

10-Q 1 f10q0117_eternityhealth.htm QUARTERLY REPORT

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **January 31, 2017**

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **000-53376**

ETERNITY HEALTHCARE INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

75-3268426

(IRS Employer
Identification No.)

**8755 Ash Street, Suite 1, Vancouver,
British Columbia, Canada**

(Address of principal executive offices)

V6P 6T3

(Zip Code)

(604) 324-1113

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

YES NO

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
 PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

YES NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

68,929,868 common shares issued and outstanding as of March 9, 2017.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited consolidated interim financial statements of Eternity Healthcare Inc. as at January 31, 2017, have been prepared by our management in conformity with accounting principles generally accepted in the United States of America and in accordance with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature.

Operating results for the nine month period ended January 31, 2017 are not necessarily indicative of the results that can be expected for the year ending April 30, 2017.

Eternity Healthcare Inc.
Condensed Consolidated Financial Statements
For the nine months ended January 31, 2017
(Expressed in U.S. Dollars)

Eternity Healthcare Inc.
Condensed Consolidated Balance Sheet
(Expressed in U.S. Dollars)

	January 31 2017	April 30 2016
	\$	\$
	(Unaudited)	
Assets		
Cash and cash equivalents	184,433	259,040
Short-term investments (Note 5)	-	320,584
Prepaid expenses	299,748	32,593
GST/HST receivable	946	3,337
Inventory (Note 6)	<u>30,283</u>	<u>3,064</u>
Total current assets	<u>515,410</u>	<u>618,618</u>
Liabilities		
Accounts payable and accrued liabilities (Note 7)	138,675	156,944
Due to related parties (Note 8)	<u>884,900</u>	<u>977,887</u>
Total current liabilities	<u>1,023,575</u>	<u>1,134,831</u>
Shareholders' equity (deficit)		
Capital stock (Note 9)		
Authorized 300,000,000 common shares, par value \$ 0.001, 68,929,868 common shares issued and outstanding as of January 31, 2017 and 66,429,868 common shares issued and outstanding as of April 30, 2016	68,930	66,430
Additional paid-in capital	1,881,740	1,539,591
Accumulated other comprehensive income (loss)	11,448	(11,412)
Accumulated deficit	(2,470,283)	(2,110,822)
Total stockholders' (deficit)	<u>(508,165)</u>	<u>(516,213)</u>
Total liabilities and stockholders' equity (deficit)	<u>515,410</u>	<u>618,618</u>

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

Eternity Healthcare Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. Dollars)
(Unaudited)

	For the three months ended January 31, 2017 \$	For the three months ended January 31, 2016 \$	For the nine months ended January 31, 2017 \$	For the nine months ended January 31, 2016 \$
Sales				
Product sales	-	38,861	2,733	70,549
Cost of goods sold	-	18,610	1,051	31,495
Gross margin	-	20,251	1,682	39,054
Operating Expenses				
General and administrative	93,042	6,208	161,625	57,503
Professional fees	13,590	10,299	41,296	28,671
Research and development	(43)	38,682	21,873	71,732
Salaries	28,811	43,165	110,391	117,372
Total operating expenses	135,400	98,354	335,185	275,278
Net loss from operations	(135,400)	(78,103)	(333,503)	(236,224)
Other Items				
Interest (expense)	(4,450)	(13,191)	(26,574)	(37,604)
Interest income	(4)	720	616	3,053
	(4,454)	(12,471)	(25,958)	(34,551)
Net loss for the period	(139,854)	(90,574)	(359,461)	(270,775)
Other comprehensive income (loss)				
Foreign currency translation adjustments	(23,234)	31,932	22,860	57,755
Comprehensive loss for the period	(163,088)	(58,642)	(336,601)	(213,020)
Net loss per share - basic and diluted	(0.002)	(0.001)	(0.005)	(0.004)
Weighted average number of common shares				
Outstanding – basic and diluted	68,929,868	66,429,868	67,362,839	66,429,868

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

Eternity Healthcare Inc.
Condensed Consolidated Statements of Cash Flows
(Expressed in U.S. Dollars)
(Unaudited)

	For the nine months ended January 31, 2017	For the nine months ended January 31, 2016
	\$	\$
Operating activities		
Net loss for the period	(359,461)	(270,775)
Adjustments to reconcile to net loss to net cash used in operating activities		
Expenses paid on behalf of the Company by related parties	8,634	-
Amortization of prepaid stock based compensation	83,818	-
Changes in operating assets and liabilities		
Inventory	(25,800)	20,651
Prepaid expenses	(7,570)	-
Accounts payable and accrued liabilities	13,745	41,110
Accounts receivable	3,681	1,166
	<u>(282,953)</u>	<u>(207,488)</u>
Net cash used in operating activities		
Investing activities		
Short-term investments	304,567	-
	<u>304,567</u>	<u>-</u>
Net cash used in investing activities		
Financing activities		
Proceeds from related party payables	98,984	424,428
Repayments on related party payables	(189,120)	(274,316)
	<u>(90,136)</u>	<u>150,112</u>
Net cash provided by financing activities		
Effect of exchange rate changes on cash	(6,085)	(32,200)
	<u>(74,607)</u>	<u>(89,576)</u>
Increase (decrease) in cash		
Cash, beginning of period	259,040	414,147
	<u>184,433</u>	<u>324,571</u>
Cash, end of period		
Non cash investing and financing activities		
Common stock and warrants issued for prepaid expenses	344,649	-

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

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

1. Nature and continuance of operations

Eternity Healthcare Inc. (the "Company") was incorporated under the laws of the State of Nevada on October 24, 2007 under the name Kid's Book Writer, Inc. On September 23, 2010, the Company changed its name to Eternity Healthcare Inc., and affected a reverse stock split of the issued and outstanding common stock at a factor of 10 old shares for 1 new share. The Company is focused on offering a range of medical devices and diagnostics.

On December 13, 2010, pursuant to the terms of a share exchange agreement, the Company acquired 100% of the issued and outstanding common stock of Eternity Healthcare Inc., a company incorporated under the laws of the Province of British Columbia on December 10, 2009 ("Eternity BC"), for 60,000,000 shares of its own common stock, which were distributed to the shareholders of Eternity BC (the "Share Exchange Agreement").

The Share Exchange Agreement, which represents a majority of the then issued and outstanding shares of the Company, constituted a change in control of the Company. The acquisition of Eternity BC was accounted for as a reverse acquisition in accordance with Accounting Standards Codification ("ASC") 805-40, "Business Combinations". The Company determined for accounting and reporting purposes that Eternity BC is the acquirer because of the significant holdings and influence of the control group of the Company before and after the acquisition. As a result of the transaction, Eternity BC shareholders own approximately 94.4% of issued and outstanding common stock of the Company on a diluted basis.

On June 25, 2012, the Company entered into a marketing agreement with Mika Medical Company of Korea to be the sole marketer of a new line of needle-free injection product for North America. Furthermore, the marketing agreement was extended to some European countries (German, France, and Spain) in December 2012. Additionally, the Company obtained the rights to market the products throughout the world with an amendment dated December 20, 2012.

Since signing the Distribution Agreement with Mika Medicals, the Company has emerged in organizational and start-up activities, including developing a new business plan, making arrangements for office space and raising additional capital. The Company is generating revenue from product sales.

On June 5, 2014 the Company registered to operate within the state of Arizona with the intention to take over operations within the United States from the Canadian subsidiary. Beginning January 1, 2016 the Company took over operations within the United States from the BC Company.

The Company has a net loss of \$ 359,461 for the nine months ended January 31, 2017 (January 31, 2016 - \$ 270,775) and has a working capital deficit of \$ 508,165 as at January 31, 2017 (April 30, 2016 - \$ 516,213).

2. Condensed financial statements

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, result of operations, and cash flows at January 31, 2017, and for all periods presented herein, have been made.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

2. Condensed financial statements - continued

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's April 30, 2016 audited financial statements. The results of operations for the period ended January 31, 2017 and 2016 are not necessarily indicative of the operating results for the full year.

3. Going concern

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on its obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

4. Significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are expressed in U.S. dollars.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Eternity Healthcare Inc. (BC) and Eternity Healthcare Inc. (Arizona). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method.

Revenue

Revenue is recognized at the point of sale and includes shipping revenue for the delivery to the purchaser. Total revenues do not include sales taxes as we serve as a pass-through conduit for collecting and remitting sales taxes. We recognize retail sales returns as they occur as historical returns have been negligible. In accordance with SAB 104, revenue is recognized when (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

4. **Significant accounting policies - continued**

Foreign currency translation

The Company's functional currency is the Canadian dollar and reporting currency is the U.S. dollar. All transactions initiated in other currencies are translated into the reporting currency in accordance with ASC 830, "Foreign Currency Matters" as follows:

- i) Assets and liabilities at the rate of exchange in effect at the balance sheet date; and
- ii) Revenue and expense items at rate of exchange at the dates on which those elements are recognized.

Gains and losses on translation are included in other comprehensive income (loss) in stockholders' deficiency for the period.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

Interest rate risk

The company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounting receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is remote.

Currency risk

The Company's operating expenses are primarily incurred in Canadian dollars, and fluctuation of the Canadian dollar in relation to the United States dollar will have an impact upon the profitability of the Company and may also have an effect of the value of the Company's. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. At January 31, 2017 1 United States dollar was equal to 1.3030 Canadian dollars.

Basic and diluted net income (loss) per share

The Company computes net income (loss) per share in accordance with ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at January 31, 2017 there were outstanding stock options and warrants totaling 2,200,000 common shares (Notes 10 and 11).

Research and development

The Company recognizes research and development costs in accordance with ASC 730, "Research and Development", which requires the Company to expense research and development costs as they are incurred.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
(Expressed in U.S. Dollars)
(Unaudited)

4. **Significant accounting policies - continued**

Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, "Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Comprehensive loss

ASC 22, "Comprehensive Income", establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at January 31, 2017, the Company has items that represent a comprehensive income (loss) and, therefore, has included a schedule of comprehensive income (loss) in the financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Segments of an enterprise and related information

ASC 280, "Segment Reporting" establishes guidance for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company has evaluated this Codification and does not believe it is applicable at this time.

Recently enacted accounting standards

Our company does not expect the adoption of any other recent accounting pronouncements to have a material impact on its financial statements.

5. **Short-term investment**

On August 18, 2015 the Company invested \$ 600,000 CAD (\$ 459,000 USD) in a One Year Cashable Guaranteed Investment Certificate ("GIC") term deposit. The investment had a one year term that matured on August 18, 2016 and bears interest at a rate of 0.672% per annum.

On March 14, 2016 the Company withdrew \$ 200,000 CAD (\$ 150,000 USD) from the GIC and received interest of \$ 770 CAD (\$ 576 USD). The remaining \$ 400,000 CAD (\$ 307,000 USD) continued to earn interest at a rate of 0.672% per annum until its maturity on August 18, 2016. The Company has recognized interest of \$ 802 CAD (\$ 616 USD) to January 31, 2017. The Company no longer has any short-term investments as at January 31, 2017.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
 (Expressed in U.S. Dollars)
 (Unaudited)

6. Inventory

Inventory consists of needle free injection products that are held for resale. Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method. As of January 31, 2017 and April 30, 2016 inventory consisted of the following:

	January 31, 2017	April 30, 2016
	\$	\$
Raw material	-	-
Work in progress	-	-
Finished goods	30,283	3,064
Reserve for obsolescence	-	-
	<u>30,283</u>	<u>3,064</u>

7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are non-interest bearing, unsecured, and have settlement dates within one year.

8. Due to related parties and related party transactions

During the nine months ended January 31, 2017, the Company received \$ 98,984 in additional cash loans from related parties of the Company and made repayments to related parties of \$ 189,120. Total related party notes payable as of January 31, 2017 were \$ 884,900. \$ 690,750 (\$ 900,000 CAD) of this balance is interest bearing at 5% per year on the principle balance, unsecured and has no fixed terms of repayment. As of May 1, 2016, the excess over \$ 900,000 CAD is a non-interest bearing balance, unsecured with no fixed terms of repayment. During the nine months ended January 31, 2017, the Company recorded interest expense of \$ 26,574 with regard to the outstanding related party loans.

9. Capital stock

Authorized

The total authorized capital is 300,000,000 common shares with a par value of \$ 0.001 per common share.

During the nine-months ended January 31, 2017, the Company issued 2,500,000 common shares in exchange for consulting services provided at an estimated fair value of \$ 225,000.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
 (Expressed in U.S. Dollars)
 (Unaudited)

10. Warrants

During the nine-month period ended January 31, 2017, the Company granted 2,000,000 warrants for services. The fair value of the stock warrants granted was estimated at \$ 119,649 on the date granted using the Black-Scholes pricing model, with the following assumptions used for the valuation: exercise price of \$ 0.001 per share, average risk-free interest rate of 0.573%, expected dividend yield of zero, expected lives of three years and an average expected volatility of 247.04%. As at January 31, 2017, \$99,325 was recognized as a prepaid expense.

A summary of the status of the Company's warrants as of January 31, 2017 is presented below:

	Number of shares
Warrants as at April 30, 2016	-
Warrants granted	2,000,000
Exercised, forfeited or expired	-
Outstanding at January 31, 2017	2,000,000
Exercisable at January 31, 2017	2,000,000

The following table summarizes information about the warrants as of January 31, 2017:

	Warrants outstanding			Warrants exercisable		
	Exercise price	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$	0.001	2,000,000	2.83	\$ 0.001	2,000,000	\$ 0.001

11. Stock options

During the fiscal year ended April 30, 2013, the Company granted 200,000 stock options for services. The fair value of the stock options granted were estimated on the date granted using the Black-Scholes pricing model, with the following assumptions used for the valuation: exercise price of \$ 0.55 per share, average risk-free interest rate of 0.79%, expected dividend yield of zero, expected lives of five years and an average expected volatility of 2.99%. During the nine months ended January 31, 2017 and 2016, the Company recognized expense of \$ Nil and \$ Nil related to options that vested, respectively.

Eternity Healthcare Inc.
Notes to the Condensed Consolidated Financial Statements
January 31, 2017
 (Expressed in U.S. Dollars)
 (Unaudited)

11. **Stock options** - continued

A summary of the status of the Company's stock options as of January 31, 2017 is presented below:

	Number of shares
Balance of stock options as at April 30, 2016	200,000
Options granted	-
Exercised, forfeited or expired	-
Outstanding at January 31, 2017	<u>200,000</u>
Exercisable at January 31, 2017	<u>200,000</u>

The following table summarizes information about the stock options as of January 31, 2017:

Exercise price	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable	Weighted average exercise price	
\$ 0.80	200,000	0.95	\$ 0.80	200,000	\$ 0.80	

12. **Subsequent events**

In accordance with ASC 855, the Company's management has evaluated the subsequent events through the date the financial statements were issued and has found no subsequent events to report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This quarterly report on Form 10-Q and other reports filed by our company from time to time with the United States Securities and Exchange Commission (the "SEC") contain or may contain forward-looking statements (collectively the "Filings") and information that are based upon beliefs of, and information currently available to, our company's management as well as estimates and assumptions made our company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to our company or our company's management identify forward-looking statements. Such statements reflect the current view of our company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of our company's Annual Report on Form 10-K for the fiscal year ended April 30, 2016, filed with the SEC, relating to our company's industry, our company's operations and plan of operations, and any businesses that our company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, our company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, our company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the interim consolidated financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our interim consolidated financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our financial statements and notes thereto appearing elsewhere in this report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars unless otherwise stated. All references to "common stock" refer to the common shares in our capital stock.

As used in this quarterly report, the terms, "we", "us", "our" and "our company" refer to Eternity Healthcare Inc. and our wholly owned subsidiary Eternity Health Care Inc., a Canadian Federal corporation, extra-provincially registered in British Columbia, unless the context clearly requires or states otherwise.

General Overview

We were incorporated in the State of Nevada on October 24, 2007. On September 23, 2010, we changed our name to Eternity Healthcare Inc., and we effected a reverse split of our issued and outstanding common stock on a 10 old shares for 1 new share basis.

On December 13, 2010 we entered into and completed a share exchange agreement with Eternity Healthcare Inc., a Canadian corporation registered to operate in British Columbia, wherein we acquired Eternity BC as our wholly owned subsidiary and abandoned our former business to focus on the operations of Eternity BC.

On June 5, 2014, we registered to operate within the state of Arizona with the intention to take over operations within the United States from the Canadian subsidiary. Beginning January 1, 2016, we took over operations within the United States from Eternity Healthcare, Inc. (BC).

Our Current Business

We are a medical device company that, subject to government approval, plans to manufacture and market medical devices. Our first product marketed throughout the world was a needle-free injection system. The products marketed at present and those that we hope to market in the future differ from other current offerings by allowing ordinary people to perform injection of medication without the need for professionals.

On June 25, 2012, we entered into a marketing agreement to sell a device from Mika Medical Company of South Korea that does not require a needle for injection of medicine to the body. They provided us with the exclusive rights for this device throughout North America, Germany, France and Spain and non-exclusive rights for the world market. In 2015, we decided to bring our own needle-free injection device with superior technology and decided to market both products. We are currently the non-exclusive marketer of the Korean product.

Results of Operations for the Three and Nine Months Ended January 31, 2017 and 2016

The following summary of our results of operations should be read in conjunction with our unaudited interim consolidated financial statements for the quarter ended January 31, 2017 which are included herein.

Our operating results for the three and nine month periods ended January 31, 2017 and 2016 and the changes between those periods for the respective items are summarized as follows:

	Three Month Period Ended January 31, 2017	Three Month Period Ended January 31, 2016
Product Sales	\$ -	\$ 38,861
Cost of goods sold	\$ -	\$ 18,610
Operating expenses	\$ 135,400	\$ 98,354
Total other income/(expenses)	\$ (4,454)	\$ (12,471)
Net loss	\$ (139,854)	\$ (90,574)

Our expenses increased during the three month period ended January 31, 2017 compared to the same period in 2016 primarily as a result of an increase in general and administrative expenses and professional fees which was offset by a decrease in salaries, and research and development.

	Nine Month Period Ended January 31, 2017	Nine Month Period Ended January 31, 2016
Product Sales	\$ 2,733	\$ 70,549
Cost of goods sold	\$ 1,051	\$ 31,495
Operating expenses	\$ 335,185	\$ 275,278
Total other (income) expenses	\$ (25,958)	\$ (34,551)
Net loss	\$ (359,461)	\$ (270,775)

Our expenses increased during the nine month period ended January 31, 2017 compared to the same period in 2016 primarily as a result of an increase in general and administrative expenses, and professional fees which was offset by a decrease in salaries, and research and development.

Revenues

We have earned net revenues of \$1,682 for the nine month period ended January 31, 2017 compared with \$39,054, for the nine month period ended January 31, 2016. The decrease in revenue is a result of the Company shifting efforts to develop a product internally versus marketing the current product. We have incurred \$335,185 in operating expenses for the nine month period ended January 31, 2017 compared with \$275,278 for the nine month period ended January 31, 2016.

We have earned net revenues of nil for the three month period ended January 31, 2017 compared with \$20,251 for the three month period ended January 31, 2016. The decrease in revenue is a result of the Company shifting efforts to develop a product internally versus marketing the current product. We have incurred \$135,400 in operating expenses for the three month period ended January 31, 2017 compared with \$98,354 for the three month period ended January 31, 2016.

Expenses

Our expenses for the three and nine months ended January 31, 2017 and 2016 are outlined in the table below:

	Three Month Period Ended January 31, 2017	Three Month Period Ended January 31, 2016	Nine Month Period Ended January 31, 2017	Nine Month Period Ended January 31, 2016
General and administrative	\$ 93,042	\$ 6,208	\$ 161,625	\$ 57,503
Professional fees	\$ 13,590	\$ 10,299	\$ 41,296	\$ 28,671
Research and development	\$ (43)	\$ 38,682	\$ 21,873	\$ 71,732
Salaries	\$ 28,811	\$ 43,165	\$ 110,391	\$ 117,372

General and administrative

General and administrative expenses have increased during the three and nine month period ended January 31, 2017 compared to the three and nine month period ended January 31, 2016 as a result of additional expenditure efforts to raise financing.

Professional Fees

Professional fees include accounting and auditing expenses incurred in connection with the preparation and audit of our financial statements and professional fees that we pay to our legal counsel. Our accounting and auditing expenses were incurred in connection with the preparation of our audited financial statements and unaudited interim consolidated financial statements. Our legal expenses represent amounts paid to legal counsel in connection with our corporate organization. Professional fees have increased during the three month period ended January 31, 2017 compared to the three month period ended January 31, 2016 as a result of timing issues and increased professional expenses in the first quarter of 2017. Professional fees have increased during the nine month period ended January 31, 2017 compared to the nine month period ended January 31, 2016 as a result of timing issues and increased professional expenses in the first quarter of 2017 relating to operations in the United States.

Research and development

Research and development costs have decreased during the three and nine month period ended January 31, 2017 compared to the three and nine month period ended January 31, 2016 as a result of the Company spending less on product development.

Salaries

Salaries have decreased during the three and nine month period ended January 31, 2017 compared to the three and nine month period ended January 31, 2016 as a result of fewer employees in the three and nine month period ended January 31, 2017.

Liquidity and Financial ConditionWorking Capital

	At January 31, 2017 (\$)	At April 30, 2016 (\$)
Current Assets	\$ 515,410	\$ 618,618
Current Liabilities	\$ 1,023,575	\$ 1,134,831
Working (Deficit) Capital	\$ (508,165)	\$ (516,213)

Cash Flows

	Nine Month Period Ended January 31, 2017 (\$)	Nine Month Period Ended January 31, 2016 (\$)
Cash Flows used in Operating Activities	\$ (282,953)	\$ (207,488)
Cash Flows used in Investing Activities	\$ 304,567	\$ Nil
Cash Flows (used in) provided by Financing Activities	\$ (90,136)	\$ 150,112
Effect of Exchange Rate Changes on Cash	\$ (6,085)	\$ (32,200)
Net Increase (Decrease) in Cash During Period	\$ (74,607)	\$ (89,576)

As of January 31, 2017, our total assets were \$515,410 and our total liabilities were \$1,023,575 and we had a working capital deficit of \$508,165. Our unaudited financial statements report a net loss of \$359,461 for the nine months ended January 31, 2017 compared to a net loss of \$270,775 for the same period in 2016.

Plan of Operation

The following discussion of our financial condition and results of operations should be read together with our unaudited financial statements and the notes thereto included elsewhere in this filing. Our unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those anticipated in these forward-looking statements.

Anticipated Cash Requirements

We have sufficient funds to complete our development and marketing plans. We do not believe that we need to raise any capital to finance our operation.

Going Concern

The interim consolidated financial statements accompanying this report have been prepared on a going concern basis, which implies that our company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our company has generated minimal revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of our company as a going concern is dependent upon the continued financial support from our shareholders, the ability of our company to obtain necessary equity financing to achieve our operating objectives, and the attainment of profitable operations. As of January 31, 2017, our company has an accumulated deficit of \$2,470,283. Our interim consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should our company be unable to continue as a going concern.

Our interim consolidated financial statements contain additional note disclosures describing the circumstances related to the uncertainty of our ability to continue as a going concern.

The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Future Financings

We anticipate continuing to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional sales of our equity securities rearrange for debt or other financing to fund our planned activities.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Critical Accounting Policies

The interim consolidated financial statements of our company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

Basis of presentation

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are expressed in U.S. dollars.

Principles of consolidation

The consolidated financial statements include the accounts of our company and its wholly-owned subsidiary, Eternity Healthcare Inc. (BC). All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

Inventory

Inventory is stated at the lower of cost or market with cost determined under the weighted average cost method.

Revenue

Revenue is recognized at the point of sale and includes shipping revenue for the delivery to the purchaser. Total revenues do not include sales taxes as we serve as a pass-through conduit for collecting and remitting sales taxes. We recognize retail sales returns as they occur as historical returns have been negligible. In accordance with SAB 104, revenue is recognized when (i) there is persuasive evidence that an arrangement exists, (ii) delivery has occurred or service has been rendered, (iii) the price is fixed or determinable, and (iv) collection is reasonably assured.

Foreign currency translation

Our company's functional currency is the Canadian dollar and reporting currency is the U.S. dollar. All transactions initiated in other currencies are translated into the reporting currency in accordance with ASC 830, "Foreign Currency Matters" as follows:

1. Assets and liabilities at the rate of exchange in effect at the balance sheet date; and
2. Revenue and expense items at rate of exchange at the dates on which those elements are recognized.

Gains and losses on translation are included in other comprehensive income (loss) in stockholders' deficiency for the period.

Fair value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

Interest rate risk

We are not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. Our company's credit risk is primarily attributable to cash and accounting receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and accounts receivable is remote.

Currency risk

Our company's operating expenses are primarily incurred in Canadian dollars, and fluctuation of the Canadian dollar in relation to the United States dollar will have an impact upon the profitability of our company and may also have an effect of the value of our company's. Our company has not entered into any agreements or purchased any instruments to hedge possible currency risk. At January 31, 2017, 1 United States dollar was equal to 1.3030 Canadian dollars.

Basic and diluted net income (loss) per share

Our company computes net income (loss) per share in accordance with ASC 260, "Earnings per Share". ASC 260 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common stockholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As at January 31, 2017 there were outstanding stock options and warrants totaling 2,200,000 common shares.

Research and development

Our company recognizes research and development costs in accordance with ASC 730, "Research and Development", which requires our company to expense research and development costs as they are incurred.

Income taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with ASC 740, "Income Taxes", which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax losses and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Our company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

Comprehensive loss

ASC 22, "Comprehensive Income", establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at January 31, 2017, our company has items that represent a comprehensive income (loss) and, therefore, has included a schedule of comprehensive income (loss) in the financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Segments of an enterprise and related information

ASC 280, "Segment Reporting" establishes guidance for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. ASC 280 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Our company has evaluated this Codification and does not believe it is applicable at this time.

Recent Accounting Pronouncements

Our company does not expect the adoption of any other recent accounting pronouncements to have a material impact on its financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "small reporting company", we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer) to allow for timely decisions regarding required disclosure.

As of the end of our quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer and chief financial officer (our principal executive officer, principal financial officer and principle accounting officer) concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this quarterly report due to the material weaknesses in our internal controls over financial reporting identified in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on July 21, 2016.

Changes in Internal Control over Financial Reporting

During the period covered by this report there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

As a “small reporting company”, we are not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mining Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Document Description
(2)	Plan of acquisition, reorganization, arrangement, liquidation or succession
2.1	Share Exchange Agreement with Eternity Healthcare Inc., dated December 13, 2010 (incorporated by reference to our Current Report on Form 8-K filed on December 17, 2010)
(3)	(i) Articles of Incorporation; (ii) By-laws
3.1	Articles of Incorporation (incorporated by reference to our C Registration Statement on Form S-1 filed on June 25, 2008)
3.2	By-laws (incorporated by reference to our Registration Statement on Form S-1 filed on June 25, 2008)
3.3	Certificate of Amendment filed with the Nevada Secretary of State on November 1, 2010 (incorporated by reference to our Current Report on Form 8-K filed on November 16, 2010)
(10)	Material Contracts
10.1	Revised Distribution Agreement dated June 25, 2012 between our company, our subsidiary, MK Global Co. and MIKA Medical Co. (incorporated by reference to our Annual Report on Form 10-K filed on July 19, 2012)
10.2	2013 Stock Option Plan (incorporated by reference to our Annual Report on Form 10-K filed on August 8, 2013)
10.3	Rental Agreement dated June 22, 2013 between our company and Kinexus Bioinformatic (incorporated by reference to our Annual Report on Form 10-K filed on August 8, 2013)
(14)	Code of Ethics
14.1	Code of Business Conduct and Ethics (incorporated by reference to our Annual Report on Form 10-K filed on August 8, 2013)
(31)	Rule 13a-14(a)/15d-14(a) Certifications
31.1*	Section 302 Certifications under Sarbanes-Oxley Act of 2002
(32)	Section 1350 Certifications
32.1*	Section 906 Certifications under Sarbanes-Oxley Act of 2002
101*	Interactive Data Files
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 14, 2017

ETERNITY HEALTHCARE INC.

/s/ Hassan Salari

Hassan Salari

President, Chief Executive Officer,
Chief Financial Officer, Secretary,
Treasurer and Director

(Principal Executive Officer, Principal Financial
Officer and Principal Accounting Officer)