

VITALITY PRODUCTS INC.

MANAGEMENT'S DISCUSSION & ANALYSIS For the Nine Months Ended October 31, 2019 and 2018

The following information should be read in conjunction with the condensed interim financial statements and related notes for the nine months ended October 31, 2019 and 2018 and the audited financial statements and related notes and management's discussion and analysis for the years ended January 31, 2019 and 2018. 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 30, 2019.

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[™]. Vitality won its first alive Award from Canadian Retailers in recognition of Power Iron + Organic Spirulina in September 2019. Vitality received a Bronze for Retailer Choice – Women's Products (www.alive.com/awards/2019/retailer-choice-womens-products). Previously, Vitality received two Consumer Choice alive Awards. The annual alive Awards recognize outstanding product innovation and are presented to manufacturers of the best products in a variety of 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. As of June 2019, Vitality Power Iron + Organic Spirulina is offered in three sizes: 30 vegetable capsules, 60 vegetable capsules and the new 120 vegetable capsules.

The Company has completed all FDA filings for its complete product line previously sold only in the Canadian market. Products manufactured in Canada have cleared customs into the United States and will be available for sale commencing the fourth quarter of fiscal 2020.

Business Overview (Continued)

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 is receiving up to \$85,000 from the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) to support the research and development of new products. The Company identified gaps in health and wellness products and, following initial research, is receiving the conditional funding to help develop three innovative natural health products in fiscal 2020. The Company began receiving funding as of November 16, 2018 and is scheduled to complete its development work by November 2019. The Company is focused on increasing its line of products in Canada and internationally in fiscal 2020. Vitality has received over \$245,000 in funding from NRC IRAP since fiscal 2013 and wishes to acknowledge the support of the program and its Industrial Technology Advisors for their support in the growth of the Company.

The Company hired Dr. Carina Cai, PhD, for the formulation of new products to be introduced in fiscal 2020 and fiscal 2021. Dr. Carina Cai has a PhD in phytochemistry and has rich work experiences in China, Canada and Europe. Before she entered the nutraceutical industry nine years ago, she worked in the field of education and research in phytomedicine and natural products, with numerous scientific publications in the fields of herbology, natural products chemistry and analytical chemistry. Her specialties include product formulation, regulatory affairs, quality control, R&D (research and development), and project management.

Vitality is receiving up to \$45,000 towards marketing initiatives in British Columbia to grow sales with new and current retailers in fiscal 2020 - the maximum funding available through the "Buy BC" Program. In fiscal 2018 and fiscal 2019, the Company received approximately \$28,000 to grow sales through the "Buy Local" program which resulted in a 90% increase in sales through its regional distributors. The Company wishes to thank and acknowledge the Government of BC, the Buy BC Program and Investment Agriculture Foundation of BC. The project will complete in December 2019.

Vitality attended and exhibited at 2019 CHFA East - Canada's largest natural health trade show and conference in September 2019 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 2019. 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 2019. During the show, the Company met with brokers, distributors and retailers.

Vitality attended and exhibited at 2019 CHFA West - western Canada's largest natural health trade show and conference in February 2019 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.

Business Overview (Continued)

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.

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 Horizon Distributors (formerly Christmas Natural Foods Ltd.) 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 Horizon is available at www.horizondistributors.com.

Vitality's products are available for sale in 575 retail stores (2018 - 550 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
2019	\$528,041	\$(354,958)	\$(0.01)	\$824,641	\$0
2018	\$417,438	\$(27,468)	\$(0.00)	\$478,232	\$0
Restated 2017	\$199,809	\$(161,213)	\$(0.01)	\$404,875	\$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.

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 2017 to \$199,809, an increase of 61% in revenues over fiscal 2016 (\$123,767). Revenues continued to increase during fiscal 2018 to \$417,438, an increase of 109% in revenues over fiscal 2017. Revenues also continued to increase during fiscal 2019 to \$528,041, an increase of 26% in revenues over fiscal 2018. 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 2019 to \$824,641 (2018 - \$478,232) due to overall increases in current assets: cash and short-term investment to \$383,732 (2018 - \$80,467); accounts receivable to \$90,830 (2018 - \$49,072); inventories to \$96,301 (2018 - \$96,943); and prepaid expenses to \$12,247 (2018 - \$12,009). The overall increase in current assets during the past three years is due to the growth of the Company’s sales, expanding distribution of Vitality products and financing activities through the issuance of share capital.

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).

Total assets increased in fiscal 2017 to \$404,875 (2016 - \$339,276) as increases in inventories to \$81,548 (2016 - \$45,526), in cash 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).

Selected Annual Information (Continued)

The Company's primary long-term asset on its statements of financial position during fiscal years 2019, 2018 and 2017 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 2019 as the Company recognized a share-based compensation expense of \$252,220. 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 Income (Loss)	Net Income (Loss) Per Share (Basic and Diluted)
2020 Q3	\$162,809	\$1,223	\$0.00
2020 Q2	\$150,937	\$(7,002)	\$(0.00)
2020 Q1	\$100,367	\$(29,049)	\$(0.00)
2019 Q4	\$109,977	\$(52,960)	\$(0.00)
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	\$78,906	\$(11,701)	\$(0.00)

During the third quarter of fiscal 2020, Vitality sales increased 13% to \$162,809 (2019 Q3 - \$143,970) as the Company achieved profitability with a net income of \$1,223 (2019 Q3 - net loss of \$8,688). The cost of sales increased to \$42,616 (2019 Q3 - \$38,726) and wages and salary increased to \$56,079 (2019 Q3 - \$48,695) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company received \$49,117 (2019 Q3 - \$12,185) of government assistance that offset additional resources spent on the Vitality branding, products, marketing materials, website development, salaries and expanding distribution channels.

During the second quarter of fiscal 2020, Vitality sales increased 3% to \$150,937 (2019 Q2 - \$146,861) as the Company launched the new bottle size of 120 vegetable capsules of Vitality Power Iron + Organic Spirulina in June 2019. The cost of sales increased to \$39,365 (2019 Q2 - \$38,451) and wages and salary increased to \$50,301 (2019 Q2 - \$41,348) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company recorded a share-based compensation expense of \$Nil (2019 Q2 - \$238,700). The Company received \$29,761 (2019 Q2 - \$32,768) of government assistance that offset additional resources spent on the Vitality branding, products, marketing materials, website development, salaries and expanding distribution channels.

During the first quarter of fiscal 2020, Vitality sales decreased 21% to \$100,367 (2019 Q1 - \$127,233). The cost of sales decreased to \$29,394 (2019 Q1 - \$33,951). Promotion increased to \$21,306 (2019 Q1 - \$20,736) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company received \$26,016 (2019 Q1 - \$34,790) of government assistance that offset additional resources spent on the Vitality branding, products, marketing materials, website development, salaries and expanding distribution channels.

Summary of Quarterly Results (Continued)

During the fourth quarter of fiscal 2019, Vitality sales increased 39% to \$109,977 (2018 Q4 - \$78,906) 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 \$35,048 (2018 Q4 - \$25,057) and wages and salary increased to \$59,212 (2018 Q4 - \$33,813) due to the Company's focus on expanding distribution and growing sales nationally and online. The Company received \$3,793 (2018 Q4 - \$19,705) 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 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.

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.

Results of Operations

The financial results of the Company for the three months ended October 31, 2019 show a net income of \$1,223 or \$0.00 per share compared to a net loss of \$8,688 or \$0.00 per share for the same period last year. Sales for the three months ended October 31, 2019 of the Company's premium natural health products increased 13% to \$162,809 (2018 - \$143,970). The Company's general and administrative expenses for the three months ended October 31, 2019 increased to \$114,672 (2018 - \$110,610). Wages and salary increased to \$56,079 (2018 - \$48,695) as the Company continues to focus its efforts on expanding distribution and sales nationally and online at vitality.ca, amazon.ca and well.ca. In October 2019, the Company increased the sales and marketing team for the fourth quarter and fiscal 2021. The Company hired three new sales personnel including a Regional Account Manager and Account Executive in Ontario, and a Regional Account Manager, based in Calgary, for sales in Alberta, Saskatchewan and Manitoba. The Company also prepared for the product launch in the United States, increasing trademark registration, new labels and market specific inventory.

During the three months ended October 31, 2019, the Company received \$49,117 (2018 - \$12,185) of government assistance that offset additional resources spent on the Vitality branding, products, 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, 2019 and 2018.

Liquidity and Capital Resources

The Company had a working capital deficit of \$1,567,093 as at October 31, 2019. The Company's assets included cash of \$69,055 and short-term investment of \$302,024. During the period ended October 31, 2019, the Company's cash position increased \$38,397.

At October 31, 2019, 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, 2019 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 \$621,492 at October 31, 2019. 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 \$555,865 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 pursuant to which the Company has now issued an aggregate of 5,000,000 units of the Company, at a subscription price of \$0.10 per unit, for gross proceeds of \$500,000. Each unit consists of one common share and one share purchase 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. 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.

Liquidity and Capital Resources (Continued)

In April 2019, Vitality received aggregate exercise proceeds of \$103,350 due to the exercise of 689,000 share purchase warrants at a subscription price of \$0.15 per share. The proceeds of the share purchase warrants exercised will be used for the Company's general corporate and working capital purposes.

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 are dependent on the Company's ability to generate profitable operations in the future, raise financing through the issue of additional equity or the continued financial support from related parties, none 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.

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, 2019</u>	<u>October 31, 2018</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>7,670</u>	<u>2,664</u>
	<u>\$ 12,170</u>	<u>\$ 7,164</u>

Financial Instruments and Other Instruments

Financial instruments include cash, short-term investments, 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 audited financial statements and related notes for the years ended January 31, 2019 and 2018 for financial instruments classifications and fair value measurements disclosure.

Cash is measured at fair value on a recurring basis. The fair values of short-term investments, accounts receivable, accounts payable and accrued liabilities, the redeemable preferred shares and amounts owing to related parties approximate their carrying values due to the short-term maturity of these instruments.

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.

Financial Instruments and Other Instruments (Continued)

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. The Company is exposed to liquidity risk as a result of amounts owing to related parties 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.

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, short-term investments, 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 short-term investments by dealing only with large Canadian 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. An allowance for doubtful accounts under the expected credit model has been accrued as disclosed in Note 6. The Company has a concentration of credit risk in its accounts receivable from four of its major customers representing approximately 34%, 26%, 15% and 14% of trade receivables as at October 31, 2019 (2018 - 33%, 30%, 15% and 5%).

Changes in Accounting Policies including Initial Adoption

The financial statements of the Company for the periods ended October 31, 2019 and 2018 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").

Effective February 1, 2018, the Company adopted a number of new and amended standards and interpretations as set out in Note 2 to the audited financial statements for the years ended January 31, 2019 and 2018. The Company adopted IFRS 9 Financial Instruments (IFRS 9), which replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 was adopted retrospectively without restatement, as allowed under the standard's transitional provisions. IFRS 9 addresses the classification and measurement of financial assets and financial liabilities, including the impairment of financial assets and other commitments. As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets effective February 1, 2018 as described in Notes 3(m) and 3(n) to the audited financial statements. The IAS 39 accounting policies that were applied prior to February 1, 2018 are included in Note 3(o) to the audited financial statements. For the Company, the adoption of IFRS 9 caused the adoption of the expected credit loss model for impairment of financial assets as discussed in Note 6 to the audited financial statements.

Effective February 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers, to recognize revenue from sale of goods on a retrospective basis without restatement, as allowed under the standard's transitional provisions. As a result of the application of IFRS 15, the Company changed its accounting policies for financial assets effective February 1, 2018 as described in Note 3(f) to the audited financial statements. The IAS 18 accounting policies that were applied prior to February 1, 2018 are also included in Note 3(f). As a consequence of these changes, certain items previously included in promotion expense for \$11,770 during the fiscal year 2018 have been reclassified as a reduction of sales.

Changes in Accounting Policies including Initial Adoption (Continued)

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 4 to the condensed interim financial statements for the nine months ended October 31, 2019 and 2018. The Company has not early adopted these standards, amendments and interpretations. IFRS 16, "Leases" is effective for reporting periods beginning on or after January 1, 2019. As at October 31, 2019, the Company has one automobile under operating leases. The Company recorded such automobile as right-of-use assets and lease liabilities of the Company in accordance with the requirements of the new standard. IFRIC 23, "Uncertainty over Income Tax Treatments" will be applicable for annual periods beginning on or after January 1, 2019. Management has not yet assessed the impact of this interpretation on the Company's financial statements. 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. 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, 2019 and 2018 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, 2019.

Disclosure of Outstanding Share Data

At December 30, 2019, the Company has 31,811,285 issued and outstanding common shares.

At December 30, 2019, 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 30, 2019, the Company has cumulative Preference shares dividends arrears of \$40,874.

At December 30, 2019, 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 30, 2019, the Company has cumulative Preference shares dividends arrears of \$289,320.

At December 30, 2019, the Company has no outstanding share purchase warrants.

At December 30, 2019, the Company has 2,325,000 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	1,650,000	\$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

Directors and Officers (Continued)

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 had 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 had been the President and Chief Executive Officer of the Company since 2011.

Investor Relations

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 30, 2019