

EASTWOOD BIO-MEDICAL CANADA INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JULY 31, 2017

(Expressed in Canadian Dollars)

EASTWOOD BIO-MEDICAL CANADA INC.

FOR THE NINE MONTHS ENDED JULY 31, 2017

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NOTICE TO THE READER

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accomplished by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The unaudited condensed interim financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards for the preparation of the condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

As at	Notes	July 31, 2017	October 31, 2016
		\$	\$
ASSETS			
Current assets:			
Cash and Cash Equivalents		1,238,447	1,530,227
Accounts Receivable and Other Receivables	3	34,488	20,873
GST/HST Receivable		2,395	6,282
Inventories	4	2,797	22,135
Purchase Deposits and Prepaid Expenses		156,868	257,914
Short-Term Loan Receivable from Related Parties	6	1,392,928	1,405,653
Due from Related Parties		5,398	-
TOTAL ASSETS		2,833,321	3,243,084
LIABILITIES AND EQUITY			
CURRENT			
Accounts Payable and Accrual Liabilities		22,933	4,002
Due to Investors	7	100	100
Deferred Revenue		18,617	12,739
Due to Related Parties		-	18,724
TOTAL LIABILITIES		41,650	35,565
EQUITY			
Share Capital	8	4,603,926	4,654,259
Reserves	8	9,514	9,514
Deficit		(1,821,769)	(1,456,254)
		2,791,671	3,207,519
TOTAL LIABILITIES AND EQUITY		2,833,323	3,243,084

The accompanying notes are an integral part of the condensed interim financial statements

These financial statements are authorized for issue by the Board of Directors on September 26, 2017.

They are signed on the Company's behalf by:
“Yunji Kim”

Yunji Kim
Director

“Peter Chen”

Peter Chen
Director

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED INTERIM STATEMENTS OF OPERATIONS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended		Nine Months Ended	
	2017	July 31, 2016	2017	July 31, 2016
	\$	\$	\$	\$
Sales Revenue	120,148	76,259	376,869	349,786
Freight Revenue	6,181	5,880	14,559	17,039
Total Revenue	126,329	82,139	391,428	366,825
Cost of Purchases	53,000	43,703	229,364	208,087
Gross Profit	73,329	38,436	162,064	158,738
Expenses				
Accounting and Audit Fees	-	8,603	40,660	38,563
Advertising and Marketing	58,193	12,144	65,172	27,888
Bank and Credit Card Charges	446	250	1,002	733
Consulting Fees	16,200	15,000	46,200	25,500
Foreign Exchange Loss (Gain)	4,357	1,003	12,064	522
Legal Fees	2,282	6,518	9,776	16,670
Listing Expenses	5,590	4,025	13,474	14,083
Management Fees	63,250	63,250	189,750	189,750
Office Expenses	2,518	1,906	3,782	3,228
Shipping	4,211	5,049	12,266	18,247
Wages & Salaries	69,107	73,149	199,975	194,679
	226,154	190,897	594,121	529,863
Other Income	20,939	7,274	66,542	19,689
NET LOSS AND COMPREHENSIVE LOSS	(131,886)	(145,187)	(365,515)	(351,436)
Earnings Loss Per Share – Basic & Diluted	0.00	0.00	0.01	0.01
Weighted Average Number of Shares Outstanding – Basic & Diluted	67,355,969	67,355,969	67,355,969	67,355,969

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Share Capital				
	Number of Shares	Amount	Reserves	Deficit	Total Equity
		\$	\$	\$	\$
Balance as of October 31, 2015	67,335,969	4,704,591	9,514	(987,775)	3,726,330
Net Loss	-	-	-	(351,436)	(351,436)
Balance as of July 31, 2016	67,335,969	4,704,591	9,514	(1,339,211)	3,374,894
Fair Value of Related Party Loan	-	(50,332)	-	-	(50,332)
Net Loss	-	-	-	(117,043)	(117,043)
Balance as of October 31, 2016	67,335,969	4,654,259	9,514	(1,456,254)	3,207,519
Fair Value of Related Party Loan	-	(50,332)	-	-	(50,332)
Net Loss	-	-	-	(365,515)	(365,515)
Balance as of July 31, 2017	67,335,969	4,603,927	9,514	(1,821,769)	2,791,672

The accompanying notes are an integral part of the condensed interim financial statements

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Notes	Nine Months Ended July 31, 2017	Nine Months Ended July 31, 2016
		\$	\$
OPERATING ACTIVITIES			
Net Loss For The Period		(365,515)	(351,436)
Non-Cash Items			
Interest Income		(37,608)	-
Changes in Non-Cash Working Capital			
Accounts Receivable		(13,615)	4,678
GST/HST Receivable		3,887	(454)
Inventories		19,338	(20,585)
Prepaid Expenses		101,046	34,159
Accounts Payable and Accrued Liabilities		18,931	9,495
Deferred Revenue		5,878	(77,734)
Due (to)/from Related Parties		(24,122)	(1,235,240)
Cash Provided By (Used In) Operating Activities		(291,780)	(1,637,117)
FINANCING ACTIVITIES			
Cash Provided By Financing Activities		-	-
INVESTING ACTIVITIES			
Changes in Short-Term Investments		-	500,000
Cash Provided By Investing Activities		-	500,000
(DECREASE)/INCREASE IN CASH		(291,780)	(1,137,117)
CASH AND CASH EQUIVALENT – BEGINNING OF PERIOD		1,530,227	2,776,804
CASH AND CASH EQUIVALENT – END OF PERIOD		1,238,447	1,639,687

The accompanying notes are an integral part of the condensed interim financial statements

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

1. Nature of Operations and Going Concern

Eastwood Bio-Medical Canada Inc. (the "Company") was incorporated under the provincial Business Corporations Act (British Columbia) on December 10, 2010 and its registered office is at Unit 1130-4871 Shell Road, Richmond, BC, Canada, V6X 3Z6. The Company was formerly 100% owned by Eastwood Bio-Medical Research Inc. (EBMR), a privately owned Canadian company engaged in the development and commercialization of safe and effective treatment for non-insulin dependent diabetes mellitus (NIDDM-Type II diabetes). EBMR has commenced commercial operations to market and distribute its core technology, Eleotin[®], to facilitate the management of metabolic disorders such as diabetes. The Company was listed on the TSX Venture Exchange (the "Exchange") as "EBM" on September 5, 2014.

On July 4, 2013, EBMR subdivided the one issued and outstanding common share of the Company into 48,000,000 common shares of the Company. All share and per share information presented in these financial statements has been adjusted to reflect the impact of the stock split.

During the year ended October 31, 2014, the Company successfully completed its initial public offering. Jordan Capital Markets Inc. acted as agent in connection with the offering. Pursuant to the offering, the Company issued 3,135,400 common shares of the Company at 25 cents per common share for gross proceeds of \$783,850. In addition to the common shares sold under the offering, the distribution of 16,220,569 common shares was qualified under the prospectus prepared in connection with the initial public offering. The Company now has 67,355,969 common shares issued and outstanding. The full disclosure concerning the Company's share capital is included and discussed in Note 7.

Effective on November 1, 2012, the Company entered into a Distribution and Licensing Agreement with EBMR ("License Agreement"), pursuant to which the Company became the exclusive distributor in Canada and non-exclusive distributor in the US for sales and distributing the EBMR's products. Pursuant to the License Agreement, the Company shall purchase the products from EBMR at pre-agreed upon purchase prices. The agreement will be valid for a period of ten years, and will automatically renew for subsequent terms of five years. Effective March 17, 2014, the Company amended and restated the License Agreement. Pursuant to this Amended and Restated Distribution and License Agreement (the "Current Agreement"), the pre-agreed upon purchase price was amended to pre-agreed upon percentage of the suggested retail price set by EBMR on products sold.

On December 12, 2012, the Company entered into Management and Administrative Service Agreement with EBMR ("Management Agreement"), pursuant to which the Company will make a payment of \$253,000 per year to EBMR in return for the management and support services provided by EBMR. This amount will cover the general administration expenses that would otherwise be incurred by EBMC, including payroll and related employee expenses, office premise and equipment rental, meals and entertainment expenses, bank charges, depreciation expenses, general insurance and general office expenses, etc. EBMR has the right to change the management fee amount from time to time on 30 days notice. There has been no change to the Management Agreement since 2012.

On June 19, 2015, the Company entered into a Memorandum of Understanding with EBMR ("MOU"), pursuant to which the Company is permitted to sell certain products to selected sub-distributors located in Asia. The Company shall purchase the products from EBMR at pre-agreed upon purchase price. EBMR retains the right to revoke the MOU at any time.

As at July 31, 2017, the Company has working capital of \$2,791,671, and has incurred accumulated loss of \$1,821,769 since incorporation. The Company possesses \$1,238,447 in cash and cash equivalents. The continuation of the Company as a going concern is dependent upon its ability to attain profitable operations. In the event that the cash flow from operations are insufficient to meet the Company's current operating expenses, the Company will be required to scale back and re-evaluate its planned expenditures and allocate its resources in such a manner as the Board of Directors and management deems to be in the Company's best interest. To the extent that the Company is unable to cover its ongoing cash requirements through operations, additional financing will be needed. However, there can be no assurance that such financing will occur in the amounts and with the terms expected in favor of the Company.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

2. Significant Accounting Policies

(a) Statement of Compliance

These condensed interim financial statements for the nine months ended July 31, 2017 (the “Interim Financial Statements”), have been prepared in accordance with IAS 34, ‘Interim financial reporting’. The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended October 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standard Board (“IASB”) and interpretations of the International Financial Reporting interpretation Committee (“IFRIC”).

These interim financial statements were authorized for issue by the Board of Directors on September 26, 2017.

(b) Basis of presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies. These financial statements are presented in Canadian dollars, which is the Company’s presentation currency.

(c) Functional Currency and Foreign Currency Translation

The Company’s functional currency is the Canadian dollar as the Company is based out of Canada and obtains the majority of its financing through Canadian dollar initial public offerings. Canadian dollar is the Company’s functional currency for its operations and its corporate head office in Canada. Assets and liabilities in U.S. dollars have been converted into Canadian dollars using the rate of exchange prevailing at the respective balance sheet date. Revenue and expenses in U.S. dollars were translated at average rates of exchange for the year. The resulting foreign exchange gains and losses were recognized in the statements of operations.

(d) Significant Judgments, Estimates and Assumptions

The preparation of these financial statements requires management to make judgment, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Areas of Judgments

(i) Revenue

The Company assesses its revenue arrangement against specific criteria to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, as well as which party has credit risk, general and inventory risk (or equivalent) and latitude in establishing prices.

(ii) Impairment of loan receivable

The Company exercises judgment when evaluating the evidence of impairment for loan receivable from EBMR. Management’s judgment in this area are based on information available from EBMR at that time. In assessing impairment, management has considered a number of factors, including EBMR’s revenue sources, projected cash flow, the fair value of the real estate assets secured for the loan and the amount of other assets held by EBMR. As of July 31, 2017, there is no evidence of impairment identified by management. Actual results could differ from the judgment.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

2. Significant Accounting Policies

Areas of Assumptions and Estimates

(i) Deferred Taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in the future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(ii) Valuation of Option

Estimating the fair value of granted brokers' options required determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. The fair value of brokers' options are estimated using the Black Scholes Model. The estimate of option valuation also requires determining the most appropriate inputs to the valuation model including the volatility, expected life of warrants and options, risk free interest rate and dividend yield (Note 7(f)).

(iii) Loans at Below-Market Interest Rate

Loans provided to the related company with below-market interest rates are valued at inception using fair market interest rate for arm's length loans. Such interest rate require management's estimate by reference to loan interest paid by comparable companies in the similar sector. The Company estimates 5.7% being the reasonable interest rate that EBMR would likely pay in obtaining loans.

(e) Financial Instruments

All financial instruments are classified into one of five categories: fair value through profit and loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments are initially measured at fair value less transaction costs. All financial instruments are subsequently measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows:

- Fair value through profit and loss financial instruments are measured at fair value and changes in fair value are recognized in profit or loss;
- Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the asset is derecognized or impaired at which time the amounts would be recorded in profit or loss;
- Loans and receivables, held to maturity investments, and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has classified its financial instruments as follows:

- Fair value through profit and loss- cash and cash equivalents and short-term investment
- Loans and receivables – due from related parties, accounts receivable and other receivables and short-term loan receivable
- Other financial liabilities – accounts payable and accrued liabilities and due to investors, and due to related parties

Financial assets measured at amortized cost are assessed at the end of each reporting period whether there is any objective evidence of impairment.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

2. Significant Accounting Policies

The Company's cash and cash equivalents, restricted cash and short-term investments are measured as level 1 input.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments with a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents only consist of cash as of July 31, 2017.

(g) Short-Term Investments

Short term investments consists of highly liquid investments held in the Company's investment account, having maturity of twelve months or less and are readily convertible to cash. As of July 31, 2017, the balance of Short-Term Investments is \$NIL. As of October 31, 2016, the balance of Short-Term Investment is \$NIL.

(h) Accounts Receivable and Other Receivables

Accounts receivables and other receivables are presented net of allowance for doubtful accounts. The allowance for doubtful accounts reflects estimates of probable losses in accounts receivable. The allowance is determined based on balances outstanding for over 90 days from the invoice date, historical experience and other current information. The Company extends credit to customers and distributors; credit checks are required for all new distributors.

(i) Inventories

Inventories are valued at the lower of cost and net realizable value. All the inventories are purchased from EBMR. Cost only includes cost of purchases computed using the first-in, first-out method. Net realizable value is determined by reference to the sales proceeds of items sold in the ordinary course of business, less estimated costs necessary to make the sales.

(j) Purchase Deposits and Prepaid Expenses

Purchase deposits and prepaid expenses are payments before the criteria for expense recognition have been met. The payment is expected to yield economic benefits over one or more future periods.

(k) Share Capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and the fair value of brokers' options, share purchase options are recognized as a deduction from equity, net of any tax effects.

(l) Income Taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is recognized in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously

Deferred tax is recognized on temporary differences arising from the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the reporting date. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(m) Segment Reporting

The Company operates in a single reportable operating segment as a natural health supplement distribution company.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

2. Significant Accounting Policies

(n) Revenue

The Company generates revenue by acting as a distributor of EBMR pursuant to the License Agreement effective on November 1, 2012, the Current Agreement effective on March 17, 2014 and the MOU entered on June 19, 2015. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable by the Company, net of returns, sales taxes, discount and customs duties. Revenue is recognized when the significant risk and rewards of ownership have been transferred to the buyer, usually upon receipt of the goods by customers. Pre-billed amounts are deferred and recognized when the goods have been received by customers. The Company has concluded that it is acting as a principal in all of its revenue arrangements. As a principal, the Company obtains and validates a customer's order, purchases, arranges for shipment of the product to customers, collects payment from customers, and processes returns. The Company's product is shipped directly to customers using third-party carriers. Freight revenue is recognized the same time as the product sales revenue.

(o) Share-Based Payments

The Company operates an employee stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to nonemployees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve.

The fair value of options is determined using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Share-based compensation expense is credited to the equity settled share-based payment reserve. If the options are later exercised, their fair value is transferred from the reserve to share capital.

(p) Loss Per Share

Basic loss per share is computed by dividing net earnings loss (the numerator) by the weighted average number of outstanding common shares for the year (denominator). Escrow shares that are contingently returnable are not treated as outstanding and are excluded from the calculation of basic loss per share until the date the shares are no longer subject to recall. In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments. In periods where a net loss is reported all outstanding options, warrants and other convertible instruments are excluded from the calculation of diluted loss per share, as they are all anti-dilutive.

(q) Newly adopted and future standards and interpretations not yet adopted

There is no amendment adopted for the fiscal nine months ended July 31, 2017.

The following standards are not effective until fiscal years beginning on or after November 1, 2016, and, unless otherwise indicated, have no effect on the Company's financial performance:

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

2. Significant Accounting Policies

(q) New standards and interpretations not yet adopted (continued)

In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the “own credit requirement” in isolation without the need to change any other accounting for financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the complete version of IFRS 9, issued in July 2014, moved the mandatory effective date to January 1, 2018.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning November 1, 2018, and may consider earlier adoption.

IAS 7 Statement of Cash Flows (Amendment)

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments are part of the IASB’s Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate both cash flow and non-cash changes in liabilities arising from financing activities. These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

IAS 12 Income Taxes (Amendment)

In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 12 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

The amendments clarify the following aspects around the recognition of deferred tax assets for unrealized losses:

- Decreases in the carrying amount of a fixed-rate debt instrument for which the principal is paid on maturity give rise to a deductible temporary difference if the debt instrument is measured at fair value and its tax base remains at cost.
- An entity’s estimate of future taxable profit may include amounts from assets it expects to recover in excess of their carrying amounts if there is sufficient evidence that it is probable the entity will achieve this.
- An entity’s estimate of future taxable profit excludes tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses whether to recognize the tax effect of a deductible temporary difference as a deferred tax asset in combination with other deferred tax assets. If tax law restricts the utilization of tax losses so that an entity can only deduct tax losses against income of a specified type(s) (e.g. if it can deduct capital losses only against capital gains), the entity must still recognize a deferred tax asset in combination with other deferred tax assets, but only with deferred tax assets of the appropriate type.

These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2017

3. Accounts Receivable and Other Receivable

	As at July 31, 2017	As at October 31, 2016
	\$	\$
Trade Receivable	30,802	9,510
Interest Receivable	3,686	11,021
Other Receivable	-	342
Total	34,488	20,873

Trade receivables and other receivable are all current.

4. Inventories

As of July 31, 2017, the inventories amounted to \$2,797 (October 31, 2016: \$22,135) are finished goods products purchased from EBMR. For the nine months ended July 31, 2017, the amounts of inventories recognized as cost of goods sold were \$106,597 (July 31, 2016: \$nil). For the nine ended July 31, 2017, there was \$nil write down of inventory recognized as an expense (July 31, 2016: \$nil).

5. Purchases Deposits and Prepaid Expenses

The prepaid purchase cost amount will be expensed to cost of purchase upon receipt of the EBMR products. The prepaid management fee amount will be expensed to management fees when the expense occurs.

6. Short-Term Loan Receivable from Related Parties

During the nine month ended July 31, 2017, the Company entered into loan extension agreements with EBMR, for a total loan amount of \$1.44 million with a maturity date of June 24, 2018. The loan is secured against EBMR's real estate assets, repayable in 12 months and bears interest at 2 per cent per annum, payable annually in arrears. The proceeds of the loan will be used by EBMR for production facility improvements, equipment purchases, additional staffing, and research and development related to natural health products currently sold by the EBMR and the Company. Pursuant to the loan agreement, EBMR has granted the Company the right to purchase the manufacturing business, comprising the land, buildings, equipment, manufacturing licenses, permits and other rights, operations, and know-how. The purchase right may be exercised at any time up to 24 months from the advance of the loan, at the market price of the business determined at the time of purchase. During the nine months ended July 31, 2017, the Company received \$28,879 in interests from EBMR and recorded \$66,542 (July 31, 2016: \$nil) interest revenue in the statements of loss and comprehensive loss.

7. Share Purchase Warrants and Due to Investors

Due to investors represents the refundable amount in connection to proceeds of special warrants the holders of which did not convert to common shares. As at July 31, 2017, the balance of the Due to Investor account is \$100 (October 31, 2016: \$100).

As of July 31, 2017, the Company has outstanding warrants of 400 (October 31, 2016: 400). These warrants were issued to the potential investors. Each warrant entitles the holder to automatically acquire, without payment of additional consideration, and without further action on the part of the holder, either: (i) one share of the Company within five days following the first business day following the day on which a receipt for a final prospectus has been issued by or on behalf of the last of the securities regulatory authorities in the Province of British Columbia and in such other jurisdictions as may be determined by the Company qualifying the distribution of shares to be issued upon exercise of the special warrants; or (ii) if such release condition is not satisfied, the subscription proceeds will be returned to the subscriber without interest or deduction.

During the nine months ended July 31, 2017, no warrants were issued.

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8. Share Capital

a) Authorized Share Capital

Authorized: Unlimited Common Shares without par value

b) Issued Share Capital

As at July 31, 2017, there were 67,355,969 common shares (October 31, 2016: 67,355,969) issued and outstanding.

c) Common Shares

The Company provided a loan to EBMR during 2016. The interest rates of the loan is lower than market rates for similar loans. This loan is considered as a below market interest rate loan. Fair market value of the loan is computed by discounting the future cash flows of the loans at the market rate of 5.7% per annum. The excess of the loan principal over the initial carrying amount of the loan is recorded as a reduction to share capital. Amount of \$50,332 is recorded as a reduction to share capital during the year ended October 31, 2016. During the nine month ended July 31, 2017, the Company extended the maturity date of the loan to June 24, 2018. Amount of \$50,332 is recorded as a reduction to share capital as a result of the extension.

d) Escrow Shares

As at July 31, 2017, there were 7,200,000 common shares held in escrow (October 31, 2016: 14,400,000). The incorporation share is subject to the Escrow Agreement dated June 16, 2014 as well as the Performance Escrow Agreement dated June 16, 2014.

Under the Performance Escrow Agreement, the shares held in escrow are released at 25% increments every year upon the Company achieving predetermined annual net sales or annual net income target after the listing date.

e) Share Purchase Options

The Company has adopted an incentive share purchase option plan under the rules of the TSX Venture Exchange pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 5 years and generally vest either immediately or in specified increments of 25%. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued on exercise of options are restricted from trading during the four month period subsequent to the date of grant.

The Company has issued no incentive stock options entitling the holders to acquire common shares of the Company at a specified price since incorporation other than the options granted to the Agent pursuant to the initial public offering. As at July 31, 2017, nil (October 31, 2016: nil) option is outstanding and exercisable. All the options issued in the year ended October 31, 2013 were expired without exercise during the year ended October 31, 2014.

9. Related Party Transactions

(i) Trading Transactions

During the nine months ended July 31, 2017, the Company incurred \$189,750 (July 31, 2016: \$189,750) in management fee to EBMR, in return of the management and administrative services provided by EBMR.

During the nine months ended July 31, 2017, the Company incurred \$221,582 (July 31, 2016: \$200,362) in purchase costs for purchases of products from EBMR at the pre-agreed upon purchase price as described in Note 1.

During the nine months ended July 31, 2017, the Company purchased \$106,597 (July 31, 2016: \$nil) inventories from EBMR, \$125,935 inventories were sold and recorded in cost of purchases and \$2,797 (October 31, 2016: \$22,135) inventories were not sold as of July 31, 2017.

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9. Related Party Transactions

(ii) Compensation of key management personnel

There was no remuneration of directors and other members of key management personnel during the nine months ended July 31, 2017 except below:

During the nine months ended July 31, 2017, amount of \$18,000 (July 31, 2016: \$15,000) consulting fee was incurred/paid to the CFO and director of the Company for services provided.

During the nine months ended July 31, 2017, amount of \$27,000 (July 31, 2016: \$10,500) consulting fee was incurred/paid to the CEO and director of the Company for services provided.

During the nine months ended July 31, 2017, amount of \$1,200 (July 31, 2016: \$nil) consulting fee was incurred/paid to a company owned by a director of the Company for accounting services.

Key management personnel were not paid post-employment benefits, termination benefits, or other long term benefits during the nine months ended July 31, 2017 and 2016.

10. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Overview The Company's financial instruments consist of cash and cash equivalents, accounts receivable and other receivables, due from related parties, accounts payable and accrued liabilities and due to investors. The fair value of these financial instruments approximates their carrying value due to short term nature.

Credit Risk

Credit Risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held with reputable institutions in Canada. The Company is not exposed to any material credit risk.

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 ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash. At July 31, 2017, the Company had accounts payable and accrued liabilities of \$22,933 (October 31, 2016: \$4,002), which are due in the short term (0 - 3 months) and due to investors of \$100 (October 31, 2016: \$100).

Market Risks

The Company will be subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure. For the nine months ended July 31, 2017, the Company held \$NIL (October 31, 2016: \$NIL) financial instruments subject to significant foreign exchange or interest rate risks.

Capital Management

The Company defines capital as all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business.

The Company does not pay dividends and is not subject to any externally imposed capital requirements. There were no changes to the Company's approach to capital management for the nine months ended July 31, 2017.

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11. Commitments

Effective on November 1, 2012, the Company entered into a Distribution and Licensing Agreement with EBMR ("License Agreement"), pursuant to which the Company became the exclusive distributor in Canada and non-exclusive distributor in the US for sales and distributing the EBMR's products. Pursuant to the License Agreement, the Company shall purchase the products from EBMR at pre-agreed upon purchase prices. The agreement will be valid for a period of ten years, and will automatically renew for subsequent terms of five years. Effective March 17, 2014, the Company amended and restated the License Agreement. Pursuant to this Amended and Restated Distribution and License Agreement (the "Current Agreement"), the pre-agreed upon purchase price was amended to pre-agreed upon percentage of the suggested retail price set by EBMR on products sold.

On December 12, 2012, the Company entered into Management and Administrative Service Agreement with EBMR ("Management Agreement"), pursuant to which the Company will make a payment of \$253,000 per year to EBMR in return for the management and support services provided by EBMR. There has been no change to the Management Agreement since 2012.

On June 19, 2015, the Company entered into a Memorandum of Understanding with EBMR ("MOU"), pursuant to which the Company is permitted to sell certain products to selected sub-distributors located in Asia. The Company shall purchase the products from EBMR at pre-agreed upon purchase price. EBMR retains the right to revoke the MOU at any time.

12. Segmented Information

The Company has one reportable business segment, being the distribution of Eleotin[®] products and related products in North America and Asia. Below is the breakdown of sales by geographical location:

Sales	Canada \$	%	U.S. \$	%	Asia \$	%	Total \$	%
July 31, 2017	210,114	55.8	166,755	44.2	-	-	376,869	100.0
July 31, 2016	72,711	20.8	194,659	55.6	82,416	23.6	349,786	100.0

13. Subsequent Events

Subsequent to the nine month ended July 31, 2017, the Company has arranged and completed a non-brokered private placement of 1,530,000 common shares at a price of 6.5 cents per share for gross proceeds of \$99,450.

14. Comparative Amounts

The comparative amounts presented in these financial statements have been reclassified where necessary to conform to the presentation used in the current year.