

EASTWOOD BIO-MEDICAL CANADA INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JULY 31, 2019

(Expressed in Canadian Dollars)

EASTWOOD BIO-MEDICAL CANADA INC.

FOR THE NINE MONTHS ENDED JULY 31, 2019

Table of contents

Condensed interim statements of financial position.....	4
Condensed interim statements of comprehensive income (loss)	5
Condensed interim statements of changes in equity.....	6
Condensed interim statements of cash flows	7
Notes to the condensed interim financial statements.....	8-21

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, 2019	October 31, 2018
ASSETS			
Current Assets			
Cash		\$ 620,833	\$ 826,590
Accounts Receivable and Other Receivables	3	311,228	355,690
GST/HST Receivable		571	-
Purchase Deposits and Prepaid Expenses	4	536,415	3,183
Short-Term Loan Receivable from Related Parties	5 & 9	-	802,399
		1,469,046	1,987,862
Property and equipment	6	469,833	262,587
TOTAL ASSETS		\$ 1,938,879	2,250,449
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrual Liabilities		\$ 15,542	\$ 32,455
GST/HST Payable		-	979
Due to Investors		100	100
Deferred Revenue		17,225	13,337
Due to Related Parties		406,600	314,543
TOTAL LIABILITIES		\$ 439,467	361,414
SHAREHOLDERS' EQUITY			
Share capital		\$ 4,687,376	\$ 4,687,376
Reserves		9,514	9,514
Accumulated deficit		(3,197,478)	(2,807,855)
		1,499,412	1,889,035
TOTAL LIABILITIES AND EQUITY		\$ 1,938,879	\$ 2,250,449

These financial statements are authorized for issue by the Board of Directors on September 27, 2019

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

Yunji Kim
Director

"Ian Mallmann"

Ian Mallmann
Director

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

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited - Expressed in Canadian dollars)

	Three Months Ended July 31, 2019	Three Months Ended July 31, 2018	Nine Months Ended July 31, 2019	Nine Months Ended July 31, 2018
Sales Revenue	\$ 202,348	\$ 161,862	\$ 972,926	\$ 321,162
Freight Revenue	\$ 8,903	2,826	37,018	8,674
Total Revenue	211,250	164,688	1,009,944	329,836
Cost of Purchases	93,988	111,732	647,936	199,613
Gross Profit	117,263	52,956	362,008	130,223
Expenses				
Accounting and Audit Fees	9,000	-	54,000	42,000
Advertising and Marketing	2,958	39,083	23,130	126,990
Amortization	10,922	15,995	32,766	18,456
Bank and Credit Card Charges	1,656	285	2,698	938
Consulting Fees	13,506	15,000	47,016	47,450
Foreign Exchange Loss (Gain)	13,598	8,642	5,888	5,876
Legal Fees	3,572	9,957	29,369	17,202
Listing Fees	6,698	5,207	59,033	13,748
Management Fees	58,486	63,250	177,076	189,750
Manufacturing Expenses	1,424	-	12,216	4,223
Office Expenses	13,262	2,366	56,452	5,254
Wages & Salaries	91,694	70,018	264,049	244,587
	226,776	229,803	763,693	716,474
Other income/(expenses)				
Other income	3,282	14,277	12,062	59,077
	3,282	14,277	12,062	59,077
Net Loss and Net Comprehensive Loss	\$ (106,231)	\$ (162,570)	\$ (389,623)	\$ (527,174)
Loss per share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of common shares				
outstanding - basic and diluted	68,885,969	68,885,969	68,885,969	68,885,969

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

EASTWOOD BIO-MEDICAL CANADA INC.
CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian dollars, except share number)

	Issued Common Shares		Reserve	Accumulated		Total Equity
	Number	Amount		Deficit		
		\$	\$	\$	\$	\$
BALANCE, OCTOBER 31, 2017	68,885,969	\$ 4,698,567	\$ 9,514	\$ (1,945,878)	\$ 2,762,203	
Loss for the period	-	-	-	(527,174)	(527,174)	
BALANCE, JULY 31, 2018	68,885,969	4,698,567	9,514	(2,473,052)	2,235,029	
Fair Value of Related Party Extended Loan		(11,191)			(11,191)	
Loss for the period				(334,803)	(334,803)	
BALANCE, OCTOBER 31, 2018	68,885,969	4,687,376	9,514	(2,807,855)	1,889,035	
Loss for the period	-	-	-	(389,623)	(389,623)	
BALANCE, JULY 31, 2019	68,885,969	4,687,376	9,514	(3,197,478)	1,499,412	

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

EASTWOOD BIO-MEDICAL CANADA INC
CONDENSED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED JULY 31,
(Unaudited - Expressed in Canadian dollars)

	2019	2018
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Operating Activities		
Net loss for the period	(389,623)	(527,174)
Items not requiring use of cash:		
Interest Income	-	(22,864)
Amortization	32,766	18,456
Rental	39,784	-
Consulting fee	12,016	-
Management fee	12,664	-
Changes in operating assets and liabilities:		
Accounts Receivable and Other Receivables	44,462	(89,020)
GST/HST Receivable	(1,550)	428
Purchase Deposits and Prepaid Expenses	(186)	81,650
Accounts Payable and Accrual Liabilities	(16,913)	3,579
Deferred Revenue	3,888	(2,446)
Due (to)/ from Related Parties	92,057	66,447
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Cash used in operating activities	(170,635)	(470,944)
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Investing Activities		
Acquisition of Tangible Assets	(23,111)	(320,777)
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Cash used in investing activities	(23,111)	(320,777)
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Financing Activities		
Repayment on Loan Principal	(12,011)	325,000
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Cash provided by financing activities	(12,011)	325,000
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Decrease in cash and cash equivalents	(205,757)	(466,721)
Cash and cash equivalents, beginning of period	826,590	1,271,380
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Cash and cash equivalents, end of period	620,833	804,659
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EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

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 68,885,969 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.

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.

On September 7, 2018, the Company entered into the following agreements with EBMR for the period from November 1, 2018 to October 31, 2024, to which the funds will be used toward reducing the remaining outstanding loan receivable balance:

- Leasing agreements where the Company will lease the commercial space in premises owned by EBMR for \$72,000 per year for six years;
- Management and Administrative Service Agreement ("Management Agreement") to reduce the management fee under the Management Agreement dated December 12, 2012 to \$215,050 per year to EBMR in return for management and support services provided by EBMR;
- Consulting agreement where EBMR will manage the production of the Company's natural health products and pass on know-how to the Company related to the production of those products at \$3,000 per month. As part of this process, the Company will develop the expertise necessary to produce natural health products on its own, which will reduce future production costs.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

1. Nature of Operations and Going Concern (Continued)

As at July 31, 2019, the Company has working capital of \$1,029,579 (2018: \$1,626,448), and has incurred accumulated loss of \$3,197,478 (2018: \$2,807,855) since incorporation. The Company possesses \$620,833 (2018: 826,590) 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 reevaluate 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

These condensed interim financial statements for the nine months ended July 31, 2019 (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, 2018, 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 condensed interim financial statements were authorized for issue by the Board of Directors on September 27, 2019.

(b) Basis of presentation

These condensed interim 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 condensed interim 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. The Company's assets and liabilities in U.S. dollars are all monetary items and 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 loss and comprehensive loss.

(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

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

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. 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.

ii. 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 requires 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.

iii. Useful Lives of Depreciable Assets

The useful lives of depreciable assets have been determined based on management's estimated utility of the assets. Uncertainties in these estimates relate to technological obsolescence and wear and damage of assets.

iv. Business combination

For business combinations, the Company must make assumptions and estimates to determine the purchase price accounting of the business being acquired. To do so, the Company must determine the acquisition date fair value of the identifiable assets acquired. The determination of the fair market values involves the use of discounted cash flow analyses. These assumptions and estimates have an impact on the asset and liability amounts recorded in the statement of financial position on the acquisition date.

(e) Financial Instruments

Classification

On initial recognition, the Company determines the financial instruments classification as per the following categories:

- instruments measured at amortized cost;
- instruments measured at fair value through other comprehensive income (FVOCI) or through net income (FVTPL).

The financial instruments' classification under IFRS 9 is based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial instrument in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments held for trading are classified as FVTPL. For all other equity investments that are not held for trading, the Company, on initial recognition, may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment-by-investment basis.

Financial liabilities are measured at amortized cost unless they must be measured at FVTPL (such as derivatives) or if the Company elects to measure them at FVTPL.

Measurement

Financial instruments at amortized cost

Financial instruments at amortized cost are initially measured at fair value, and subsequently at amortized cost, using the effective interest method, less any impairment loss. Interest income, foreign exchange gains and losses and impairment are recognized in the consolidated statements of income (loss) and comprehensive income (loss) .

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the consolidated statements of income (loss) and comprehensive income (loss). When the Company elects to measure a financial liability at FVTPL, gains or losses related to the Company's own credit risk are accounted for in the consolidated statements of income (loss) and comprehensive income (loss).

Impairment

Since November 1, 2018, the Company prospectively estimates the expected credit losses associated with the debt instruments accounted for at amortized cost. The impairment methodology used depends on whether there is a significant increase in the credit risk or not. For trade receivables, the Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL) as allowed by IFRS 9 under the simplified method.

Derecognition

Financial assets

The Company derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired or when contractual rights to the cash flows have been transferred.

Financial liabilities

The Company derecognizes a financial liability when, and only when, it is extinguished, meaning when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of the extinguished financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of income (loss) and comprehensive income (loss).

(f) Cash

Cash consists of cash on hand and demand deposits.

(g) 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.

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

(h) 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.

(i) Property, Plant and Equipment

Property, Plant and Equipment is stated at cost and depreciated over the useful lives. The estimated useful lives and depreciation methods are reviewed each year end, with the effect of any changes in estimate being accounted for on a prospective basis. Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and recognized net of costs associated with the disposal within other income in net loss for the period.

<u>Asset class</u>	<u>Depreciation term</u>
Machinery and equipment	3 to 15 years
Leasehold improvements	Useful life

(j) Impairment of Long-Lived Assets

The carrying values of all equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

The impairment analysis requires management to estimate the future cash flows expected to arise from operations and to make assumptions regarding economic factors, discount rates, tax rates, and annual growth rates. Actual operating results and the related cash flows could differ from the estimates used for the impairment analysis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit ("CGU")).

An impairment loss is recorded when the recoverable amount of an asset or its CGU is less than its carrying amount. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

Where an impairment loss subsequently reverses, the carrying amount of the CGU is increased to the revised estimate of its recoverable amount, so long as the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the CGU in prior years.

The reversal of impairment requires management to re-assess several indicators that led to the impairment. It requires the valuation of the recoverable amount by estimating the future cash flows expected to arise from the CGU and the determination of a suitable discount rate in order to calculate its present value. Significant judgment is made in establishing these assumptions.

(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 is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year,

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that in a transaction that is not a business combination and accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Segment Reporting

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

(n) Revenue

Revenue is recognized by applying the five-step model under IFRS 15. The Company recognizes revenue when, or as the goods or services are transferred to the control of the customer and performance obligations are satisfied.

The Company generates its 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. The Company's revenue is recognized when control of the goods has been transferred, being when the goods are delivered to customers and when all performance obligations have been fulfilled. The amounts recognized as revenue represent the fair values of the considerations received or receivable from third parties on the sales of goods to customers, net of goods and services taxes and less returns, and discounts, at which time there are no conditions for the payment to become due other than the passage of time.

(o) 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.

(p) Business combinations

IFRS 3, Business Combinations, requires business combinations to be accounted using the acquisition method. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation based on the facts and circumstances at the acquisition date. Business acquisition costs incurred are expensed and included in transaction costs. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The excess of (i) the consideration transferred, the

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (ii) fair value of the net identifiable assets acquired is recorded as goodwill.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the statement of loss and comprehensive loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. Determining whether goodwill is impaired requires an estimation of the higher of fair value less costs of disposal and value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(q) New accounting standards adopted

IFRS 15 Revenue from contracts with customers

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued to replace IAS 18 Revenue and IAS 11 Construction Contracts and related interpretations such as IFRIC 13 Customer Loyalty Programs. IFRS 15 introduces a single contract-based five-step model that applies to contracts with customers and two approaches for the recognition of revenue: at a point in time or over time. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price, and recognize revenue when the performance obligation is satisfied. Revenue is recognized when a customer obtains control of a good or service and has the ability to direct the use and obtain the benefits from the good or service.

The Company has adopted IFRS 15 on the required effective date of November 1, 2018, using the modified retrospective approach. The Company has evaluated the impact of applying IFRS 15 by performing a comprehensive review of existing sale contracts, control processes and revenue recognition methodology. The Company concluded the adoption of the new standard did not result in any adjustment in the amounts previously recognized in the consolidated statements of financial position. As well, the timing in the recognition of revenue was not impacted by the new standard. Consequently, neither the consolidated statement of income (loss) and comprehensive income (loss), consolidated statement of changes in equity (deficit) nor consolidated statement of cash flows were adjusted.

IFRS 9 Financial instruments

IFRS 9, Financial Instruments ("IFRS 9") sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39").

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED JULY 31, 2019

The following table presents the initial IAS 39 classification and the new IFRS 9 classification for all financial instruments held by the Company as at November 1, 2018.

Financial assets and liabilities	IAS 39 classification	IFRS 9 classification
Cash	FVTPL	Amortized cost
Accounts Receivable and Other Receivables	Loans and receivables	Amortized cost
Short-Term Loan Receivable from Related Parties	Loans and receivables	Amortized cost
Due to Investors	Other financial liabilities	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to related parties	Other financial liabilities	Amortized cost

The adoption of this standard did not have material impact to the Company's consolidated financial statements. The Company's policies and procedures surrounding the identification of credit risk and the recognition of credit losses comply with the requirements of this standard.

r) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Standard effective for annual periods beginning on or after November 1, 2019

i. IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after November 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning November 1, 2019. The Company does not expect the adoption of this standard to have a significant impact on the Company's financial statements.

2. Significant Accounting Policies (Continued)

EASTWOOD BIO-MEDICAL CANADA INC.
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED JULY 31, 2019

ii. IFRIC 23 Uncertainty over Income Tax Treatments

In June 2017, the IFRS Interpretation Committee issued IFRIC 23, which clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied where there is uncertainty over income tax treatments. IFRIC 23 becomes effective for annual periods beginning on or after November 1, 2019 and is to be applied retrospectively with early adoption permitted. The Company does not expect the adoption of this standard to have a significant impact on the Company's financial statements.

iii. IFRS 9 Financial Instruments (Amendments)

In October 2017, the International Accounting Standards Board (IASB) issued amendments to IFRS 9 Financial Instruments, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in November 2017, to address the classification of certain prepayable financial assets.

The amendments clarify that a financial asset that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature with negative compensation may be eligible to be measured at either amortized cost or fair value through other comprehensive income. This classification is subject to the assessment of the business model in which the particular financial asset is held as well as consideration of whether certain eligibility conditions are met. The amendments are effective for annual period beginning on or after November 1, 2019. Earlier application is permitted. The Company does not expect the adoption of this standard to have a significant impact on the Company's financial statements.

3. Accounts Receivable and Other Receivable

	As at July 31, 2019	As at October 31, 2018
	\$	\$
Trade Receivable	277,069	321,624
Interest Receivable	34,159	34,066
Total	311,228	355,690

The aging of trade receivable is as follows:

	As at July 31, 2019	As at October 31, 2018
	\$	\$
Current – 30 days	15,964	252,132
31 – 60 days	65,399	42,160
61 – 90 days	28,733	11,280
Over 90 days	167,006	16,052
Total	277,069	321,624

During the nine-month ended July 31, 2019 and during the year ended October 31, 2018, \$nil of the trade receivables was recorded as bad debt as management has assessed the collection of such amount is uncertain. Also see note 10.

EASTWOOD BIO-MEDICAL CANADA INC.
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED JULY 31, 2019

4. Purchases Deposits and Prepaid Expenses

	As at July 31, 2019	As at October 31, 2018
	\$	\$
Prepaid Expenses	27,543	3,183
Purchase Deposits	-	-
Prepaid to EBMR*	508,872	
Total	536,415	3,183

*also see note 9

5. Short-Term Loan Receivable from Related Parties

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, 2017, the Company entered into loan extension agreements with EBMR for another 12 months, for a total loan amount of \$1.44 million. During the year ended October 31, 2018, the Company entered into another loan extension agreement with EBMR to extend the loan to September 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. Pursuant to the original 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.

Since the interest rate 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 \$11,191 is recorded as a reduction to share capital during the year ended October 31, 2018 (2017: \$53,245).

During the year ended October 31, 2017, the Company arranged a financial loan in the amount of \$40,000 to EBMR. The loan bears the same interest of 2% per annum with a maturity date of June 24, 2018 and is secured against EBMR's real estate assets.

During the year ended October 31, 2018, the Company received \$nil (2017 - \$28,879) in interest revenue and a repayment of \$10,000 (2017 - \$10,000) towards the principle of the loan from EBMR, \$67,083 (2017 - \$83,614) interest revenue was included in other income in the statements of loss and comprehensive loss.

During the year ended October 31, 2018, the Company has entered into an asset purchase agreement with EBMR, pursuant to which the Company exercised its right to purchase certain manufacturing assets from EBMR by paying a purchase price of \$325,000. The principal amount of the loan has been reduced by the purchase price. The manufacturing assets' fair value were assessed to be \$288,200 and \$36,800 was recorded as loss on settlement of loan.

In addition, the Company proposed to settle the remaining outstanding balance of a loan owed by EBMR under the original loan agreement dated June 24, 2016 through the acquisition transaction. The Company's assessed fair value of the assets received in the transaction and as a result, \$332,601 was recorded as loss on settlement of loan. The Company received the approval from TSX Venture Exchange. Management has assessed this transaction as a business combination under common control and has accounted for this transaction using the acquisition method under IFRS 3 (Note 9).

EASTWOOD BIO-MEDICAL CANADA INC.
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
 FOR THE NINE MONTHS ENDED JULY 31, 2019

6. Property, Plant and Equipment

	Property and Plant	Manufacturing Equipment	Total
Cost	\$	\$	\$
Balance as at October 31, 2017	-	-	-
Additions	-	288,200	288,200
Balance as at October 31, 2018	-	288,200	288,200
Additions	216,901	23,111	240,012
Balance as at July 31, 2019	216,901	311,311	528,212

Accumulated depreciation

Balance as at October 31, 2017	-	-	-
Additions	-	25,613	25,613
Balance as at October 31, 2018	-	25,613	25,613
Additions	13,556	19,210	32,766
Balance as at July 31, 2019	13,556	44,823	58,379

Carrying value

Balance as at October 31, 2018	-	262,587	262,587
Balance as at July 31, 2019	203,345	266,488	469,833

Also see note 9.

7. Share Capital

a) Authorized Share Capital

Authorized: Unlimited Common Shares without par value

b) Issued Share Capital

As at July 31, 2019, there were 68,885,969 common shares (2018: 68,885,969) issued and outstanding.

c) Common Shares

During the year ended October 31, 2017, the Company completed a non-brokered private placement of 1,530,000 common shares at a price of 6.5 cents per share. The total gross proceeds received were \$97,553 (\$91,170,787 KRW received).

d) Escrow Shares

As at July 31, 2019, there were nil common shares held in escrow (October 31, 2018: nil). 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.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

7. Share Capital (Continued)

c) 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, 2019, nil (October 31, 2018: 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.

8. Related Party Transactions

(i) Transactions and balances with EBMR

During the nine months ended July 31, 2019, the Company incurred \$177,076 (2018: \$189,750) in management fee to EBMR, pursuant to the revised management agreement, in return of the management and administrative services provided by EBMR.

During the nine months ended July 31, 2019, the Company incurred \$45,785 (2018: \$nil) in rent, pursuant to the leasing agreements.

During the nine months ended July 31, 2019, the Company incurred \$15,016 (2018: \$nil) in consulting fee to EBMR, pursuant to the consulting agreement.

During the nine months ended July 31, 2019, the Company incurred \$421,888 (2018: \$170,372) 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, 2019, the Company received \$7,729 (2018: \$nil) in manufacturing orders from EBMR.

As of July 31, 2019, amount of \$406,600(2018: \$85,765) was due to EBMR, at zero interest and due on demand.

Also see Note 5 and Note 9.

(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, 2019 except below:

During the nine months ended July 31, 2019, amount of \$26,000 (2018: \$18,000) consulting fee was incurred/paid to the CFO and director of the Company for services provided.

During the nine months ended July 31, 2019, amount of \$12,000 (2018: \$nil) accounting fee was incurred/paid to the CFO and director of the Company for services provided.

During the nine months ended July 31, 2019, the CEO and director of the Company received \$27,000 in salaries (2018: \$nil) as remuneration for services provided to the Company.

During the nine months ended July 31, 2019, amount of \$6,000 (2018: \$27,000) consulting fee was incurred/paid to the CEO and director of the Company for services provided.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

8. Related Party Transactions (Continued)

During the nine months ended July 31, 2019, amount of \$Nil (2018: \$2,450) consulting fee was incurred/paid to the director of the Company for services provided

Key management personnel were not paid post-employment benefits, termination benefits, or other long term benefits during the three and nine months ended July 31, 2019 and 2018.

9. Business Combination

On September 7, 2018, the Company entered into the following agreements with EBMR for the period from November 1, 2018 to October 31, 2024, to which the funds will be used to settle the remaining outstanding loan receivable balance (Note 5):

- Leasing agreements where the Company will lease the commercial space in premises owned by EBMR for \$72,000 per year for six years;
- Management and Administrative Service Agreement (“Management Agreement”) to reduce the management fee under the Management Agreement dated December 12, 2012 to \$215,050 per year to EBMR in return for management and support services provided by EBMR;
- Consulting agreement where EBMR will manage the production of the Company’s natural health products and pass on know-how to the Company related to the production of those products at \$3,000 per month. As part of this process, the Company will develop the expertise necessary to produce natural health products on its own, which will reduce future production costs.

During the period ended as at July 31, 2019, the Company received approval from TSX Venture Exchange for above settlement transaction. Management has assessed this transaction as a business combination under common control and has accounted for this transaction using the acquisition method under IFRS 3. The total consideration for the transaction was \$ 790,237.

The total consideration for the acquisitions and the purchase price allocation is as follows:

Consideration	
Short-Term Loan Receivable from Related Parties	790,237
Total Consideration	790,237

Identifiable Assets Acquired and Liabilities Assumed

Property, Plant and Equipment	216,901
PV of a lease on November 28, 2018	353,825
PV of consulting services on November 28, 2018	106,861
PV of services on November 28, 2018	112,650
	790,237

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

9. Business Combination (Continued)

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Property, Plant and Equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Lease	by discounting the total payment using a market annual interest rate of 5.7%.
Consulting and Management services	by discounting the total payment using a market annual interest rate of 24.5%.

As at July 31, 2019, the purchase price allocation is preliminary and is subject to adjustments within the measurement period not exceeding one year from the date of the acquisition.

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, 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 refers to the risk of losses due to failure of the Company's customers and counterparties to meet their payment obligations. In the normal course of business, the Company is exposed to credit risk from its end-users and distributors. The Company performs ongoing credit evaluations of new and existing customers' financial condition, and reviews the collectability of its trade accounts receivable in order to mitigate any possible credit losses. The Company has accounts receivable outstanding greater than 90 days past due and maintains an allowance for doubtful accounts relating to specific losses estimated on individual exposure. Average accounts receivable days sales outstanding for the year is consistent with historic trends. The Company views credit risk on accounts receivables as minimal.

Furthermore, the Company's cash is held with reputable institutions in Canada. The Company views credit risk on cash as minimal.

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, 2019, the Company had accounts payable and accrued liabilities of \$15,542 (October 31, 2018: \$32,455), which are due in the short term (0 - 3 months) and due to investors of \$100 (October 31, 2018: \$100), and due to related parties of \$406,600 (October 31, 2018: \$314,543), which are due on demand.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

10. Financial Risk Management (Continued)

Interest Risk

The Company will be subject to fluctuations in 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.

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. The Company has net financial assets of approximately \$17,573 (2018: \$1,658) that are denominated in US dollars. A 10% change in the US dollars to the Canadian dollar exchange rate would impact the Company's net loss and comprehensive loss by \$2,311 (2018: \$166)

The Company also has net financial assets of approximately \$45,677 (2018 – \$103,935) that are denominated in South Korean Won. A 10% change in the South Korean Won to the Canadian dollar exchange rate would impact the Company's net loss and comprehensive loss by \$4,579 (2018 - \$10,393).

Concentration Risk

At July 31, 2019, one customer represented 97% of the Company's accounts receivable balance (October 31, 2018: 99%). During the nine months ended July 31, 2019, the Company had one customer that provided 36% of the Company's sales revenue.

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, 2019.

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 nonexclusive 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 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.

The table below shows the commitments resulted from the above agreements with EBMR.

	Amount
	\$
2019	134,604
2020	323,050
2021	323,050
2022+	592,258
	<hr/> 1,372,962 <hr/>

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED JULY 31, 2019

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, 2019	191,848	18.99	118,473	11.73	699,623	69.27	1,009,944	100.0
July 31, 2018	90,349	28.1	145,734	45.4	-	-	376,869	100.0

12. 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.