

## **GENERAL**

Set out below is a review of the activities, results of operations and financial position of Eastwood Bio-Medical Canada Inc. (“EBMC” or the “Company”). This Management’s Discussion and Analysis (“MD&A”), dated as of February 28, 2024 should be read in conjunction with the audited financial statements of the Company for the year ended October 31, 2023, and the related notes thereto, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The presentation and functional currency of the Company is the Canadian dollar, unless otherwise stated. The Company is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario in Canada and is listed on the TSX Venture Exchange under the symbol “EBM”. Additional information related to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## **CAUTIONARY NOTES REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute forward-looking information and forward-looking statements within the meaning of applicable securities legislation (collectively “forward-looking statements”). Forward-looking information may include financial and other projections, as well as statements regarding future events, plans, objectives or economic performance, or the assumption underlying any of the foregoing. The use of any of the words “may”, “would”, “could”, “will”, “likely”, “except”, “anticipate”, “believe”, “intend”, “plan”, “forecast”, “project”, “estimate”, and other similar expressions are intended to identify forward-looking statements.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by the forward-looking information. In evaluating these statements, the prospective purchasers should not place undue reliance on any such forward-looking information and should specifically consider various factors, including the risks outlined under ‘Risk Factors’. Further, any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

As at October 31, 2023, the Company has a working capital deficit of \$1,178,951 and has incurred accumulated loss of \$5,537,686 since incorporation. During the year ended October 31, 2023, the Company incurred a net loss of \$546,598 and used cash for operations of \$16,888. The continuation of the Company as a going concern is dependent upon its ability to attain profitable operations. In the event that the cash flow from operations are insufficient to meet the Company’s current operating expenses, the Company will be required to scale back and re-evaluate its planned expenditures and allocate its resources in such a manner as the Board of Directors and management deems to be in the Company’s best interest. To the extent that the Company is unable to cover its ongoing cash requirements through operations, additional financing will be needed. However, there can be no assurance that such financing will occur in the amounts and with the terms expected in favor of the Company.

## **BUSINESS OVERVIEW AND 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<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.

During the year ended October 31, 2014, the Company successfully completed its initial public offering. Jordan Capital Markets Inc. acted as agent in connection with the offering. Pursuant to the offering, the Company issued 3,135,400 common shares of the Company at 25 cents per common share for gross proceeds of \$783,350. In addition to the common shares sold under the offering, the distribution of 16,220,569 common shares issued upon the conversion of 15,062,270 special warrants previously distributed by the Company was qualified under the

prospectus prepared in connection with the initial public offering. The Company now has 68,885,969 common shares issued and outstanding. The full disclosure concerning the Company's share capitals is included and discussed in Note 7.

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

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

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

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.

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

In addition, the Company proposed to settle the remaining outstanding balance of a loan owed by EBMR under the original loan agreement dated June 24, 2016 through the acquisition transaction. The Company's assessed fair value of the assets received in the transaction and as a result, \$332,601 was recorded as loss on settlement of loan.

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

- Leasing agreements where the Company will lease the commercial space in premises owned by EBMR for \$72,000 per year for six years;
- Management and Administrative Service Agreement ("Management Agreement") to reduce the management fee under the Management Agreement dated December 12, 2012 to \$215,050 per year to EBMR in return for management and support services provided by EBMR;

- Consulting agreement where EBMR will manage the production of the Company's natural health products and pass on know-how to the Company related to the production of those products at \$3,000 per month. As part of this process, the Company will develop the expertise necessary to produce natural health products on its own, which will reduce future production costs.

On November 28, 2018, the Company received approval from TSX Venture Exchange for the 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 principal business carried on by the Company is marketing and distributing natural health products in North America. The Company is a licensed distributor of the Eleotin<sup>®</sup> line of products, which include formulations based on natural ingredients that are presented in tea or capsule forms. The Eleotin<sup>®</sup> products include natural remedies for certain metabolic disorders such as blood glucose disorders, hypertension and obesity, and can be used as a dietary supplement. The Company's licensed products which have secured Health Canada product license numbers include (a) Eleotin<sup>®</sup> A 700 (treatment for spleen deficiency, lack of appetite, and fatigue); (b) Eleotin<sup>®</sup> AL88 (laxative); (c) Eleotin<sup>®</sup> Cal20 (bone and teeth maintenance); (d) Eleotin<sup>®</sup> V3D (development and maintenance of bones, teeth and good health); Eleotin<sup>®</sup> G2000 (cardiovascular health); (f) Eleotin<sup>®</sup> H55 (sedative and tension relief); and (g) Eleotin<sup>®</sup> Zn330 (tissue formation and metabolism). Additionally, Eleotin<sup>®</sup> Bentley and Eleotin<sup>®</sup> LBM recently received Health Canada product license numbers. Eleotin<sup>®</sup> Bentley is used to promote healthy glucose levels while Eleotin<sup>®</sup> LBM is recommended for hypertension relief. The Company also manufactures and allocates resources towards research and development of products.

## **RISK FACTORS**

### **Risks Related to the Business and Industry**

#### *Inability to Implement Our Business Strategy*

The growth and expansion of EBMC's business is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that EBMC will be successful in the implementation of its business strategy.

#### *Limited Operating History in Marketing*

While EBMR has been operating since 1996, EBMC itself has a limited operating history on which to evaluate its business. EBMC's management has limited experience in marketing. EBMC may not be successful in addressing its operating challenges such as developing brand awareness and expanding its market presence. EBMC's prospects for profitability must be considered in light of its evolving business model. These factors make it difficult to assess EBMC's prospects. There can be no assurance that EBMC will be able to achieve its growth objectives or maintain rates of growth.

#### *Pricing and Marketing Strategies*

EBMR has devised a marketing strategy for the next 12 months and has developed product pricing strategies based on past experience and assessment of comparable products in the natural health products sector. Management expects that the Company's marketing and pricing strategies will play a significant role in determining whether the Company can increase sales revenues over the next 12 months. There is no guarantee that the marketing and pricing strategies that will be implemented by the Company will be successful.

#### *Reliance Upon Management*

EBMC's success is dependent on key management personnel, as well as the personal efforts and commitment of management. Should EBMC lose the services of one or more key management personnel, the ability of EBMC to achieve its objectives could be adversely affected if EBMC is unable to attract and retain qualified replacements. EBMC does not currently maintain key person insurance on any members of management.

#### *Negative Cash Flow*

The Company plans to use the proceeds from the Offering to carry out marketing activities with a view to increasing sales revenues. There is no guarantee that the Company's marketing efforts will be successful or that revenues will

increase significantly over the next 12 months. Consequently, there is a risk that the Company will experience negative cash flow as it attempts to increase sales through increased expenditure on more wide-scale marketing of its products.

#### *Competition*

EBMC will compete with a number of other companies, suppliers and scientists, including multinational corporations that have established market shares. No assurances can be given that EBMC will be able to effectively compete with its competitors. Market acceptance of the products and services of EBMC will depend up on aggressive efforts on EBMC's part to inform potential customers of the products' distinctive characteristics and attributes. Although EBMC may have products and services offering advantages over the products and services offered by its competitors, there can be no assurance that the necessary market share will be attained. Competitors and potential competitors of EBMC may have substantially greater product development capabilities and financial, scientific, marketing and human resources than EBMC.

#### *Regulation*

In both the U.S. and Canadian markets, the labeling, handling, distribution, import, export, licensing, sale and storage of EBMC's products are affected by a body of laws, governmental regulations, administrative determinations, court decisions, and similar constraints. Such laws, regulations and other constraints can exist at the federal, provincial, or local levels in Canada, and at federal, state, or local levels in the U.S. The legal requirements with which EBMC will need to comply relate to the following:

- the formulation, manufacturing, packaging, labelling, distribution, importation, sale, and storage of Eleotin® products;
- the health and safety of dietary supplements, cosmetics and foods;
- trade practice laws and direct marketing laws;
- product claims and advertising by EBMC's independent consultants and distributors; and
- export and import restrictions.

There can be no assurance that EBMC is in compliance with all of these laws, regulations, and other constraints. Failure by EBMC to comply with these laws, regulations and other constraints or new laws, regulations or constraints could lead to the imposition of significant penalties or claims and could negatively impact EBMC's business. In addition, the adoption of new laws, or other constraints in the interpretations of such requirements, might result in significant compliance costs or lead EBMC to discontinue product sales and could have an adverse effect on the marketing of EBMC's products.

There has been an increasing movement in the U.S. and other markets to increase the regulation of dietary supplements, which will impose additional restrictions or requirements. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. For example, the United States Food and Drug Administration has implemented good manufacturing practices for the U.S. nutritional supplement industry. Increased regulatory scrutiny of nutritional supplements as well as new regulations that are being adopted in some markets with respect to nutritional supplements could result in more restrictive regulations and harm EBMC's operations if EBMC's products or advertising activities are found to violate existing or new regulations or if EBMC is not able to affect necessary changes to EBMC's products in a timely and efficient manner to respond to new regulations.

#### *Regulations Governing Product Claims and Advertising*

The Company intends to use the proceeds of the Offering in part to carry out marketing activities to promote the sale of its products. The Company will strive to comply with applicable regulations in relation to claims regarding its products in its marketing efforts, on its website and in product packaging and promotional material. Nonetheless, it is possible that the Company could unknowingly violate regulations applicable to claims it makes regarding its products. The Company's failure to comply with regulations that cover product claims and advertising may result in enforcement actions and imposition of penalties or otherwise materially and adversely affect the distribution and sale of the Company's products.

### *Technological and Product Development Risks*

The industry in which EBMC operates is characterized by intense competition, and rapid and substantial change. There can be no assurance that developments by others will not render EBMC's products or technologies non-competitive or that EBMC will be able to keep pace with technological developments. EBMC's competitors may have developed or may be developing product candidates that could become the basis for competitive products.

Some of EBMC's larger competitors may have greater financial and other resources, more products that have received regulatory approvals, greater pricing flexibility, greater knowledge of local market conditions where it seeks to increase sales; stronger brand recognition, and larger sales and distribution networks. As a result, EBMC may be unable to market its products as effectively as its competitors or otherwise respond successfully to competitive pressures.

### *Consumer Preferences and Discretionary Spending*

EBMC is subject to changing consumer trends and preferences, including rapid and frequent changes in demand for products, new product introductions, and enhancements. The failure to accurately predict these trends could negatively impact consumer opinions of EBMC products, which in turn could harm EBMC's relationships with independent consultants and cause a loss of sales. The success of new product offerings and enhancements depends upon a number of factors, including the ability to accurately anticipate consumer needs, innovate and develop new products or product enhancements that meet these needs, successfully commercialize new products or product enhancements in a timely manner, price Eleotin<sup>®</sup> products competitively, manufacture and deliver products in sufficient volumes and in a timely manner, and differentiate Eleotin<sup>®</sup> product offerings from those of its competitors.

### *Adverse or Negative Publicity*

EBMC's business will depend, in part, on the public's perception of its integrity and the safety and quality of its products. Any adverse publicity could negatively affect the public's perception about the company's products or the reputation of EBMC could result in a significant decline in EBMC's operations. Specifically, EBMC is susceptible to adverse or negative publicity regarding skeptical consumers, competitors, the safety and quality of Eleotin<sup>®</sup> products and/or ingredients, regulatory investigations of Eleotin<sup>®</sup> products or competitors' products, and the actions of EBMC's distributors.

### *Product Liability Insurance*

EBMC has obtained insurance covering liabilities that may result from the use of its products. But there can be no assurance that it will be able to obtain such insurance or, if obtained, that such insurance can be acquired in sufficient amounts to protect EBMC against liability or at a reasonable cost. The obligation to pay any product liability or related claim in excess of whatever insurance EBMC is able to acquire, or the recall of any of its products, could have a material adverse effect on the business, financial condition, and future prospects of EBMC.

### *Product Liability Claims*

As a retailer and marketer of products designed for human consumption, the Company may be subject to product liability claims if the use of its products is alleged to have resulted in injury. The Company's products could contain contaminated substances and even if this is not the case, previously unknown adverse reactions resulting from human consumption could occur. The Company's products are sourced by a third-party. As a result, the Company may be liable for various product liability claims for products it does not manufacture. The Company may in the future be subject to various product liability claims, including, among others, that the Company's products include inadequate instructions for use or inadequate warnings concerning possible side effects and interactions with other substances.

A product liability claim against the Company could result in increased costs and could adversely affect its reputation with its customers, which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

### *Product Recalls*

The Company may be exposed to product recalls and adverse public relations if its products are alleged to cause injury or illness or if the Company is alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures, which would reduce operating profit and cash flow. In addition, a

product recall may require significant management attention. Product recalls may hurt the value of the Company's brand and lead to decreased demand for its products. Product recalls may also lead to increased scrutiny by federal, provincial or international regulatory agencies of the Company's operations and increased litigation and could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

#### *Failure to Expand Business in Existing Markets*

EBMC's current market is in Asia, U.S. and Canada. Failure to further penetrate existing markets may negatively impact EBMC's operating results. The ability to further penetrate existing markets is subject to numerous factors, many of which are beyond the control of EBMC, including government regulations, and the finite number of individuals in a given area inclined to pursue direct marketing opportunities. Growth will depend upon improved training and other activities that enhance retention of independent consultants in EBMC's current markets.

#### *Limited Product Line*

The Company currently offers a limited number of products under the Eleotin® brand. If demand for any of these products decreases significantly, government regulation restricts the sale of these products, the Company is unable to adequately source or deliver these products, or ceases offering any of these products for any reason without a suitable replacement, its business, financial condition and results of operations could be materially and adversely affected.

#### *Reliance on Suppliers*

All of the Company's products are currently sourced by a third-party. Raw materials are supplied by specialized growers of natural compound bearing plants in China. There is no assurance that EBMR's current manufacturer and suppliers will continue to reliably supply products to EBMR at the level of quality the Company requires. If any of these third parties suffer liquidity or operational problems, the supply of the Company's products by EBMR could be affected. If the manufacturer becomes insolvent or is forced to lay off employees assisting with the production of the Company's products, the Company's business could be adversely affected. In the event any of EBMR's suppliers or product manufacturer becomes unable or unwilling to continue to provide the products in required volumes and quality levels at acceptable prices, EBMR will be required to identify and obtain acceptable replacement manufacturing or supply sources. There is no assurance that reliable manufacturers or suppliers could be located and retained on a timely basis. An extended interruption in the supply of the Company's products would result in a substantial loss of sales. In addition, any actual or perceived degradation of product quality as a result of the Company's reliance on third party manufacturers and suppliers may have an adverse effect on sales or result in increased product returns and buybacks. The risk related to supply is mitigated by the fact that EBMR sources raw materials from suppliers in bulk and retains healthy supplies. The Company intends to mitigate the risk related by manufacturing by eventually carrying out its own production.

#### *Patent Infringement*

While management believes that the Company's products and operations do not violate the intellectual property rights of any third parties, other parties could bring legal actions against the Company (or EBMR, from which the Company licenses the right to distribute its products) claiming damages and seeking to enjoin the marketing of the Company's products for allegedly conflicting with patents held by them. Any such litigation could result in substantial cost to the Company and diversion of effort by its management and technical personnel. If any such actions are successful, in addition to any potential liability for damages, EBMR or the Company could be required to obtain a license in order to continue to market the affected products. There can be no assurance that EBMR or the Company would prevail in any such action or that any license required under any such patent would be made available on acceptable terms, if at all. Failure to obtain needed patents, licenses or proprietary information held by others may have a material adverse effect on the Company's business. In addition, if the Company were to become involved in such litigation, it could consume a substantial portion of the Company's time and resources. If EBMR alone, and not the Company, is named in any action involving intellectual property rights, there can be no assurance that EBMR will have the resources, financial or otherwise, to defend against any challenges involving such intellectual property rights.

#### *Infrastructure Capabilities*

If EBMC's advertising is extremely successful and results in a large increase in affiliate recruitment, it may be unable to handle the growth from an operational perspective. Increasing demands on its infrastructure could cause

long hold times in EBMC's call center as well as delays on its website. In addition, there could be delays in order processing, packaging and shipping. EBMC could run out of a majority of its inventory if growth exceeds its production capacity. If these difficulties are encountered in a period of hyper-growth, then EBMC's operating results could suffer.

#### *Failure of Information Technology System*

EBMC's operations could suffer as a result of a failure of its information technology system. EBMC's business is dependent upon an information technology infrastructure to effectively manage and operate several key business functions, including order processing, customer service, commission processing, and payments. These systems and operations are vulnerable to damage and interruption from fires, earthquakes, telecommunications failures, and other events. They are also subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Any such errors or inadequacies in the software that may be encountered could adversely affect operations, and such errors may be expensive or difficult to correct in a timely manner.

#### *Global Economic and Financial Downturn*

The economic and financial downturns of recent years, including declining consumer spending and reduced access to credit, is indicative of the risks which may adversely affect EBMC's business. A prolonged downturn in the economy could adversely impact sales of EBMC products and its ability to attract independent consultants. During the recent downturns, consumer purchases of discretionary items such as Eleotin® products were adversely affected, which could continue to have an adverse effect on EBMC's business, financial condition, profitability and cash flows.

Economic deterioration may limit EBMC's access to capital. Any significant reduction in sales or of the number of affiliates could materially and adversely impact EBMC's results of operations, financial condition and liquidity, which, in turn, could adversely affect its access to additional capital. There can be no assurance that the current economic and financial crisis will not require EBMC to obtain additional capital or financing or that such capital or financing will be available on commercially reasonable terms.

#### *Currency Exchange Rates*

Fluctuations in currency exchange rates could reduce the overall profits of EBMC. There is a risk EBMC's reported sales, operating expenses, and net income could significantly fluctuate according to the changes in value of the U.S. and Canadian dollars. EBMC is not able to predict the degree of exchange rate fluctuations, nor can it estimate the effect any future fluctuations may have upon its future operations.

#### *Other Risks*

Acts of God, war, sabotage and terrorist attacks or any similar risk may affect EBMC's operations in unpredictable ways, including disruptions of the shopping and commercial behaviour of customers, changes in the insurance markets and disruptions of financial markets. Circumstances and conditions may change. Accordingly, additional risks and uncertainties not currently known, or that are not currently deemed material, may also adversely affect business operations.

### **OVERALL PERFORMANCE**

As at October 31, 2023, the Company has a working capital deficit of \$1,178,951 compared to \$742,522 as at October 31, 2022, a decrease of \$436,429. The Company has an accumulated deficit of \$5,537,686 since incorporation. During the years ended October 31, 2023 and 2022, the Company generated \$867,936 and \$1,299,763 in total revenue, respectively, a decrease of \$431,827. The decrease in revenue is due to the Company experiencing an decreased demand for its products. The Company reported slightly higher general and administrative expenses for the year ended October 31, 2023. These expenses amounted to \$1,094,963 and \$1,053,208 for the years ended October 31, 2023 and 2022, respectively, an increase of \$41,755. The Company had a net loss of \$546,598 for the year ended October 31, 2023 compared to \$149,879 for the year ended October 31, 2022.

## SELECTED ANNUAL INFORMATION

The following table presents selected financial information for the last three audited fiscal years ended October 31, 2023, 2022, and 2021:

	2023 \$	2022 \$	2021 \$
Total Revenue	867,936	1,299,763	981,051
Net Loss	(546,598)	(149,879)	(603,593)
Loss Per Common Share, Basic and Diluted	(0.01)	(0.00)	(0.01)
Total Assets	489,137	584,534	691,123
Long-Term Liabilities	-	34,748	31,350

## RESULTS OF OPERATIONS

	For the year ended October 31,	
	2023	2022
	\$	\$
Revenue	867,936	1,299,763
Gross profit	548,365	902,744
Operating expenses	1,094,963	1,053,208
Other income	-	585
Net loss	(546,598)	(149,879)

### Revenue

Effective on November 1, 2012, the Company entered into a Distribution and Licensing Agreement with EBMR, pursuant to which the Company became the exclusive distributor in Canada, and non-exclusive distributor in the US for EBMR's products. 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.

For the years ended October 31, 2023 and 2022, the Company generated a total of \$867,936 and \$1,299,763 in total revenue, respectively, a decrease of \$431,827. The decrease in revenue is due to the Company experiencing a decreased demand for its products in Korea. Sales consisted of sales revenue, freight revenue, and manufacturing revenue. Canadian sales accounted for 13%, US sales accounted for 16%, and Asia sales accounted for 71% of the total sales revenue. Sales to date have been generated mostly through word of mouth and internet sales, with limited additional sales made through conventional distributors.

The Company has almost 18,000 registered clients in the US and Canada who became the clients of the Company mostly through word of mouth and referrals. Given the significant historical success with referral sales, the Company expects to capitalize on this within the natural health products industry, by also offering its products through direct marketing companies. As people are most comfortable trying health related products recommended by family and friends rather than products initially brought to their attention through traditional advertising channels, direct marketing has been a successful medium in the past, for natural health related products.

The Company has moved in the direction of launching a direct marketing program in North America. Occasionally, the Company will be hosting sales parties. Eleotin® products serve the clients better when close personal communications and extensive education about metabolism disorders accompany them. These meetings would not only familiarize potential clients with Eleotin® products, but also with a wide range of lifestyle improvements such as scheduling exercise times into busy lifestyles, and recommending foods to avoid or add to diets.

The Company also plans to hire health care professionals such as licensed nutritionists, nurses, diabetes educators, medical doctors, and alternative medical service providers to give health related opinions and counseling. These professionals would be providing their insight both during and outside the sales events the Company hosts.

### Cost of Goods Sold

Under the terms of the Distribution and Licensing Agreement, EBMR is the supplier of the Eleotin® products and the Company shall purchase the products from EBMR at a pre-agreed price. For the year ended October 31, 2023, the cost of goods sold was \$319,571 compared to \$397,019 for the corresponding year ended October 31, 2022. Cost of purchases consisted of the purchase cost of Eleotin® products, freight expenses as well as the processing fees paid to merchant accounts. The decrease in cost of goods sold was mainly due to the lower sales incurred during the year ended October 31, 2023.

### Gross Profit

For the year ended October 31, 2023, the Company recorded a gross profit of \$548,365, representing 63% of the total sales revenue, compared to \$902,744, representing 69% of the total sales revenue for the year ended October 31, 2022. In comparison, gross profit has fluctuated significantly as a percentage of sales over the reported periods. The decrease in gross profit was driven primarily by the lower margins of certain products.

### Net Loss

The Company had net losses of \$546,598 and \$149,879 for the years ended October 31, 2023 and 2022, respectively. The increase in loss is mainly due to the Company generating less revenue and a lower gross profit by \$354,379 for year ended October 31, 2023 compared to the prior year. The management of the Company intends to invest heavily in the sales and marketing of Eleotin® and related products. Marketing of new products that are unknown to the selected markets is expected to be very expensive and will lead to increased losses for an indeterminate amount of time before revenues and profits grow enough to offset these new expenditures. As a result, further losses are anticipated for the foreseeable future.

## SUMMARY OF QUARTERLY RESULTS

Quarter Ended	31-Oct-23	31-Jul-23	30-Apr-23	31-Jan-23	31-Oct-22	31-Jul-22	30-Apr-22	31-Jan-22
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenue	129,082	187,017	219,652	332,185	380,911	285,228	302,612	331,012
Net Loss	(184,233)	(117,301)	(175,832)	(69,232)	(24,960)	(85,313)	(29,266)	(10,336)
Loss per Share*	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

## LIQUIDITY

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. As at October 31, 2023, the Company had accounts payable and accrued liabilities of \$101,735 (2022: \$60,310), which are due in the short term (0 - 3 months), due to related parties of \$1,025,620 (2022: \$731,589), which are due on demand, and loans payable of \$61,965 (2022: \$62,250).

## CAPITAL RESOURCES

As the Company is still in the early stage of business and does not have strong operating cash flows, the Company has had to rely on the external financing. However, the Company has no intention to rely on debt financing. The Company has been successful since incorporation in attracting potential investors who subscribed for Share Purchase Warrants. There can be no assurance, however, that the Company will be able to attract more potential investors in the future to fulfill its business objectives, or that the terms will be favourable to the Company. In the event that cash flow from operations, together with the proceeds for any future financing, if any, are insufficient to meet the Company's operating expenses, the Company will be required to re-evaluate its planned expenditures and

allocate its total resources in such a manner as the Board of Directors and management deem to be in the Company's best interest.

As at October 31, 2023, the Company possesses \$18,448 in cash and has a working capital deficit of \$1,140,069. The Company's objectives when managing capital is to ensure that there is adequate working capital to sustain operations and to continue as a going concern.

## CONTINGENT LIABILITIES

There has been an increasing movement in the U.S. and other markets to increase the regulation of dietary supplements, which will impose additional restrictions or requirements. In addition, there has been increased regulatory scrutiny of nutritional supplements and marketing claims under existing and new regulations. It is not possible to estimate the future impact on operating results, if any, as a result of future governmental regulations of dietary and nutritional supplements.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company is not aware of any off-balance sheet transactions requiring disclosure.

## TRANSACTIONS WITH RELATED PARTIES

(i) Transactions and balances with EBMR:

	2023	2022
	\$	\$
Manufacturing revenue	53,673	61,355
Cost of goods sold	163,485	201,591
Consulting fees	18,044	18,044
Management fees	186,521	234,021

As of October 31, 2023, amount of \$1,060,888 (2022: \$715,909) was due to EBMR, which is non-interest bearing, unsecured, and due on demand.

(ii) As at October 31, 2023, \$68,335 (2022: \$14,095) was due to the CFO of the Company, which is non-interest bearing, unsecured, and due on demand.

(iii) As at October 31, 2023, \$33,069 (2022: \$1,585) was due to the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

(iv) As at October 31, 2023, accounts receivable of \$6,965 (2022: \$7,883) was due from a company controlled by the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.

(v) During the year ended October 31, 2023, the amount of \$9,784 (2022: \$21,421) in sales revenue was earned from a company controlled by the CEO of the Company. As at October 31, 2023, deferred revenue of \$67,083 (2022: \$nil) was due to this company.

(vi) Compensation of key management personnel:

During the year ended October 31, 2023, the amount of \$4,000 (2022: \$3,800) in consulting fees was incurred to a director of the Company.

During the year ended October 31, 2023, the amount of \$29,994 (2022: \$31,193) in salary was incurred to the CFO of the Company.

During the year ended October 31, 2023, the amount of \$36,005 (2022: \$36,004) in salary was incurred to the CEO of the Company.

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the years ended October 31, 2023 and 2022.

## **PROPOSED TRANSACTIONS**

None.

## **CHANGES IN ACCOUNTING POLICIES, INCLUDING INITIAL ADOPTION**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2023, and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## **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, accounts payable and accrued liabilities, loans payable, CEBA loan payable, and due to related parties. The fair values of these financial instruments approximate their carrying values due to their 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 receivable 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. As at October 31, 2023, the Company had accounts payable and accrued liabilities of \$101,735 (2022: \$60,310), which are due in the short term (0 - 3 months), due to related parties of \$1,025,620 (2022: \$731,589), which are due on demand, and loans payable of \$61,965 (2022: \$62,250).

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as it does not have any liabilities with variable rates.

### **Foreign Exchange Rate Risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates.

The Company has net financial liabilities of approximately \$16,466 (2022: \$23,378) 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 \$1,647 (2022: \$2,338).

The Company also has net financial assets of approximately \$11,380 (2022 – \$17,613) 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 by \$1,138 (2022 - \$1,761).

## **CAPITAL MANAGEMENT**

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

## **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company has 68,885,969 common shares issued and outstanding.

As at the date of this MD&A, the Company has no share purchase warrants or share purchase options outstanding.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Management of the Company is responsible for establishing and maintaining disclosure controls and procedures for the Company and has designed such disclosure controls and procedures, or caused them to be designed under the Company management's supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within those entities particularly during the period covered by this MD&A.

Management has evaluated the effectiveness of the Company's disclosure controls and procedures for the period covered by this MD&A and based on that evaluation, Management has concluded that the disclosure controls and procedures are effective.