "A" Preference shares, Series 1, with a par value of \$10 each have a 6% cumulative dividend payable annually commencing January 31, 1992. At December 28, 2018, the Company has cumulative Preference shares dividends arrears of \$39,366.

At December 28, 2018, the Company has 26,920 issued and outstanding Class "A" Preference shares, Series 3. The Class "A" Preference shares, Series 3, with a par value of \$10 each have a 6% cumulative dividend payable annually commencing January 31, 2002. At December 28, 2018, the Company has cumulative Preference shares dividends arrears of \$273,079.

Disclosure of Outstanding Share Data (Continued)

At December 28, 2018, the Company has 5,000,000 outstanding share purchase warrants. Each warrant entitles the holder thereof to acquire one additional common share of the Company for a period of one year from the private placement closing date of April 6, 2018 at an exercise price per warrant common share of \$0.15; provided, however, that if at any time after the date that is more than four months and one day following the closing of the private placement the closing price of the Company's common shares is equal to or greater than \$0.40 per common share for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 10th business day after the date on which such notice is given by the Company.

At December 28, 2018, the Company has 2,425,000 stock options outstanding as follows:

<u>Date of Grant</u>	<u>Number of Optioned Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
July 21, 2015	375,000	\$0.10	July 21, 2020
January 8, 2016	200,000	\$0.10	January 8, 2021
May 3, 2018	1,750,000	\$0.13	May 3, 2023
December 1, 2018	100,000	\$0.11	December 1, 2023

Directors and Officers

List of directors and officers of the Company:

Bruce J. McDonald, Surrey, British Columbia
Chairman of the Board and Director

Cheryl A. Grant, Vancouver, British Columbia
President, Chief Executive Officer and Director

W. Douglas Grant, Vancouver, British Columbia
Vice President, Chief Financial Officer, Secretary and Director

Colby L. Fackler, Vancouver, British Columbia
Director

Richard V. Gannon, Vancouver, British Columbia
Director

Brian L. Gessner, Vancouver, British Columbia
Director

Stuart E. Pennington, Blaine, Washington
Director

In July 2018, the Company announced that at the Board of Directors' Meeting following the annual and special general meeting, the Board appointed Cheryl A. Grant as President and Chief Executive Officer of the Company. Ms. Grant has been the Vice President, Chief Financial Officer and Secretary of the Company since 2015.

The Board appointed W. Douglas Grant as Vice President, Chief Financial Officer and Secretary of the Company. Mr. Grant has been the President and Chief Executive Officer of the Company since 2011.

Investor Relations

In May 2018, Vitality announced that it had retained Julian C. Burreci to provide investor relations and corporate finance and investment sourcing related services to the Company. Mr. Burreci's business was to provide information on the Company to shareholders and qualified investors through internet media, advertising, presentations, conferences and trade shows with a goal of improving the Company's overall visibility in the investment community. In July 2018, the Company announced that Mr. Burreci will no longer be providing investor relations and corporate finance and investment sourcing related services to the Company.

We appreciate your continued support. For more information on Vitality, please visit our website at www.vitality.ca.

On behalf of the Board of
Vitality Products Inc.

"Cheryl A. Grant" (signed)

Cheryl A. Grant
President & CEO
December 28, 2018