

EASTWOOD BIO-MEDICAL CANADA INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)

EASTWOOD BIO-MEDICAL CANADA INC.

FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018

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Management's Responsibility

To the Shareholders of Eastwood Bio-Medical Canada Inc. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

February 25, 2019

(signed)

(signed)

"Yunji Kim"

"Ian Mallmann"

President

CFO

Independent Auditor's Report

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

Opinion

We have audited the financial statements of Eastwood Bio-Medical Canada Inc. (the "Company"), which comprise the statements of financial position as at October 31, 2019 and October 31, 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2019 and October 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jenny Lee.

Vancouver, British Columbia
February 25, 2020

MNP LLP
Chartered Professional Accountants

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

As at	Notes	October 31 2019	October 31 2018
ASSETS			
Current Assets			
Cash		\$ 625,350	\$ 826,590
Accounts Receivable and Other Receivables	3	78,255	355,690
Purchase Deposits and Prepaid Expenses	4	84,827	3,183
Short-Term Loan Receivable from Related Parties	8	-	802,399
		788,432	1,987,862
Purchase Deposits	4	402,407	-
Property, plant and Equipment	5	456,600	262,587
TOTAL ASSETS		1,647,439	2,250,449
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities		41,004	32,455
GST/HST Payable		42	979
Due to Investors		100	100
Deferred Revenue		7,281	13,337
Due to Related Parties		287,305	314,543
TOTAL LIABILITIES		335,732	361,414
SHAREHOLDERS' EQUITY			
Share Capital		4,687,376	4,687,376
Reserves		9,514	9,514
Accumulated Deficit		(3,385,183)	(2,807,855)
		1,311,707	1,889,035
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 1,647,439	\$ 2,250,449

These financial statements are authorized for issue by the Board of Directors on February 25, 2020.

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 financial statements.

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

Notes	For the year ended October 31, 2019	For the year ended October 31, 2018
Sales Revenue	\$ 1,244,503	\$ 730,721
Freight Revenue	48,391	13,252
Total Revenue	1,292,894	743,973
Cost of Purchases	727,807	361,298
Gross Profit	565,087	382,675
Accounting & Auditing	82,000	42,000
Advertising & Marketing	29,755	176,511
Amortization	5 45,999	25,613
Bank & Credit Card Charges	5,319	1,309
Consulting Expenses	63,392	62,450
Foreign Exchange Loss	13,442	5,764
Insurance	23,775	-
Investor Relations	8,388	8,061
Legal Fees	28,286	27,981
Listing Expenses	53,720	10,061
Management Fees	235,705	253,000
Office Supplies	34,751	9,602
Rent	61,101	-
Shipping	19,891	19,003
Wages & Salaries	455,558	314,322
	1,161,082	955,677
Other Income (Expenses)		
Interest Income	16,412	78,435
Loss on settlement of loan	8 -	(369,401)
Other Income (Expenses)	2,255	1,991
	18,667	(288,975)
Net Loss and Comprehensive Loss	\$ 577,328	\$ 861,977
Basis and Diluted Loss Per Share	\$ 0.01	\$ 0.01
Weighted Average Number of Shares Outstanding-Basic and Diluted	68,885,969	68,885,969

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

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars)

	<u>Issued Common Shares</u>		Reserves	Accumulated	Total Equity
	Number	Amount		Deficit	
Balance as of October 31, 2017	68,885,969	\$ 4,698,567	\$ 9,514	\$ (1,945,878)	\$ 2,762,203
Fair Value of Related Party Loan	-	(11,191)	-	-	(11,191)
Loss for the year	-	-	-	(861,977)	(861,977)
Balance as of October 31, 2018	68,885,969	4,687,376	9,514	(2,807,855)	1,889,035
Loss for the year	-	-	-	(577,328)	(577,328)
Balance as of October 31, 2019	68,885,969	\$ 4,687,376	\$ 9,514	\$ (3,385,183)	\$ 1,311,707

The accompanying notes are an integral part of these financial statements

EASTWOOD BIO-MEDICAL CANADA INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

Notes	For the year ended October 31, 2019	For the year ended October 31, 2018
OPERATING ACTIVITIES		
Net (Loss) For The Year	\$ (577,328)	\$ (861,977)
Item Not Affecting Cash:		
Amortization	45,999	25,613
Consulting fee	19,642	-
Interest income	(4,042)	(55,496)
Loss on settlement of loan	-	369,401
Management fee	20,705	-
Rent	61,101	-
Changes in Non-Cash Working Capital		
Accounts Receivable and Other Receivables	145,835	(306,121)
Purchase Deposits and Prepaid Expenses	-	78,467
Short-Term Loan Receivable from Related Parties	-	(11,191)
Accounts Payable and Accrued Liabilities	8,549	12,833
GST/HST Payable	(937)	1,834
Deferred Revenue	(6,056)	(580)
Due to Related Parties	108,403	292,427
Cash Used In Operating Activities	(178,129)	(454,790)
FINANCING ACTIVITIES		
Repayment of Loan Principal	-	10,000
Cash Provided By Financing Activities	-	10,000
INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(23,111)	-
Cash Used In Investing Activities	(23,111)	-
DECREASE IN CASH	(201,240)	(444,790)
CASH - BEGINNING OF YEAR	826,590	1,271,380
CASH - END OF YEAR	\$ 625,350	\$ 826,590

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

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

1. Nature of Operations

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. Pursuant to the Distribution and Licensing Agreement ("License Agreement") entered into on November 1, 2012 and later amended on March 17, 2014, the Company has been the exclusive distributor in Canada and non-exclusive distributor in the US for sales and distributing the EBMR's products, and the Company shall purchase the products from EBMR at pre-agreed upon percentage of the suggested retail price set by EBMR on products sold. The agreement will be valid for a period of ten years, and will automatically renew for subsequent terms of five years. 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 a number of agreements with EBMR for the period from November 1, 2018 to October 31, 2024, to which the considerations will be used toward reducing the remaining outstanding loan receivable balance. (Also see Note 8)

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 25, 2020.

(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. 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. 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.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

(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) Going concern

As at October 31, 2019, the Company has working capital of \$452,700 (2018: \$1,626,448) and has incurred accumulated loss of \$3,385,183 (2018: \$2,807,855) since incorporation. The Company possesses \$625,350 (2018: \$826,590) in cash. The continuation of the Company as a going concern is dependent upon its ability to attain profitable operations. Management routinely plans future activities including forecasting future cash flows. Management has reviewed their plan with the Directors and has collectively formed a judgement that the Company has adequate resources to continue as a going concern for the foreseeable future, which Management and the Directors have defined as being at least the next 12 months. In arriving at this judgment, Management has prepared the cash flow projections of the Company. Directors have reviewed this information provided by management and have considered the financial resources available to the Company. The expected cash flows have been modeled based on anticipated revenue streams with debt funding programmed into the model and reducing over time.

Management has assessed and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Management applied significant judgement in arriving at this conclusion by considering the following:

- The amount of new sales orders and total revenue to be generated to provide sufficient cash flow to continue to fund operations and other committed expenditures;
- The amount of cash on hand as of yearend;
- The timing of generating those new sales and the timing of the related cash flow; and
- The ability to delay the payment for the due to related parties balance in order to manage cash flows.

Considering the above, Management and Directors continue to adopt the going concern basis in preparing the financial statements.

Given the judgement involved, actual results may lead to a materially different outcome.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

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) 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.

(iii) 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:

- 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.

2. Significant Accounting Policies (Continued)

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 statements of loss and comprehensive loss.

Financial instruments at fair value

Financial instruments are initially and subsequently measured at fair value and transaction costs are accounted for in the statements of loss and comprehensive 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 statements of loss and comprehensive 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 statements of loss and comprehensive income loss.

(f) Cash

Cash consists of cash on hand.

(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.

(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.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

(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
Property and Plant	12 years

(j) Impairment of Long-Lived Assets

The carrying values of all property, plant and 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 are recognized as a deduction from equity, net of any tax effects.

EASTWOOD BIO-MEDICAL CANADA INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2019 AND 2018
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (Continued)

(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, 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 also manufactures and sells manufactured products. 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.

2. Significant Accounting Policies (Continued)

(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 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 statements of financial position. As well, the timing in the recognition of revenue was not impacted by the new standard. Consequently, neither the statements of loss and comprehensive loss, statements of changes in equity (deficit) nor statements of cash flows were adjusted.

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2. Significant Accounting Policies (Continued)

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.

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 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 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.

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.

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2. Significant Accounting Policies (Continued)

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

	October 31, 2019	October 31, 2018
	\$	\$
Trade Receivable	77,231	321,624
Interest Receivable	1,024	34,066
Total	78,255	355,690

The aging of trade receivable is as follows:

	October 31, 2019	October 31, 2018
	\$	\$
Current – 30 days	3,791	252,132
31 – 60 days	-	42,160
61 – 90 days	15,792	11,280
Over 90 days	57,648	16,052
Total	77,231	321,624

During the years ended October 31, 2019 and 2018, \$nil of the trade receivables was recorded as bad debt. See note 9.

4. Purchases Deposits and Prepaid Expenses

	October 31, 2019	October 31, 2018
	\$	\$
Current		
Prepaid Expenses	3,183	3,183
Prepaid to EBMR	81,644	-
Total	84,827	3,183
Non-current		
Prepaid to EBMR	402,407	-

*Pursuant to the agreement with EBMR on September 7, 2018 (see Note 8), \$573,337 is calculated to be the present value of the purchase deposits for lease, consulting service and management service for the period from November 28, 2018 to October 31, 2024 where \$89,286 has been amortized and recorded as expense during the year ended October 31, 2019, resulting in a total of \$484,051.

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5. Property, Plant and Equipment

	Property and Plant	Manufacturing Equipment	Total
Cost	\$	\$	\$
Balance, October 31, 2017	-	-	-
Additions	-	288,200	288,200
Balance, October 31, 2018	-	288,200	288,200
Additions	216,901	23,111	240,012
Balance, October 31, 2019	216,901	311,311	528,212
Accumulated Amortization			
Balance, October 31, 2017	-	-	-
Additions	-	25,613	25,613
Balance, October 31, 2018	-	25,613	25,613
Amortization	18,075	27,924	45,999
Balance, October 31, 2019	18,075	53,537	71,612
Carrying Value			
Balance as at October 31, 2018	-	262,587	262,587
Balance as at October 31, 2019	198,826	257,774	456,600

Also see note 8

6. Share Capital

a) Authorized Share Capital

Authorized: Unlimited Common Shares without par value

b) Issued Share Capital

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

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 October 31, 2019 and 2018, there are no option outstanding and exercisable.

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7. Related Party Transactions

(i) Transactions and balances with EBMR during the year

	October 31, 2019	October 31, 2018
	\$	\$
Management and administrative services fee	235,705	253,000
Rent per leasing agreements (Note 8)	61,101	-
Consulting fee per consulting agreement (Note 8)	19,642	-
Purchase cost for purchase of products at pre-agreed upon price (Note 1)	392,193	339,586

During the year ended October 31, 2019, the Company received \$16,856 (2018: \$nil) in manufacturing orders from EBMR.

As of October 31, 2019, amount of \$306,914 (2018: \$291,892) was due to EBMR, at zero interest and due on demand.

(ii) As at October 31, 2019, \$17,567 (2018: \$22,652) was due to the CEO and director of the Company for business expenses paid by her on behalf of the Company

(iii) Compensation of key management personnel

During the year ended October 31, 2019, amount of \$nil (2018: \$2,450) accounting fee was incurred/paid to a director of the Company for accounting and consulting services provided.

During the year ended October 31, 2019, amount of \$48,500 (2018: \$24,000) consulting fee was incurred/paid to the CFO, former CFO and director of the Company for services provided.

During the year ended October 31, 2019, amount of \$36,000 (2018: \$36,000) consulting fee and salaries was incurred/paid to the CEO and 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 years ended October 31, 2019 and 2018.

8. Business Combination and Related Parties Loan Settlement

On April 17, 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.

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 considerations will be used to settle the remaining outstanding loan receivable balance. 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.

- 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 from \$253,000 to \$215,050 per year to EBMR in return for management and support services provided by EBMR;

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8. Business Combination and Related Parties Loan Settlement (Continued)

- 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.

As part of the transaction the Company received certain asset in and improvements to premises owned by EBMR and in which the Company's natural health products are produced, pursuant to a bill of sale for construction agreement for a total consideration of \$263,000.

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.

On November 28, 2018, 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	\$
Settlement of 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 lease	353,825
PV of consulting services	106,861
PV of management services	112,650
	790,237

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

- a) 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.
- b) Lease: By discounting the total payment using a market annual interest rate of 5.7%.
- c) Consulting and Management services: By discounting the total payment using a market annual interest rate of 24.5%.

9. Financial Risk Management

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

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9. Financial Risk Management (Continued)

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 October 31, 2019, the Company had accounts payable and accrued liabilities of \$41,004 (October 31, 2018: \$34,805), 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 \$287,305 (October 31, 2018: \$314,543), which are due on demand.

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 \$83,752 (2018: \$67,481) 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 \$8,375 (2018: \$6,748)

The Company also has net financial assets of approximately \$42,133 (2018 - \$57,482) 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 \$4,213 (2018 - \$5,748).

Concentration Risk

At October 31, 2019, one customer represented 100% of the Company's accounts receivable balance (October 31, 2018: 99%). During the year ended October 31, 2019, the Company had one customer that provided 21.74% 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 year ended October 31, 2019.

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10. 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, 2019 and 2018:

	2019	2018
	\$	\$
Net loss before tax	(577,328)	(861,977)
Statutory tax rate	27.00%	26.83%
Expected income tax (recovery)	(155,879)	(231,297)
Non-deductible (taxable) amounts	270	99,122
Change in deferred tax asset not recognized	155,609	132,175
Total income tax expense (recovery)	-	-

The statutory tax rate increased from 26.83% to 27.00% due to an increase in the BC corporate tax rate on January 1, 2018.

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, 2019 and 2018 are as follows:

	2019	2018
	\$	\$
Property, plant and equipment	71,612	25,613
Non capital loss carryforwards	3,002,912	2,652,162
Unrecognized deductible temporary differences	3,074,524	2,677,775

As at October 31, 2019, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$3,002,912 (2018: \$2,652,162) 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:

Expiry	\$
2030	30,897
2031	38,117
2032	139,282
2033	436,611
2034	82,487
2035	260,381
2036	468,479
2037	489,624
2038	526,707
2039	530,327
TOTAL	3,002,912

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11. Commitments

See Notes 1 and 8.

On July 15, 2019, the Company entered into a Consulting Agreement with the CFO to providing consulting service at \$2,500 per month. The contract expired on July 14, 2020.

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

	Amount
	\$
2020	344,300
2021	323,050
2022	323,050
2023+	323,050
	1,313,450

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	
	\$	%	\$	%	\$	%	\$	%
October 31, 2019	141,933	11.8	175,911	14.6	886,015	73.6	1,203,858	100.0
October 31, 2018	118,931	16.2	205,808	28.2	405,982	55.6	730,721	100.0

13. Subsequent Event

Subsequent to the year ended October 31, 2019, the Company entered a Memorandum of Understanding (“MOU”) with a business partner, to form a Joint Venture in Taiwan, Republic of China. The Joint Venture will become the exclusive distributor of Eleotin products in Taiwan with minimum annual purchase of US\$500,000.