

EASTWOOD BIO-MEDICAL CANADA INC.

FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2016

EASTWOOD BIO-MEDICAL CANADA INC.

FOR THE YEAR ENDED OCTOBER 31, 2016

Table of contents

Statements of financial position.....	5
Statements of loss and comprehensive loss.....	6
Statements of cash flows	7
Statements of changes in equity.....	8
Notes to financial statements.....	9-19

Management's Responsibility for Financial Reporting

The accompanying financial statements of Eastwood Bio-Medical Canada Inc. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgements and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

Directors are responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

February 27, 2017

(signed)

"Yunji Kim"

President

(signed)

"Peter Chen"

CFO

Independent Auditors' Report

To the shareholders of Eastwood Bio-Medical Canada Inc.:

We have audited the accompanying financial statements of Eastwood Bio-Medical Canada Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2016 and 2015, the statements of loss and comprehensive loss, changes in equity, and cash flows, for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and reasonableness of the accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastwood Bio-Medical Canada Inc. as at October 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Vancouver, British Columbia



February 27, 2017

Chartered Professional Accountants

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF FINANCIAL POSITION

As at	Notes	October 31 2016	October 31 2015
ASSETS			
CURRENT			
Cash and Cash Equivalents		\$ 1,530,227	\$ 2,776,804
Short-Term Investments		-	500,000
Accounts Receivable and Other Receivables	3	20,873	10,365
GST/HST Receivable		6,282	6,552
Inventories	4	22,135	-
Purchase Deposits and Prepaid Expenses	5	257,914	513,396
Due from Related Parties	9	-	18,873
Short-Term Loan Receivable from Related Parties	6	1,405,653	-
TOTAL ASSETS		3,243,084	3,825,990
LIABILITIES AND EQUITY			
CURRENT			
Accounts Payable and Accrued Liabilities		\$ 4,002	\$ 7,285
Due to Investors	7	100	100
Deferred Revenue		12,739	90,700
Due to Related Parties	9	18,724	1,575
TOTAL LIABILITIES		35,565	99,660
EQUITY			
Share Capital	8	4,654,259	4,704,591
Reserves		9,514	9,514
Deficit		(1,456,254)	(987,775)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 3,243,084	\$ 3,825,990

The accompanying notes are an integral part of the financial statements

These financial statements are authorised for issue by the Board of Directors on February 27, 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.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	For the year ended October 31, 2016	For the year ended October 31, 2015
Sales Revenue	\$ 442,814	\$ 1,147,663
Freight Revenue	21,119	38,435
Total Revenue	463,933	1,186,098
Cost of Purchases	263,454	816,514
Gross Profit	200,479	369,584
Accounting & Auditing	41,969	50,000
Advertising & Marketing	41,112	51,827
Auto & Travel Expenses	1,351	2,883
Bad Debt	-	814
Bank & Credit Card Charges	1,071	1,835
Consulting Expenses	40,500	18,440
Foreign Exchange Loss	6,031	6,953
Investor Relations	8,053	7,933
Legal Fees	18,055	18,819
Listing Expenses	8,083	10,116
Management Fees	253,000	253,000
Office Supplies	2,450	6,074
Shipping	22,700	22,171
Wages & Salaries	270,701	208,937
	715,076	659,802
Other Income	46,118	29,837
Net Loss and Comprehensive Loss	\$ 468,479	\$ 260,381
Basis and Diluted Loss Per Share	\$ 0.01	\$ 0.00
Weighted Average Number of Shares Outstanding-Basic and Diluted	67,355,969	67,355,969

The accompanying notes are an integral part of the financial statements

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF CASH FLOWS

	For the year ended October 31, 2016	For the year ended October 31, 2015
OPERATING ACTIVITIES		
Net (Loss) For The Year	\$ (468,479)	\$ (260,381)
Item Not Affecting Cash:		
Bad Debts	-	814
Interest income	(15,985)	-
Changes in Non-Cash Working Capital		
Accounts Receivable and Other Receivables	(10,508)	(7,335)
Deferred Revenue	(77,961)	80,846
Due from Related Parties	17,298	12,911
Due to Related Parties	18,724	-
Accounts Payable and Accrued Liabilities	(3,283)	(69,249)
GST/HST Receivable	270	2,718
Inventories	(22,135)	-
Purchase Deposits and Prepaid Expenses	255,482	(30,832)
Cash (Used In) Provided By Operating Activities	(306,577)	(270,508)
FINANCING ACTIVITIES		
Warrant Subscriptions Refunded	-	(2,700)
Short-Term Loan to Related Party	(1,440,000)	-
Cash (Used In) Provided By Financing Activities	(1,440,000)	(2,700)
INVESTING ACTIVITIES		
Funds Released from Restricted Cash	-	463,476
Changes in Short-Term Investments	500,000	50,000
Cash (Used In) Provided By Investing Activities	500,000	513,476
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENT	(1,246,577)	240,268
CASH AND CASH EQUIVALENT - BEGINNING OF YEAR	2,776,804	2,536,536
CASH AND CASH EQUIVALENT - END OF YEAR	\$ 1,530,227	\$ 2,776,804

The accompanying notes are an integral part of the financial statements

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF CHANGES IN EQUITY

	Notes	Share Capital		Reserves	Deficit	Total Equity
		Number of Shares	Amount \$			
Balance as of October 31, 2014		67,355,969	4,704,591	9,514	(727,394)	3,986,711
Net Loss		-	-	-	(260,381)	(260,381)
Balance as of October 31, 2015		67,355,969	4,704,591	9,514	(987,775)	3,726,330
Fair Value of Related Party Loan	8	-	(50,332)	-	-	(50,332)
Net Loss		-	-	-	(468,479)	(468,479)
Balance as of October 31, 2016		67,355,969	4,654,259	9,514	(1,456,254)	3,207,519

The accompanying notes are an integral part of the financial statements

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 and 8.

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 October 31, 2016, the Company has working capital of \$3,207,519, and has incurred accumulated loss of \$1,456,254 since incorporation. The Company possesses \$1,530,227 in cash. 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.

2. Significant Accounting Policies

(a) Statement of Compliance

The financial statements of the Company comply with the International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved by the Board of Directors for issuance on February 27, 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 October 31, 2016, there is no evidence of impairment identified by management. Actual results could differ from the judgment.

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.

2. Significant Accounting Policies (continued)

(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.

(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, 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).

The Company's cash and cash equivalents 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 October 31, 2016 and October 31, 2015.

2. Significant Accounting Policies (continued)

(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 October 31, 2016, the balance of Short-Term Investments is \$nil (2015: \$500,000).

(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.

2. Significant Accounting Policies (continued)

(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 year ended October 31, 2016.

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.

2. Significant Accounting Policies (continued)

(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.

3. Accounts Receivable and Other Receivable

	As at October 31, 2016	As at October 31, 2015
	\$	\$
Trade Receivable	9,510	2,171
Interest Receivable	11,021	7,944
Other Receivable	342	250
Total	20,873	10,365

Trade receivables, interest receivable and other receivable are all current.

4. Inventories

As of October 31, 2016, the inventories balance of 22,135 are finished goods products purchased from EBMR. For the years ended October 31, 2016, the amounts of inventories recognized as expenses were \$21,298 (2015: \$nil). For the year ended October 31, 2016, there was \$nil write down of inventory recognized as an expense (2015: \$nil).

5. Purchase 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.

The movement of the purchase deposits and prepaid expenses:

	Purchase Deposits	Prepaid Expenses	Total
	\$	\$	\$
November 1, 2014	482,564	-	482,564
Amount paid	222,792	-	222,792
Amount expensed	(191,960)	-	(191,960)
October 31, 2015	513,396	-	513,396
Amount paid	-	231,917	231,917
Amount expensed	(276,566)	(210,833)	(487,399)
October 31, 2016	236,830	21,084	257,914

6. Short-Term Loan Receivable from Related Parties

During the year ended October 31, 2016, the Company entered into loan agreements with EBMR, for a total loan amount of \$1.44 million. 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 year ended October 31, 2016, \$26,085 (2015: \$nil) interest revenue was included in other income 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 October 31, 2016, the balance of the Due to Investor account is \$100 (October 31, 2015: \$100). Also see Note 8.

7. Share Purchase Warrants and Due to Investors (continued)

As of October 31, 2016, the Company has outstanding warrants of 400 (2015: 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 year ended October 31, 2016 and 2015, no warrants were issued.

During the year ended October 31, 2016, amount of \$nil (2015: \$2,700) proceeds from the issuance of warrants have been refunded to investors. As at October 31, 2016, the balance of the Due to Investor account is \$100 (October 31, 2015: \$100).

8. Share Capital

a) Authorized Share Capital

Authorized: Unlimited Common Shares without par value

b) Issued Share Capital

As at October 31, 2016, there were 67,355,969 common shares (October 31, 2015: 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.

d) Escrow Shares

As at October 31, 2016, there were 14,400,000 common shares held in escrow (October 31, 2015: 28,800,000). 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 October 31, 2016, nil (October 31, 2015: 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 year ended October 31, 2016, the Company incurred \$253,000 (October 31, 2015: \$253,000) in management fees to EBMR, in return for the management and administrative services provided by EBMR. As of October 31, 2016, the Company has \$21,084 of prepaid management fee (October 31, 2015: \$nil) made to EBMR.

During the year ended October 31, 2016, the Company incurred \$232,498 (October 31, 2015: \$789,372) in purchase costs for purchases of products from EBMR at the pre-agreed upon purchase price as described in Note 1. As of October 31, 2016, the Company has \$236,830 of purchases deposits (October 31, 2015: \$513,396) made to EBMR.

During the year ended October 31, 2016, the Company purchased \$43,433 (October 31, 2015: \$nil) inventories from EBMR, \$21,298 inventories were sold and recorded in cost of purchases and \$22,135 inventories were not sold as of October 31, 2016.

As of October 31, 2016, amount of \$7,310 was due to (October 31, 2015: \$17,298 was due from) EBMR, at zero interest and due on demand.

Also see Note 6.

(ii) Compensation of key management personnel

There was no remuneration of directors and other members of key management personnel during the year ended October 31, 2016 except below:

During the year ended October 31, 2016, amount of \$3,406 (2015: \$nil) accounting fee was incurred/paid to a director of the Company for accounting services provided.

During the year ended October 31, 2016, amount of \$21,000 (2015: \$18,000) consulting fee was incurred/paid to the CFO and director of the Company for services provided. As of October, 2016, payable balance of \$nil (October 31, 2015: \$1,575) was included in Due to Related Parties.

During the year ended October 31, 2016, amount of \$19,500 (2015: \$nil) consulting fee was incurred/paid to the CEO and director of the Company for services provided. As of October, 2016, payable balance of \$11,414 (October 31, 2015: \$nil) was included in Due to Related Parties.

Key management personnel were not paid post-employment benefits, termination benefits, or other long term benefits for the year ended October 31, 2016 and 2015.

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, short-term loan receivable, 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. For the year ended October 31, 2016, there are no customers (2015 – two customers) whose revenue represent greater than 10% of the total revenue.

10. Financial Risk Management

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 October 31, 2016, the Company had accounts payable and accrued liabilities of \$4,002 (October 31, 2015: \$7,285), which are due in the short term (0 - 3 months) and due to investors of \$100 (October 31, 2015: \$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 year ended October 31, 2016, the Company held \$nil (October 31, 2015: \$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 year ended October 31, 2016.

11. Income Tax

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended October 31, 2016 and 2015:

	2016	2015
	\$	\$
Net loss before tax	(468,479)	(260,381)
Statutory tax rate	26%	26%
Expected income tax (recovery)	(121,805)	(67,699)
Non-taxable amount	(4,503)	-
Change in Deferred tax asset not recognized	126,308	67,699
Total income tax expense (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences at October 31, 2016 and 2015 are as follows:

	2016	2015
	\$	\$
Financing cost	53,761	80,641
Non capital loss carryforwards	1,554,215	1,041,537
Unrecognized deductible temporary differences	1,607,976	1,122,178

As at October 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$1,554,215 (2015: 1,041,537) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

11. Income Tax (continued)

Expiry	\$
2031	30,897
2032	38,117
2033	139,282
2034	545,979
2035	287,262
2036	512,678
TOTAL	1,554,215

12. 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.

13. Segment 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 revenue by geographical location:

Revenue	Canada		U.S.		Asia		Total	
	\$	%	\$	%	\$	%	\$	%
October 31, 2016	117,654	25	259,871	56	86,408	19	463,933	100
October 31, 2015	130,880	11	296,142	25	759,076	64	1,186,098	100