

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023

(Expressed in Canadian Dollars)

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

FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023

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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 IFRS Accounting Standards as issued by the International Accounting Standard Board. 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.

Saturna Group Chartered Professional Accountants LLP was 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.

March 3, 2025

(signed)

"Youngsoo Kim"  
President

(signed)

"Yunji Kim"  
CFO

## INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, and the statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

#### **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 audit 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.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1 in the financial statements, which indicates that the Company has a net loss of \$455,870 and has negative cash flow from operations of \$15,217 during the year ended October 31, 2024 and, as of that date, the Company has a working capital deficit of \$1,527,279 and an accumulated deficit of \$5,993,556. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended October 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the *Material Uncertainty Related to Going Concern* section of our report, we have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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 audit 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 audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

A handwritten signature in black ink that reads "Saturna Group LLP". The signature is written in a cursive, flowing style.

Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

March 3, 2025

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

<b>As at</b>	October 31, 2024 \$	October 31, 2023 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	-	18,448
Accounts Receivable and Other Receivables (Note 7)	42,883	14,466
Due from Related Party (Note 7)	-	68,335
Prepaid Expenses and Deposits (Note 7)	797	49,733
	<u>43,680</u>	<u>150,982</u>
Property and Equipment (Note 3)	230,613	278,410
Right-of-Use Asset (Note 4)	-	59,745
	<u>230,613</u>	<u>338,155</u>
<b>TOTAL ASSETS</b>	<u>274,293</u>	<u>489,137</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Bank Overdraft	1,388	-
Accounts Payable and Accrued Liabilities	75,457	101,735
Deferred Revenue (Note 7)	16,619	72,276
CEBA Loans Payable (Note 5)	60,000	38,882
Loans Payable (Note 8)	18,220	23,083
Due to Related Parties (Note 7)	1,399,275	1,093,957
<b>TOTAL LIABILITIES</b>	<u>1,570,959</u>	<u>1,329,933</u>
<b>SHAREHOLDERS' DEFICIT</b>		
Share Capital	4,687,376	4,687,376
Reserves	9,514	9,514
Deficit	(5,993,556)	(5,537,686)
	<u>(1,296,666)</u>	<u>(840,796)</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<u>274,293</u>	<u>489,137</u>

Nature of operations and going concern (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on March 3, 2025:

/s/ "Youngsoo Kim"

Youngsoo Kim, Director

/s/ "Yunji Kim"

Yunji Kim, 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)

	Year Ended October 31, 2024 \$	Year Ended October 31, 2023 \$
<b>Revenue</b>		
Consulting Revenue (Note 7)	45,000	–
Sales Revenue (Note 7)	598,386	749,651
Freight Revenue	31,648	64,612
Manufacturing (Note 7)	27,042	53,673
<b>Total Revenue</b>	<b>702,076</b>	<b>867,936</b>
Cost of Goods Sold (Note 7)	247,687	319,571
<b>Gross Profit</b>	<b>454,389</b>	<b>548,365</b>
<b>Expenses</b>		
Accounting and Audit Fees	34,061	27,706
Advertising and Marketing	3,005	3,309
Amortization (Notes 3 and 4)	107,542	107,852
Bad Debts	4,679	837
Consulting Fees (Note 7)	39,544	43,844
Foreign Exchange Loss	7,205	12,395
Insurance	71,608	85,430
Interest and Bank Charges	6,286	28,164
Legal Fees	8,828	5,632
Management Fees (Note 7)	139,021	186,521
Office Expenses	56,883	55,426
Transfer Agent and Filing Fees	41,712	33,732
Wages and Salaries (Note 7)	370,029	504,115
	<b>890,403</b>	<b>1,094,963</b>
<b>Loss Before Other Expense</b>	<b>(436,014)</b>	<b>(546,598)</b>
<b>Other Expense</b>		
Loss of Government Assistance (Note 5)	(19,856)	-
<b>Net Loss and Comprehensive Loss</b>	<b>(455,870)</b>	<b>(546,598)</b>
<b>Loss Per Share - Basic and Diluted</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>

(The accompanying notes are an integral part of these financial statements)

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

	Share Capital			Reserves	Deficit	Total Shareholders' Deficit
	Number of Shares	Amount \$	\$			
<b>Balance, October 31, 2022</b>	68,885,969	4,687,376	9,514	(4,991,088)	(294,198)	
Net loss for the year	-	-	-	(546,598)	(546,598)	
<b>Balance, October 31, 2023</b>	68,885,969	4,687,376	9,514	(5,537,686)	(840,796)	
Net loss for the year	-	-	-	(455,870)	(455,870)	
<b>Balance, October 31, 2024</b>	68,885,969	4,687,376	9,514	(5,993,556)	(1,296,666)	

(The accompanying notes are an integral part of these financial statements)

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

	Year Ended October 31, 2024 \$	Year Ended October 31, 2023 \$
Operating Activities		
Net Loss for the Year	(455,870)	(546,598)
Items Not Involving Cash:		
Amortization	107,542	107,852
Accretion of Discounts on CEBA Loans	1,262	4,134
Foreign Exchange Loss	(244)	84
Loss of Government Assistance	19,856	-
Changes in Non-Cash Operating Working Capital:		
Accounts Receivable and Other Receivables	(28,417)	124
Prepaid Expenses and Deposits	48,936	34,365
Accounts Payable and Accrued Liabilities	(26,278)	41,425
Deferred Revenue	(55,657)	47,693
Due to/from Related Parties	373,653	294,033
Net Cash Used in Operating Activities	(15,217)	(16,888)
Financing Activities		
Proceeds from Loans Payable	39,356	46,871
Repayment of Loans Payable	(43,975)	(51,374)
Net Cash Used in Financing Activities	(4,619)	(4,503)
Decrease in Cash	(19,836)	(21,391)
Cash, Beginning of Year	18,448	39,839
Cash, End of Year	(1,388)	18,448

(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, 2024 AND 2023**  
(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"), which is currently the majority shareholder of the Company. EBMR is 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 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 is 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.

As at October 31, 2024, the Company has a working capital deficiency of \$1,527,279 (2023: \$1,178,951), and an accumulated deficit of \$5,993,556 (2023: \$5,537,686) since incorporation. During the year ended October 31, 2024, the Company incurred a net loss of \$455,870 (2023: \$546,598) and used cash for operations of \$15,217 (2023: \$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 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. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material.

**2. Material Accounting Policy Information**

(a) Statement of Compliance

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

(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.

**EASTWOOD BIO-MEDICAL CANADA INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023**  
(Expressed in Canadian Dollars)

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**2. Material Accounting Policy Information (continued)**

(c) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of loss.

(d) Significant Judgments, Estimates, and Assumptions

The preparation of these financial statements requires management to make judgments, 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) 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.

**EASTWOOD BIO-MEDICAL CANADA INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023**  
(Expressed in Canadian Dollars)

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**2. Material Accounting Policy Information (continued)**

(d) Significant Judgments, Estimates and Assumptions (continued)

*Areas of Judgments (continued)*

(iii) Impairment Indicators on Non-current Assets

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

*Areas of Assumptions and Estimates*

(i) Deferred Income Taxes

The Company recognizes the deferred income tax benefit related to deferred income tax assets to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable income. 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 income 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.

(e) Financial Instruments

*Classifications*

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.

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

**EASTWOOD BIO-MEDICAL CANADA INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023**  
(Expressed in Canadian Dollars)

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**2. Material Accounting Policy Information (continued)**

(e) Financial Instruments (continued)

*Classifications (continued)*

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, loans payable, CEBA loans payable, 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 financial liability and the consideration paid or payable, including non-cash assets transferred or liabilities assumed, is recognized in the statements of loss.

(f) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

**EASTWOOD BIO-MEDICAL CANADA INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023**  
(Expressed in Canadian Dollars)

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**2. Material Accounting Policy Information (continued)**

(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) Property and Equipment

Property and equipment is stated at cost and amortized over the useful lives. The estimated useful lives and amortization 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 and equipment are determined by comparing the proceeds from disposal with the carrying amount of property 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>Amortization term</u>
Manufacturing equipment	3 to 15 years
Leasehold improvements	s 12 years

(i) Impairment of Non-current Assets

The carrying values of all property 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.

**EASTWOOD BIO-MEDICAL CANADA INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED OCTOBER 31, 2024 AND 2023**  
(Expressed in Canadian Dollars)

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**2. Material Accounting Policy Information (continued)**

(j) 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.

(k) Income Taxes

Income tax is recognized in the statement of loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current income 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 income 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 income 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 income 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 statement of financial position date.

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

(l) 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.

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**2. Material Accounting Policy Information (continued)**

(m) 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.

(n) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended October 31, 2024, 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.

**3. Property and Equipment**

	Leasehold Improvements	Manufacturing Equipment \$	Total \$
<b>Cost</b>			
Balance, October 31, 2022, 2023 and 2024	216,901	319,890	536,791
<b>Accumulated amortization</b>			
Balance, October 31, 2022	72,300	137,974	210,274
Additions	18,075	30,032	48,107
Balance, October 31, 2023	90,375	168,006	258,381
Additions	18,075	29,722	47,797
Balance, October 31, 2024	108,450	197,728	306,178
<b>Net carrying value</b>			
Balance, October 31, 2023	126,526	151,884	278,410
Balance, October 31, 2024	108,451	122,162	230,613

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**4. Right-of-Use Asset**

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. 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 was amortized over the lease term.

	\$
<b>Cost</b>	
Balance, October 31, 2022, 2023 and 2024	298,724
<b>Accumulated amortization</b>	
Balance, October 31, 2022	179,234
Additions	59,745
Balance, October 31, 2023	238,979
Additions	59,745
Balance, October 31, 2024	298,724
<b>Net carrying value</b>	
Balance, October 31, 2023	59,745
Balance, October 31, 2024	—

**5. CEBA Loans Payable**

During the year ended October 31, 2020, the Company was approved and received a \$40,000 CEBA loan with the bank under the Canada Emergency Business Account (“CEBA”) program funded by the Government of Canada. As at October 31, 2020, the terms of the loan were follows: non-interest bearing, can be repaid at any time without penalty and is valid until January 18, 2024. If 75% of the CEBA loan at the CEBA loan Commencement Date is repaid on or before January 18, 2024, the repayment of the remaining 25% of such CEBA loan shall be forgiven.

During the year ended October 31, 2020, the Company recognized the forgivable portion of \$10,000 of the CEBA loan received and calculated interest benefit of \$8,123 in other income.

During the year ended October 31, 2021, the Company was approved and received an additional \$20,000 CEBA loan. This new CEBA loan is non-interest bearing, can be repaid at any time without penalty and is valid until January 18, 2024. If 50% of the new \$20,000 CEBA loan is repaid on or before January 18, 2024, the repayment of the remaining 50% of the loan amount loan shall be forgiven.

During the year ended October 31, 2021, the Company recognized the forgivable portion of \$10,000 of the CEBA loan received and calculated interest benefit of \$2,893 in other income.

During the year ended October 31, 2024, the Company recognized an expense of \$19,856 due to the forfeiture of the forgivable portion of its CEBA loans. This expense resulted from the Company's non-compliance with the extended repayment deadline of January 18, 2024, and is classified within other expenses in the statement of loss.

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**6. Share Capital**

(a) Authorized Share Capital

Authorized: Unlimited common shares without par value

(b) 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.

As at October 31, 2023 and 2024, there were no share purchase options outstanding.

**7. Related Party Transactions**

(i) Transactions and balances with EBMR:

	2024 \$	2023 \$
Manufacturing revenue	27,042	53,673
Cost of goods sold	139,052	163,485
Consulting fees	18,044	18,044
Management fees	139,021	186,521

- (ii) As of October 31, 2024, the amount of \$1,131,791 (2023: \$1,060,888) was due to EBMR, which is non-interest bearing, unsecured, and due on demand.
- (iii) As at October 31, 2024, the amount of \$nil (2023: \$37,065) was prepaid to EBMR for consulting and management fees.
- (iv) As at October 31, 2024, \$208,532 (2023: \$nil) was due to the CFO of the Company, which is non-interest bearing, unsecured, and due on demand.
- (v) As at October 31, 2024, \$nil (2023: \$68,335) was due from the CFO of the Company, which is non-interest bearing, unsecured, and due on demand.
- (vi) As at October 31, 2024, \$58,952 (2023: \$33,069) was due to the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.
- (vii) As at October 31, 2024, accounts receivable of \$5,645 (2023: \$6,965) was due from a company controlled by the CEO of the Company, which is non-interest bearing, unsecured, and due on demand.
- (viii) During the year ended October 31, 2024, the amounts of \$105,054 (2023: \$9,784) in sales revenue and \$45,000 (2023: \$nil) in consulting revenue was earned from companies controlled by the CEO of the Company. As at October 31, 2024, deferred revenue of \$8,512 (2023: \$67,083) was due to these companies.

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**7. Related Party Transactions (continued)**

(ix) Compensation of key management personnel:

During the year ended October 31, 2024, the amount of \$4,000 (2023: \$4,000) in consulting fee was incurred to a director of the Company.

During the year ended October 31, 2024, the amount of \$36,000 (2023: \$36,000) in salary was incurred to the CFO of the Company.

During the year ended October 31, 2024, the amount of \$30,000 (2023: \$30,000) in salary was incurred to the CEO of the Company.

**8. Loans Payable**

On March 8, 2023, the Company entered into a Capital Agreement (the "Agreement") with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's future revenue stream for the amount of US\$28,250. The Agreement will cover all of the money in the Company's revenue stream (the "Receivable"). In exchange, the Lender provided the Company with an advance of US\$25,000. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from March 8, 2023 until the Lender has received payment of the entire amount. As at October 31, 2023, \$13,137 (US\$9,471) of this loan was outstanding. As at October 31, 2024, the Company has fully repaid this loan.

On June 12, 2023, the Company entered an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of \$5,311. In exchange, the Lender will provide to the Company an advance of \$4,700. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from June 12, 2023 until the Lender has received payment of the entire amount. As at October 31, 2023, \$2,217 of this loan was outstanding. As at October 31, 2024, the Company has fully repaid this loan.

On September 26, 2023, the Company entered into an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of US\$2,712. The Agreement will cover all of the money in the Company's revenue stream (the "Receivable"). In exchange, the Lender will provide to the Company an advance of US\$2,400. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 173% of the Receivable every day from September 26, 2023 until the Lender has received payment of the entire amount. As at October 31, 2023, \$3,329 (US\$2,400) of this loan was outstanding. As at October 31, 2024, the Company has fully repaid this loan.

On October 30, 2023, the Company entered an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of \$4,972. In exchange, the Lender will provide to the Company an advance of \$4,400. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from October 30, 2023 until the Lender has received payment of the entire amount. As at October 31, 2023, \$4,400 of this loan was outstanding. As at October 31, 2024, the Company has fully repaid this loan.

On May 1, 2024, the Company entered into an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of US\$5,198. In exchange, the Lender will provide to the Company an advance of US\$4,600. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from May 1, 2024 until the Lender has received payment of the entire amount. As at October 31, 2024, the Company has fully repaid this loan.

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**8. Loans Payable (continued)**

On May 7, 2024, the Company entered an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of \$6,215. In exchange, the Lender will provide to the Company an advance of \$5,500. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from May 7, 2024 until the Lender has received payment of the entire amount. As at October 31, 2024, \$230 of this loan remains outstanding.

On July 3, 2024, the Company entered into an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of US\$16,950. In exchange, the Lender provided the Company with an advance of US\$15,000. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 25% of the Receivable every day from July 3, 2024 until the Lender has received payment of the entire amount. As at October 31, 2024, \$10,990 (US\$7,899) of this loan remains outstanding.

On August 28, 2024, the Company entered an Agreement with the Lender. The Lender agreed to provide the Company with working capital by purchasing a portion of the Company's Receivable for the amount of \$7,910. In exchange, the Lender will provide to the Company an advance of \$7,000. The Company agreed to deliver the entire amount of the purchased Receivable at the rate of 17% of the Receivable every day from August 28, 2024 until the Lender has received payment of the entire amount. As at October 31, 2024, \$7,000 of this loan remains outstanding.

**9. Segmented Information**

The Company has one reportable business segment, being the distribution of Eleotin<sup>®</sup> and related products in North America and Asia. All non-current assets are located in Canada. Below is the breakdown of revenue by geographical location:

	Canada		U.S.		Asia		Total	
	\$		\$		\$		\$	
2024	138,340	20%	128,012	18%	435,724	62%	702,076	100%
2023	112,832	13%	138,870	16%	616,234	71%	867,936	100%

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**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, accounts payable and accrued liabilities, loans payable, CEBA loans, 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 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's objective to managing liquidity risk is to ensure that it has sufficient liquidity available to meet its liabilities when due. The Company relies on raising debt or equity financing in a timely manner.

The following amounts are the contractual maturities of financial liabilities as at October 31, 2024 and 2023:

2024	Total	Within 1 year	Within 2-5 years
	\$	\$	\$
Bank overdraft	1,388	1,388	–
Accounts payable and accrued liabilities	75,457	75,457	–
CEBA loans payable	60,000	60,000	–
Loans payable	18,220	18,220	–
Due to related parties	1,399,275	1,399,275	–
<b>Total</b>	<b>1,554,340</b>	<b>1,554,340</b>	<b>–</b>
<hr/>			
2023	Total	Within 1 year	Within 2-5 years
	\$	\$	\$
Accounts payable and accrued liabilities	101,735	101,735	–
CEBA loans payable	40,000	40,000	–
Loans payable	23,083	23,083	–
Due to related parties	1,093,957	1,093,957	–
<b>Total</b>	<b>1,258,775</b>	<b>1,258,775</b>	<b>–</b>

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

*Interest Risk*

The Company will be subject to fluctuations in interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

*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 \$10,990 (2023: \$16,466) 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 \$1,099 (2023: \$1,647).

The Company also has net financial assets of approximately \$4,815 (2023 – \$11,380) 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 \$482 (2023 - \$1,138).

*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.

**11. Income Taxes**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of loss for the years ended October 31, 2024 and 2023:

	2024	2023
	\$	\$
Net loss before taxes	(455,870)	(546,598)
Statutory tax rate	27%	27%
Expected income tax recovery	(123,085)	(147,581)
Permanent differences and other	(13,087)	(8,973)
Change in unrecognized deferred income tax assets	136,172	156,554
Income tax provision	—	—

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**11. Income Taxes (continued)**

The significant components of deferred income taxes and liabilities as at October 31, 2024 and 2023 are as follows:

	2024	2023
	\$	\$
Property and equipment	81,163	68,258
Non-capital loss carryforwards	1,405,510	1,311,802
Prepaid expenses and other	157,626	128,067
Total gross deferred income tax assets	1,644,299	1,508,127
Unrecognized deferred income tax assets	(1,644,299)	(1,508,127)
Net deferred income tax asset	-	-

As at October 31, 2024, the Company has not recognized a deferred income tax asset in respect of non-capital loss carryforwards of \$5,205,593 (2023: \$4,858,527) which may be carried forward to apply against future year income taxes 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	466,963
2039	577,523
2040	862,009
2041	531,911
2042	39,631
2043	434,612
2044	347,066
	5,205,593