

# **EASTWOOD BIO-MEDICAL CANADA INC.**

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JULY 31, 2021

(Expressed in Canadian Dollars)

# **EASTWOOD BIO-MEDICAL CANADA INC.**

FOR THE NINE MONTHS ENDED JULY 31, 2021

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## **NOTICE TO THE READER**

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

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

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

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

<b>As at</b>	<b>Notes</b>	<b>July 31, 2021</b>	<b>October 31, 2020</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 117,458	\$ 122,656
Accounts Receivable and Other Receivables	3	3,288	8,914
GST/HST Receivable		-	784
Prepaid Expenses and Purchase Deposits	4	33,299	40,248
Short-Term Loan Receivable from Related Parties	5 & 9	-	-
		154,045	172,603
<b>Purchase Deposits</b>	<b>4</b>	<b>90,347</b>	<b>111,196</b>
<b>Property and Equipment</b>	<b>5</b>	<b>376,665</b>	<b>410,601</b>
<b>Right-of-Use Assets</b>	<b>6</b>	<b>194,171</b>	<b>238,979</b>
<b>TOTAL ASSETS</b>		<b>815,228</b>	<b>933,378</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts Payable and Accrual Liabilities		\$ 48,754	\$ 59,331
GST/HST Payable		275	-
Due to Investors		100	100
Deferred Revenue		23,992	6,914
Due to Related Parties	9	837,834	384,548
		910,955	450,893
<b>CEBA Loan</b>	<b>7</b>	<b>43,211</b>	<b>23,211</b>
<b>TOTAL LIABILITIES</b>		<b>954,166</b>	<b>474,104</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	\$ 4,687,376	\$ 4,687,376
Reserves		9,514	9,514
Accumulated deficit		(4,835,828)	(4,237,616)
		(138,938)	459,274
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 815,228</b>	<b>\$ 933,378</b>

These financial statements are authorized for issue by the Board of Directors on September 28, 2021.

They are signed on the Company's behalf by:

“Yunji Kim”  
\_\_\_\_\_  
Yunji Kim  
Director

“Dr. Youngsoo Kim”  
\_\_\_\_\_  
Dr. Youngsoo Kim  
Director

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

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

	Three Months Ended July 31, 2021	Three Months Ended July 31, 2020	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Sales Revenue	\$ 209,418	\$ 176,130	\$ 662,049	\$ 488,352
Freight Revenue	15,822	8,724	48,319	26,945
<b>Total Revenue</b>	<b>225,240</b>	<b>184,854</b>	<b>710,368</b>	<b>515,297</b>
Cost of Purchases	137,543	126,368	438,497	347,476
<b>Gross Profit</b>	<b>87,697</b>	<b>58,485</b>	<b>271,871</b>	<b>167,821</b>
<b>Expenses</b>				
Accounting and Audit Fees	1,600	750	46,690	41,725
Advertising and Marketing	3,126	4,277	35,176	16,439
Amortization	26,248	26,436	78,745	79,309
Bank and Credit Card Charges	884	657	2,008	1,649
Consulting Fees	22,511	18,411	51,533	34,933
Foreign Exchange Loss	50	190	169	5,373
Insurance	12,072	-	41,549	-
Legal Fees	2,295	977	3,794	21,180
Listing Fees	2,037	(277)	49,175	28,854
Management Fees	64,505	59,505	181,516	175,516
Office Expenses	436	(12,485)	12,719	17,719
Wages and Salaries	128,093	33,649	374,556	325,265
	263,856	132,090	877,630	747,961
<b>Other income</b>				
Interest Income	-	100	-	3,676
Government Assistance	-	-	7,547	-
Other Income	-	124	-	285
	-	224	7,547	3,961
<b>Net Loss and Net Comprehensive Loss</b>	<b>\$ (176,159)</b>	<b>\$ (73,381)</b>	<b>\$ (598,212)</b>	<b>\$ (576,179)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares</b>				
<b>outstanding - basic and diluted</b>	<b>68,885,969</b>	<b>68,885,969</b>	<b>68,885,969</b>	<b>68,885,969</b>

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

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

	Issued Common Shares		Reserve	Accumulated Deficit	Total Equity
	Number	Amount			
<b>Balance, October 31, 2019</b>	68,885,969	4,687,376	9,514	(3,385,183)	\$ 1,311,707
Loss for the Period	-	-	-	(576,179)	(576,179)
<b>Balance, July 31, 2020</b>	68,885,969	4,687,376	9,514	(4,237,616)	\$ 735,528
<b>Balance, October 31, 2020</b>	68,885,969	4,687,376	9,514	(4,237,616)	\$ 459,274
Loss for the Period	-	-	-	(598,212)	(598,212)
<b>Balance, July, 2021</b>	68,885,969	4,687,376	9,514	(4,835,828)	\$ (138,938)

The accompanying notes are an integral part of these financial statements

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

	Nine Months Ended July 31, 2021	Nine Months Ended July 31, 2020
Operating Activities		
Net Loss for the Period	(598,212)	(576,179)
Items not Requiring Use of Cash:		
Amortization	78,745	79,309
Consulting Fee	13,533	13,533
Management Fee	14,266	14,266
Changes in Operating Assets and Liabilities:		
Accounts Receivable and Other Receivables	5,622	19,116
Prepaid Expenses and Purchase Deposits	-	3,183
Accounts Payable and Accrual Liabilities	(10,576)	31,912
GST/HST Receivable	1,059	(42)
Deferred Revenue	17,079	9,985
Due to Related Parties	453,286	(152,300)
Cash Used in Operating Activities	(25,198)	(557,217)
Financing Activities		
CEBA loan	20,000	40,000
Cash Provided by Financing Activities	20,000	40,000
Decrease in Cash	(5,198)	(517,217)
Cash, Beginning of Period	122,656	625,350
Cash, End of Period	117,458	108,132

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

EASTWOOD BIO-MEDICAL CANADA INC.  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED JULY 31, 2021  
(Expressed in Canadian Dollars)

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## 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<sup>®</sup>, 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.

### Going Concern & Impact of COVID-19

The Company's operations have been significantly adversely affected by the effects of a widespread global outbreak of the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the ultimate impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, the health crisis could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

As at July 31, 2021, the Company has working capital deficiency of \$756,910 (2020: working capital deficiency of \$278,291), and has incurred accumulated loss of \$4,835,828 (2020: \$4,237,616) since incorporation. The Company possesses \$117,458 (2020: \$122,656) 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. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

## 2. Significant Accounting Policies

### (a) Statement of Compliance

These condensed interim financial statements for the nine months ended July 31, 2021 (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, 2020, 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").

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**2. Significant Accounting Policies (Continued)**

(a) Statement of Compliance (Continued)

These condensed interim financial statements were authorized for issue by the Board of Directors on September 28, 2021.

(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 and South Korean Won 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 and South Korean Won 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 identification of the primary obligor, as well as which party has credit risk, general and inventory risk (or equivalent) and latitude in establishing prices.

## 2. Significant Accounting Policies (Continued)

### (d) Significant Judgments, Estimates and Assumptions (Continued)

#### (ii) Evaluation of the Company's ability to continue as a going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing these financial statements. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment of the Company's ability to execute its strategy and finance the operations through achieving positive cash flow from operations or by obtaining additional funding through debt or equity financing involves judgments. Management monitors future cash requirements to assess the Company's ability to realize assets and discharge its liabilities in the normal course of operations.

#### (iii) Impairment indicators on long term assets

Judgements are required to assess when impairment indicators exist and impairment testing is required.

### *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.

#### (iv) Interest Rate on Government Loan

The government loan is measured at fair value based on management's best estimate of the effective interest rate at initial recognition. This estimate has an impact on the fair value of the loan recognized in the statement of financial position on the recognition 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).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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## 2. Significant Accounting Policies (Continued)

### (e) Financial Instruments (Continued)

#### Classification (Continued)

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.

Cash, account receivable and other receivables, and due from related party are measured at amortized cost.

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. Account payable and accrued liabilities and due to related parties are measured at amortized cost.

#### 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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**2. Significant Accounting Policies (Continued)**

(e) Financial Instruments (Continued)

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) Prepaid Expenses

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 year.

<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")).

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**2. Significant Accounting Policies (Continued)**

(j) Impairment of Long-Lived Assets (Continued)

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.

(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.

EASTWOOD BIO-MEDICAL CANADA INC.  
 NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**2. Significant Accounting Policies (Continued)**

(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.

**3. Accounts Receivable and Other Receivable**

	July 31, 2021	October 31, 2020
	\$	\$
Trade Receivable	3,288	8,914
Total	3,288	8,914

The aging of trade receivable is as follows:

	July 31, 2021	October 31, 2020
	\$	\$
Current – 30 days	-	8,231
31 – 60 days	85	-
61 – 90 days	-	-
Over 90 days	3,203	683
Total	3,288	8,914

During the period ended July 31, 2021, \$nil of the trade receivables was recorded as bad debt.

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**4. Prepaid Expenses**

	July 31, 2021	October 31, 2020
	\$	\$
<b>Current</b>		
Prepaid Expenses	3,183	3,183
Prepaid to EBMR*	30,116	37,065
<b>Total</b>	<b>33,299</b>	<b>40,248</b>
<b>Non-current</b>		
Prepaid to EBMR*	90,347	111,196

\*Pursuant to the agreement with EBMR on September 7, 2018, \$573,337 is calculated to be the present value of the prepayments for lease, consulting service and management service for the period from November 28, 2018 to October 31, 2024. As of November 1, 2019, upon the adoption of IFRS 16, the lease prepayments were recognized as right-of-use asset. Please see Note 6.

\$27,799 of consulting and management fee has been recorded as expense during the year ended July 31, 2021 (2020: \$27,799).

**5. Property, Plant and Equipment**

	Property and Plant	Manufacturing Equipment	Total
Cost	\$	\$	\$
Balance as at October 31, 2019	216,901	311,311	528,212
Additions	-	-	-
Balance as at October 31, 2020	216,901	311,311	528,212
Additions	-	-	-
Balance as at July 31, 2021	216,901	311,311	528,212
<b>Accumulated depreciation</b>			
Balance as at October 31, 2019	18,075	53,537	71,612
Additions	18,075	27,924	45,999
Balance as at October 31, 2020	36,150	81,461	117,611
Additions	13,556	20,380	33,936
Balance as at July 31, 2021	49,706	101,841	151,547
<b>Carrying value</b>			
Balance as at October 31, 2020	180,751	229,850	410,601
Balance as at July 31, 2021	167,195	209,470	376,665

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**6. Right-of-Use Assets**

As at July 31, 2021, the Company has one lease agreement for its leased premises. On April 17, 2018, the Company entered into an asset purchase agreement with EBMR. According to the agreement, the Company exercised its right to purchase a lease from EBMR by paying a purchase price of \$353,825. The Company assessed the fair value of the lease using a discount rate of 5.7%. Before November 1, 2019, leases of premises were classified as operating leases. As at November 1, 2019, the leases were recognized as a right-of-use asset. The right-of-use asset is depreciated over the lease terms.

<b>Cost</b>	<b>\$</b>
November 1, 2019	298,724
Additions	-
Balance as at October 31, 2020	298,724
Additions	-
Balance as at July 31, 2021	298,724
<b>Accumulated amortization</b>	
November 1, 2019	-
Additions	59,745
Balance as at October 31, 2020	59,745
Additions	44,809
Balance as at July 31, 2021	104,553
<b>Net book value</b>	<b>\$</b>
Balance as at October 31, 2020	238,979
Balance as at July 31, 2021	194,171

**7. Government Assistance**

During the fiscal year 2020 and 2021, the Company was approved and received a \$60,000 CEBA loan with the bank under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. The CEBA loan is non-interest bearing, can be repaid at any time without penalty and is valid until December 31, 2022.

If 75% of the CEBA loan at the CEBA loan Commencement Date is repaid on or before December 31, 2022, the repayment of the remaining 25% of such CEBA loan shall be forgiven. If on December 31, 2022, the Company exercises the option for a 3 -year term extension, 5% interest during the term extension period will apply on any balance remaining.

During the period, the Company recognized \$7,547 in Canada Emergency Wage Subsidy (“CEWS”) as other income. CEWS was introduced in response to the COVID-19 (a.k.a. coronavirus) pandemic to provide eligible employers with a subsidy to cover a portion of wage costs paid to eligible employees during prescribed claim periods

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**8. Share Capital**

a) Authorized Share Capital

Authorized: Unlimited Common Shares without par value

b) Issued Share Capital

As at July 31, 2021, there were 68,885,969 common shares (2019: 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 July 31, 2021 and October 31, 2020, there are no option outstanding and exercisable.

**9. Related Party Transactions**

(i) Transactions and balances with EBMR during the year

	July 31, 2021	July 31, 2020
	\$	\$
Management and administrative services fee	175,516	175,516
Director fee	6,000	-
Rent per leasing agreements (Note 6)	44,809	44,809
Consulting fee per consulting agreement (Note 4)	13,533	13,533
Purchase cost for purchase of products at pre-agreed upon price	363,461	203,725

During the period ended July 31, 2021, the Company received \$26,502 (2020: \$30,079) in manufacturing orders from EBMR.

As of July 31, 2021, amount of \$795,631 (2020: \$208,370) was due to EBMR, at zero interest and due on demand.

(ii) As at July 31, 2021, \$42,203 (2020: \$nil) was due to the CEO and CFO of the Company for business expenses paid by her on behalf of the Company.

(iii) Compensation of key management personnel

During the period ended July 31, 2021, amount of \$6,000 (2020: \$nil) director fee was incurred/paid to a director of the Company for the services provided.

During the period ended July 31, 2021, amount of \$nil (2020: \$22,500) compensation was incurred/paid to former CFO and director of the Company for accounting and consulting services provided.

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**9. Related Party Transactions (Continued)**

During the period ended July 31, 2021, amount of \$27,000 (2020: \$27,000) salaries was incurred/paid to the CFO and director of the Company for services provided.

During the period ended July 31, 2021, amount of \$27,000 (2020: \$nil) 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 period ended July 31, 2021 and 2020.

**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, 2021, the Company had accounts payable and accrued liabilities of \$48,754 (October 31, 2020: \$59,331), which are due in the short term (0 - 3 months) and due to investors of \$100 (October 31, 2020: \$100), and due to related parties of \$837,834 (October 31, 2020: \$384,548), 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.

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**10. Financial Risk Management (Continued)**

**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 \$9,524 (2020: \$1,974) 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 \$952 (2020: \$197).

The Company also has net financial assets of approximately \$54,937 (2020 – \$72,658) 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 \$9,494 (2020 - \$7,266).

**Capital Management**

The Company has defined its capital as share capital, reserves and accumulated deficit.

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's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments.

The Company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed during the year. These objectives and strategies are reviewed on a continuous basis.

**13. Segmented Information**

The Company has one reportable business segment, being the distribution of Eleotin<sup>®</sup> 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, 2021	153,152	21.56%	135,967	19.14%	421,249	59.30%	710,368	100%
July 31, 2020	129,106	25.05%	134,731	26.15%	251,460	48.80%	515,297	100%

**14. Commitments**

On November 1, 2018, the Company entered into an agreement with EBMR to provide annual management and administrative services, \$215,050 per year. The contract will expire on October 31, 2024.

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

	<b>Amount</b>
	<b>\$</b>
2021	53,751
2022	215,050
2023	215,050
	<b>483,851</b>