

# **VITALITY PRODUCTS INC.**

## **CONDENSED INTERIM FINANCIAL STATEMENTS**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

**FOR THE SIX MONTHS ENDED JULY 31, 2023 AND 2022**

## **VITALITY PRODUCTS INC.**

### **NOTICE TO READER**

The condensed interim statements of financial position of Vitality Products Inc. as at July 31, 2023 and 2022 and the condensed interim statements of loss and comprehensive loss, changes in equity and cash flows for the six months then ended have not been reviewed by an auditor. These condensed interim financial statements are the responsibility of the Company's management. These condensed interim financial statements have been prepared by management of the Company in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

# VITALITY PRODUCTS INC.

## CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited) (Expressed in Canadian Dollars)

<b>Assets</b>	July 31, 2023	January 31, 2023
Current:		
Cash	\$ 52,354	\$ 69,885
Short-term investment (Note 4)	202,120	356,377
Accounts and other receivables (Notes 5 and 9)	113,716	148,315
Inventories (Note 6)	223,545	229,874
Prepaid expenses	23,705	37,323
	615,440	841,774
Security deposit	7,480	7,480
Property and equipment (Notes 7 and 16)	96,640	120,213
Investment property (Notes 8, 12 and 16)	238,852	238,910
	\$ 958,412	\$ 1,208,377
<b>Liabilities</b>		
Current:		
Accounts payable and accrued liabilities (Note 12)	\$ 167,302	\$ 168,566
Current portion of lease liabilities (Note 16)	50,260	47,527
Amounts owing to related parties (Note 12)	1,306,896	1,323,188
Redeemable preference shares (Notes 10 and 12)	687,651	678,897
	2,212,109	2,218,178
Long-term lease liabilities (Note 16)	39,319	65,222
	2,251,428	2,283,400
<b>Shareholders' Deficiency</b>		
Common shares, net of share issuance cost (Note 11)	12,505,409	12,505,409
Reserves - warrants (Note 11)	881,931	881,931
Reserves - equity settled employee benefits (Note 11)	815,974	815,974
Deficit	(15,496,330)	(15,278,337)
	(1,293,016)	(1,075,023)
	\$ 958,412	\$ 1,208,377

Nature of Operations and Going Concern (Note 1)  
Other Commitments and Contingencies (Notes 9 and 16)

Approved and authorized by the Board on September 29, 2023

\_\_\_\_\_, "Cheryl A. Grant" (signed), Director

\_\_\_\_\_, "W. Douglas Grant" (signed), Director

- See accompanying Notes to the condensed interim financial statements -

# VITALITY PRODUCTS INC.

## CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (Unaudited) (Expressed in Canadian Dollars)

	Three Months Ended July 31, 2023	Six Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2022
Sales	\$ 188,634	\$ 383,703	\$ 190,581	\$ 436,294
Cost of sales (Notes 6 and 9)	52,423	104,706	52,564	116,520
Gross margin	136,211	278,997	138,017	319,774
General selling expenses:				
Promotion (Note 9)	41,426	111,135	45,020	147,370
Selling fees (Note 9)	8,145	16,027	21,241	49,390
	49,571	127,162	66,261	196,760
General and administrative expenses:				
Consulting fees (Note 9)	18,407	56,179	46,414	70,660
Depreciation	12,926	25,852	14,960	17,213
Directors' fees (Note 12)	1,750	1,750	2,100	2,100
Filing and transfer agent fees	10,586	15,027	10,654	14,848
Foreign exchange loss	411	208	314	809
Office	9,194	16,973	22,815	29,073
Professional fees	32,042	40,337	14,248	31,574
Rent and administration (Note 12)	5,344	10,688	5,415	11,091
Share-based compensation (Note 12)	-	-	22,230	22,230
Telephone	1,437	3,002	2,172	3,936
Travel (Note 9)	1,104	4,021	3,637	17,941
Wages and salary (Notes 9 and 12)	90,953	186,712	100,670	229,355
	184,154	360,749	245,629	450,830
Other revenues and expenses				
Interest income	(2,016)	(4,533)	(1,947)	(2,882)
Interest expense (Note 16)	2,298	4,858	3,384	4,497
Accrued dividends on redeemable preference shares (Notes 10 and 12)	4,450	8,754	4,450	8,754
	238,457	496,990	317,777	657,959
Net loss and comprehensive loss	\$ 102,246	\$ 217,993	\$ 179,760	\$ 338,185
Loss per share				
Basic and diluted (Note 17)	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01
Weighted average number of common shares outstanding				
Basic and diluted	41,411,285	41,411,285	41,411,285	41,411,285

- See accompanying Notes to the condensed interim financial statements -

# VITALITY PRODUCTS INC.

## CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (Unaudited) (Expressed in Canadian Dollars)

	Common Shares Number	Common Shares \$	Reserves \$	Deficit \$	Total \$
Balance at January 31, 2022	41,411,285	12,505,409	1,675,675	(14,741,072)	(559,988)
Share-based compensation	-	-	22,230	-	22,230
Net loss	-	-	-	(338,185)	(338,185)
Balance at July 31, 2022	41,411,285	12,505,409	1,697,905	(15,079,257)	(875,943)
Net loss	-	-	-	(199,080)	(199,080)
Balance at January 31, 2023	41,411,285	12,505,409	1,697,905	(15,278,337)	(1,075,023)
Net loss	-	-	-	(217,993)	(217,993)
Balance at July 31, 2023	41,411,285	12,505,409	1,697,905	(15,496,330)	(1,293,016)

*- See accompanying Notes to the condensed interim financial statements -*

# VITALITY PRODUCTS INC.

## CONDENSED INTERIM STATEMENTS OF CASH FLOWS (Unaudited) (Expressed in Canadian Dollars)

	Three Months Ended July 31, 2023	Six Months Ended July 31, 2023	Three Months Ended July 31, 2022	Six Months Ended July 31, 2022
Operating Activities:				
Net loss	\$ (102,246)	\$ (217,993)	\$ (179,760)	\$ (338,185)
Adjustments for non-cash items:				
Depreciation of property and equipment	12,897	25,794	14,928	17,149
Depreciation of improvement on investment property	29	58	32	64
Share-based compensation	-	-	22,230	22,230
Accrual of dividends on redeemable preference shares	4,450	8,754	4,450	8,754
Accrual of interest on short-term investment	(2,016)	4,257	(1,750)	20
Adjustments for below-market CEBA loan (Note 9)	-	-	1,019	2,039
Changes in non-cash receivables, payables and inventories:				
(Increase) Decrease in accounts receivable	50,323	34,599	5,343	71,822
(Increase) Decrease in inventories	17,346	6,329	5,120	(18,677)
(Increase) Decrease in prepaid expenses and security deposit	8,121	13,618	11,658	6,597
Increase (Decrease) in accounts payable and accrued liabilities	17,999	(1,264)	(44,906)	(35,555)
Increase (Decrease) in the amounts owed to related parties	(14,579)	(16,292)	(20,987)	(20,939)
Cash used by operating activities	(7,676)	(142,140)	(182,623)	(284,681)
Investing Activities:				
Purchase of short-term investment	-	(200,000)	-	(750,000)
Redemption of short-term investment	-	350,000	100,000	1,050,000
Purchase of property and equipment	-	(2,221)	-	-
Cash provided by investing activities	-	147,779	100,000	300,000
Financing Activities:				
Repayment of principal portion of lease liabilities	(11,767)	(23,170)	(11,297)	(12,701)
Cash used by financing activities	(11,767)	(23,170)	(11,297)	(12,701)
Net (decrease) increase in cash	(19,443)	(17,531)	(93,920)	2,618
Cash, beginning	71,797	69,885	147,519	50,981
Cash, ending	\$ 52,354	\$ 52,354	\$ 53,599	\$ 53,599

- See accompanying Notes to the condensed interim financial statements -

# VITALITY PRODUCTS INC.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JULY 31, 2023 AND 2022

(Unaudited)

(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 periods ended July 31, 2023 and 2022, the Company experienced operating losses and had a significant working capital deficiency for the Company's current liabilities exceeded current assets. 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, raise financing through the issue of additional equity and 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.

	As at July 31, 2023	As at January 31, 2023
Deficit	\$ 15,496,330	\$ 15,278,337
Working capital (deficit)	(1,596,669)	(1,376,404)

#### a) COVID-19 –

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The Company has assessed the impact of COVID-19 in current and future operations and financial conditions.

The Company is regarded as an essential service company and has not had any significant interruptions to its operations and business as a result of the crisis. The Company continues to operate from office following the British Columbia guidelines on social distancing and safe work environments. The Company expects to continue working from office thus operations have not been affected. Financial conditions have not deteriorated as the Company has been able to continue generating revenue from sales of its natural health products. As a result, there are no expected foreseeable events that could negatively impact the Company to continue operating despite the extended impact of the COVID-19 pandemic.

## **2. Basis of Presentation:**

### **a) Statement of Compliance –**

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). Accordingly, certain information and disclosure normally included in annual financial statements prepared using accounting policies consistent with IFRS as issued by the IASB and interpretations of the IFRIC have been omitted or condensed.

The notes presented in these condensed interim financial statements include only significant events and transactions occurring since the Company’s last fiscal year end and they do not include all of the information required in the Company’s most recent annual financial statements. These condensed interim financial statements have been prepared using the same accounting policies and methods as those used in the Company’s most recent annual financial statements and should be read in conjunction with the financial statements of the Company for the years ended January 31, 2023 and 2022, which were prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC. There have been no significant changes in judgments or sources of estimation uncertainty from those disclosed in the Company’s financial statements for the years ended January 31, 2023 and 2022.

The condensed interim financial statements of the Company for the six months ended July 31, 2023 and 2022 have been prepared by management, reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on September 29, 2023. Shortly thereafter, the financial statements are made available to shareholders.

### **b) New and Amended Standards and Interpretations –**

At the date of authorization of the financial statements, the IASB and IFRIC have not issued any new and revised standards and interpretations which could be applicable to the Company and are not yet effective for the relevant reporting period. The Company generally does not early adopt any new standards or amendments and interpretations.

## **3. Significant Accounting Policies:**

These condensed interim financial statements have been prepared using the same accounting policies and methods as those used in the Company’s most recent annual financial statements and should be read in conjunction with the financial statements of the Company for the years ended January 31, 2023 and 2022, which were prepared in accordance with IFRS as issued by the IASB and interpretations of the IFRIC. There have been no significant changes in judgments or sources of estimation uncertainty from those disclosed in the Company’s financial statements for the years ended January 31, 2023 and 2022.

## **4. Short-term Investment:**

Short-term investment, measured at amortized cost, consists of one guaranteed investment certificate (“GIC”) with a balance of \$200,000 at period-end that earns interest at the rate of bank’s prime rate less 2.90%. Bank’s prime rate at period-end was 7.20%. The GIC has a maturity date of April 24, 2024.



## 5. Accounts and Other Receivables:

The balance of accounts receivable at period-end is as follows:

	<b>July 31, 2023</b>	January 31, 2023
	<b>\$</b>	<b>\$</b>
Current		
Trade receivables	<b>104,240</b>	123,844
Less: Allowance for doubtful accounts	<b>(2,281)</b>	(1,949)
Total trade receivables	<b>101,959</b>	121,895
Government assistance program receivable (Note 9)	<b>11,757</b>	26,420
Total receivables	<b>113,716</b>	148,315

The allowance for doubtful accounts balance at period-end is as follows:

	<b>July 31, 2023</b>	January 31, 2023
	<b>\$</b>	<b>\$</b>
Allowance for doubtful accounts, opening	<b>1,949</b>	2,154
Increase (Decrease) to prior year allowance	<b>332</b>	(205)
Allowance for doubtful accounts, closing	<b>2,281</b>	1,949

## 6. Inventories:

The total carrying value of inventories by classification:

	<b>July 31, 2023</b>	January 31, 2023
	<b>\$</b>	<b>\$</b>
Finished goods	<b>215,962</b>	215,364
Work in process	<b>7,583</b>	14,510
Total inventories	<b>223,545</b>	229,874

Inventories amounting to \$104,548 (2022 - \$116,520) were recognized as an expense in the period (included in cost of sales).

## 7. Property and Equipment:

	Computer Equipment \$	Office Furniture and Equipment \$	Right-of-Use Asset Automobile (Note 16) \$	Right-of-Use Asset Office (Note 16) \$	Total \$
<b>Cost</b>					
As at January 31, 2022	5,643	16,081	16,428	-	38,152
Additions	-	-	-	145,908	145,908
Disposals	-	-	(16,428)	-	(16,428)
As at January 31, 2023	5,643	16,081	-	145,908	167,632
Additions	-	2,221	-	-	2,221
Disposals	-	-	-	-	-
<b>As at July 31, 2023</b>	<b>5,643</b>	<b>18,302</b>	<b>-</b>	<b>145,908</b>	<b>169,853</b>
<b>Accumulated Depreciation</b>					
As at January 31, 2022	987	6,807	12,674	-	20,468
Depreciation	1,397	1,855	3,754	36,373	43,379
Disposals	-	-	(16,428)	-	(16,428)
As at January 31, 2023	2,384	8,662	-	36,373	47,419
Depreciation	489	964	-	24,341	25,794
Disposals	-	-	-	-	-
<b>As at July 31, 2023</b>	<b>2,873</b>	<b>9,626</b>	<b>-</b>	<b>60,714</b>	<b>73,213</b>
<b>Net Book Value</b>					
As at January 31, 2022	4,656	9,274	3,754	-	17,684
As at January 31, 2023	3,259	7,419	-	109,535	120,213
<b>As at July 31, 2023</b>	<b>2,770</b>	<b>8,676</b>	<b>-</b>	<b>85,194</b>	<b>96,640</b>

## 8. Investment Property:

	Cost \$	Accumulated Amortization \$	Carrying Value \$
<b>Cost</b>			
As at January 31, 2022	244,660	5,622	239,038
Amortization	-	128	(128)
As at January 31, 2023	244,660	5,750	238,910
Amortization	-	58	(58)
<b>As at July 31, 2023</b>	<b>244,660</b>	<b>5,808</b>	<b>238,852</b>

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 to be in the range of \$821,828 to \$909,307 (2022 - \$478,447 to \$669,826) based on comparable market prices for undeveloped land in Whatcom County. This is a level 2 fair value determination which uses valuation techniques based on inputs that are other than quoted prices that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

## 9. 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 programs
- Youth employment and intern programs

Total government assistance has been recorded against expenses recorded on the statement of loss and comprehensive loss as follows:

	July 31, 2023	July 31, 2022
	\$	\$
Cost of sales	-	1,953
Promotion	8,881	7,852
Selling fees	103	-
Consulting fees	11,195	2,068
Travel	3,699	-
Wages and salary	24,882	9,287
Total government assistance	48,760	21,160

Included in accounts and other receivables as at July 31, 2023 is \$11,757 (2022 - \$3,920) for a government assistance receivable.

### Canada Emergency Business Account (“CEBA”) Loan

During the year ended January 31, 2021, the Company received loans totaling \$60,000 pursuant to the CEBA program. The CEBA program provided reduced interest, partially forgivable loans to assist businesses with covering non-deferrable expenses during the COVID-19 pandemic. If \$40,000 of the CEBA loan is repaid on or before December 31, 2022, the remaining \$20,000 of the CEBA loan will be forgiven.

During the year ended January 31, 2022, the CEBA program repayment terms changed to if \$40,000 of the CEBA loan is repaid on or before December 31, 2023, the remaining \$20,000 of the CEBA loan will be forgiven. The Company made the required repayment during the year ended January 31, 2023 to fulfil the final commitment.

The CEBA loan initially bear no interest until December 31, 2022, at which point, if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum. The loan was initially measured at fair value of \$50,120 and is subsequently measured at amortized cost, using an effective interest rate of 7.45%. During the period ended July 31, 2023, \$Nil (2022 - \$2,039) of interest expense related to the CEBA loan was recognized and included in interest expense in the statements of loss and comprehensive loss.

## 10. Redeemable Preference Shares:

### a) Authorized –

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

### b) Issued –

		July 31, 2023		July 31, 2022	
		Shares	Amount	Shares	Amount
			\$		\$
Class A, Series 1	(a)	2,500	71,249	2,500	69,749
Class A, Series 3	(b)	26,920	616,402	26,920	600,250
			687,651		669,999

#### (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 and retractable by the holder. The redemption price is \$10 per share plus any cumulative dividends.

Included in the balance as at July 31, 2023 are aggregate cumulative preference share dividends in arrears of \$46,249 (2022 - \$44,749).

#### (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 and retractable by the holder. The redemption price is \$10 per share plus any cumulative dividends. The Company may force conversion of these shares and accumulated dividends into the Company's common shares at a forced conversion price. The number of shares that the Company will issue under forced conversion is determined by using a price equal to the lesser of:

- the then-current market price of the Company's common share and
- \$0.25 per preference share plus all unpaid dividends accrued on the preference shares thereon to the date of conversion.

Included in the balance as at July 31, 2023 are aggregate cumulative preference share dividends in arrears of \$347,202 (2022 - \$331,050).

## 11. 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.

### b) Issued and Fully Paid –

Common shares:

	Number of Shares	Share Capital	Reserves - Warrants	Reserves - Equity Settled Employee Benefits
Balance, January 31, 2022	41,411,285	\$ 12,505,409	\$ 881,931	\$ 793,744
Share-based compensation	-	-	-	22,230
Balance, January 31, 2023	41,411,285	\$ 12,505,409	\$ 881,931	\$ 815,974
	-	-	-	-
<b>Balance, July 31, 2023</b>	<b>41,411,285</b>	<b>\$ 12,505,409</b>	<b>\$ 881,931</b>	<b>\$ 815,974</b>

### c) Options –

Shareholders ratified, confirmed and approved, subject to regulatory approval, the adoption of the Company's new 20% fixed share option plan (the "Fixed Option Plan") at the Company's AGM held on July 18, 2023. On June 8, 2023, the Board of Directors approved the adoption of the Fixed Option Plan, subject to shareholder and regulatory approval, to align with the current TSX Venture Exchange ("TSXV") policies on equity compensation plans. The purpose of the Fixed Option Plan is to promote the interests of the Company and its shareholders by aiding the Company in attracting and retaining employees, officers, consultants, advisors and non-employee directors capable of assuring the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company's business and to compensate such persons through stock option arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company's shareholders.

The maximum aggregate number of common shares of the Company that may be reserved for issuance under the Fixed Option Plan, together with all other security based compensation plans, at any point in time shall not exceed 8,282,257 common shares, which represents 20% of the outstanding shares upon the date of approval of the Fixed Option Plan by the Board of Directors. The Fixed Option Plan will replace the Company's current Rolling Option Plan. All future stock option grants will be made pursuant to, or as otherwise permitted by, the Fixed Option Plan, and no further stock option grants will be made pursuant to the Company's Rolling Option Plan. The Fixed Option Plan will supersede and replace the Company's Rolling Option Plan.

For stock options granted to directors, officers and employees, 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.

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

### c) Options – (Continued)

During the period ended July 31, 2023, the Company granted no stock options.

During the year ended January 31, 2023, the Company granted 570,000 stock options with a weighted average fair value of \$0.039 per option to directors, officers, employees and consultants of the Company. These options are not subject to any vesting schedule. Share-based compensation totaling \$22,230 was expensed during the year ended January 31, 2023.

The following assumptions were used for the Black-Scholes valuation of stock options granted:

	January 31, 2023
Risk-free interest rate	3.07%
Expected life of options	5 years
Fair value per option granted	\$ 0.039
Annualized volatility	221%
Dividend rate	0.00%

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

	Number	Weighted Average Exercise Price
Balance, January 31, 2022	2,325,000	\$ 0.14
Granted	570,000	\$ 0.10
Expired	(150,000)	\$ 0.15
Balance, January 31, 2023	2,745,000	\$ 0.13
Granted	-	-
Expired	(1,550,000)	\$ 0.13
<b>Balance, July 31, 2023</b>	<b>1,195,000</b>	<b>\$ 0.14</b>

As at July 31, 2023, the following stock options were outstanding and exercisable:

Stock Options Outstanding and Exercisable	Exercise Price	Weighted Average Remaining Life (in years)	Expiry Date
100,000	\$ 0.11	0.33	December 1, 2023
150,000	\$ 0.17	1.76	May 5, 2025
375,000	\$ 0.19	2.97	July 20, 2026
570,000	\$ 0.10	3.96	July 19, 2027
<b>1,195,000</b>		<b>3.07</b>	

### d) Reserves - Warrants –

During the period ended July 31, 2023, the Company issued no warrants.

During the year ended January 31, 2023, the Company issued no warrants.

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

### d) Reserves - Warrants – (Continued)

A summary of changes in outstanding warrants is as follows:

	Number	Weighted Average Exercise Price
Balance, January 31, 2022	6,000,000	\$ 0.25
Issued	-	-
Expired	(6,000,000)	\$ 0.25
Balance, January 31, 2023	-	-
Issued	-	-
Expired	-	-
<b>Balance, July 31, 2023</b>	<b>-</b>	<b>-</b>

## 12. Related Party Transactions:

The Company is ultimately under the control of the Estate of William Neil Grant 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 Estate of William Neil Grant.

Amounts due to related parties are as follows:

	July 31, 2023	July 31, 2022
Due to Consolidated Firstfund Capital Corp.	\$ 1,396	\$ 3,140
Due to a company under control of the Estate of W.N. Grant	1,200,000	1,200,000
Due to the Estate of W.N. Grant	72,500	72,500
Due to company directors	33,000	56,000
Amounts owing to related parties	<b>\$ 1,306,896</b>	<b>\$ 1,331,640</b>
Redeemable preference shares, Series 3 held by Consolidated Firstfund Capital Corp. (Note 10)	<b>\$ 616,402</b>	<b>\$ 600,250</b>
Other amounts owed to directors included in accounts payable:	<b>\$ 28,260</b>	<b>\$ 12,237</b>

With the exception of the redeemable preference shares, the terms of amounts due to and from related parties listed above are unsecured, non-interest bearing and have no specific terms of repayment.

## 12. Related Party Transactions: (Continued)

During the period ended July 31, 2023, the Company had the following transactions with related parties:

- a) The Company reimbursed \$6,023 (2022 - \$6,206) owing to Consolidated Firstfund Capital Corp. (“CFC”) for various general and administrative (“G&A”) expenses paid by CFC on behalf of the Company such as telephone, printing, courier and office expenses. 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 \$9,000 (2022 - \$9,000).
  - CFC paid for G&A expenses of \$4,731 (2022 - \$6,266) on behalf the Company.
  - The Company recorded additional accrued dividends payable to CFC on the redeemable preference shares Series 3 of \$8,010 (2022 - \$8,010).
- b) The Company leases its investment property to a company under common control on a month-to-month basis for no consideration. Under the terms of this arrangement, the related party is responsible for paying the property tax and maintaining the land for future development or sale. Property tax paid in the current fiscal year was \$963 (2022 - \$1,005). The related party is entitled to any incidental income generated by short-term subleasing to a farmer for farming activity. Under this arrangement, the related party also has an indefinite-lived right of first refusal to purchase the property. The purchase price will be determined based on the market value of the property at the time of the purchase.

All of these transactions 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, Chief Financial Officer and Directors as follows:

	July 31, 2023	July 31, 2022
Key management personnel compensation:		
Directors’ fees	\$ 1,750	\$ 2,100
Share-based compensation recognized as the valuation of the stock options granted to officer and directors	-	19,500
Wages and salary paid to officers and directors	111,000	111,000
	<b>\$ 112,750</b>	<b>\$ 132,600</b>



### 13. 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 currency exchange rates. The Company is exposed to currency risk primarily arising from sales in the United States (See Note 15), accounts receivable balances and cash 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 which are denominated in US dollars:

	July 31, 2023	July 31, 2022
Cash	\$ 13,353	\$ 8,479
Accounts receivable	2,345	1,731
Net exposure	\$ 15,698	\$ 10,210

A 10% strengthening (weakening) of the U.S. dollar against the Canadian currency would have decreased (increased) the Company's net loss from these account balances by \$1,570 (2022 - \$1,021).

#### 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 maintaining 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 July 31, 2023, the Company is exposed to liquidity risk as a result of its current liabilities exceeding its current assets and the amounts owing to related parties of \$1,306,896 (2022 - \$1,331,640) are due on demand.

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 except its long-term lease liabilities.

#### 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, short-term investment, 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 investment 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 loss model has been accrued as disclosed in Note 5.

As at July 31, 2023, the Company has a concentration of credit risk in its accounts receivable from three of its major customers representing approximately 60%, 11% and 6% of trade receivables (2022 - 37%, 31% and 5%).

#### 14. 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 shareholders' equity and its redeemable preference shares. 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 July 31, 2023.

#### 15. Segmented Information and Economic Dependence:

The Company operates in a single segment in Canada which is business of manufacturing, marketing, and distributing natural health products, including vitamins, minerals and nutritional supplements. All of the Company's employees are located in Canada.

The following table illustrates revenue earned from external customers located in Canada and the United States for the periods ended July 31, 2023 and 2022:

	<b>2023</b>	<b>% of</b>	<b>2022</b>	<b>% of</b>
	<b>\$</b>	<b>revenue</b>	<b>\$</b>	<b>revenue</b>
Canada	<b>371,041</b>	<b>96.7%</b>	405,753	93.0%
United States	<b>12,662</b>	<b>3.3%</b>	30,541	7.0%
	<b>383,703</b>		436,294	

For the periods ended July 31, 2023 and 2022, the Company recorded the following revenue from its major customers:

	<b>2023</b>	<b>% of</b>	<b>2022</b>	<b>% of</b>
	<b>\$</b>	<b>revenue</b>	<b>\$</b>	<b>revenue</b>
Customer 1	<b>120,483</b>	<b>31.4%</b>	160,120	36.7%
Customer 2	<b>102,065</b>	<b>26.6%</b>	71,116	16.3%
Customer 3	<b>37,603</b>	<b>9.8%</b>	41,884	9.6%

For the periods ended July 31, 2023 and 2022, the Company recorded the following revenue from its main products:

	<b>2023</b>	<b>% of</b>	<b>2022</b>	<b>% of</b>
	<b>\$</b>	<b>revenue</b>	<b>\$</b>	<b>revenue</b>
Product 1	<b>202,211</b>	<b>52.7%</b>	226,873	52.0%
Product 2	<b>28,778</b>	<b>7.5%</b>	27,050	6.2%
Product 3	<b>28,394</b>	<b>7.4%</b>	36,649	8.4%

The Company has two suppliers for the manufacture of its products located in Canada.

## 16. Leases:

### a) As a Lessor –

The Company leases out its investment property to a related party under common control. The Company has classified this lease as an operating lease because it does not transfer substantially all the risks and rewards incidental to the ownership of the assets. See Note 12 for details of this lease.

### b) As a Lessee –

The Company has certain leases with lease terms of 12 months or less. The Company applied the short-term lease recognition exemptions for these leases. Expense relating to short-term leases for the period ended July 31, 2023 is \$10,688 (2022 - \$11,091).

The Company entered into a lease contract for an automobile on July 6, 2019 with a term of 39 months.

The Company received \$10,000 from the lessor for returning the right-of-use automobile at the end of the lease contract and not exercising its option to purchase the right-of-use automobile.

The Company entered into a lease contract for an office on May 1, 2022 with a term of 36 months. Set out below are the carrying amounts of the right-of-use office, the related lease liability recognized and the movements during the period:

	<b>Asset \$</b>	<b>Liability \$</b>
As at January 31, 2023	109,535	112,749
Additions	-	-
Minus: Depreciation	24,341	-
Plus: Interest on lease included in interest expense	-	4,858
Minus: Payments	-	28,028
<b>As at July 31, 2023</b>	<b>85,194</b>	<b>89,579</b>

The following table shows the maturity profile of the Company's lease liabilities based on contractual undiscounted payments as at July 31, 2023:

2024	\$ 28,128
2025	57,456
2026	14,464
<b>Total</b>	<b>\$ 100,048</b>

## 17. Earnings Per Share:

Options and warrants disclosed in Note 11 were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.