

EYI INDUSTRIES INC.
Form 10QSB
May 15, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-QSB

Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **March 31, 2007**

Transition Report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____

Commission File Number: **000-29803**

EYI INDUSTRIES, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

(State or other jurisdiction of
incorporation or organization)

88-0407078

(IRS Employer Identification No.)

7865 Edmonds Street

Burnaby, BC CANADA

(Address of principal executive offices)

V3N 1B9

(Zip Code)

Issuer's telephone number:

(604) 759-5031

NOT APPLICABLE

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 407,237,190 shares of common stock issued and outstanding as of May 14, 2007. Transitional Small Business Disclosure Format (check one): Yes No

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B, 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 accounting principles generally accepted in the United States of America. 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 quarterly period ended March 31, 2007 are not necessarily indicative of the results that can be expected for the year ending December 31, 2007.

As used in this quarterly report, the terms "we", "us", "our", "EYI" and "our company" mean EYI Industries, Inc. and its subsidiaries unless otherwise indicated. All dollar amounts in this quarterly report are in U.S. dollars unless otherwise stated.

F-1

EYI INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 276,766	\$ 901,764
Accounts receivable, net of allowance	60,450	18,425
Other accounts receivables	75,310	67,582
Prepaid expenses	73,638	181,048
Inventory	904,871	735,291
TOTAL CURRENT ASSETS	1,391,035	1,904,110
OTHER ASSETS		
Property, plant and equipment, net	74,272	77,452
Deposits	43,971	46,432
TOTAL OTHER ASSETS	118,243	123,884
INTANGIBLE ASSETS	12,272	12,829
TOTAL ASSETS	\$ 1,521,550	\$ 2,040,823
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,441,529	\$ 1,427,214
Accounts payable - related parties	337,529	439,256
Interest payable, convertible debt	348,562	252,326
Convertible debt - related party, net of discount	2,458,229	2,456,311
Derivative on convertible debt	1,189,064	1,303,630
Notes payable - related party	50,000	50,000
TOTAL CURRENT LIABILITIES	5,824,913	5,928,737
Net liabilities from discontinued operations	375,344	375,344
MINORITY INTEREST IN SUBSIDIARY	-	120,739
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 3,000,000,000 shares authorized, 379,490,854 and 345,675,516 shares issued and outstanding, respectively	379,491	345,675
Additional paid-in capital	9,989,852	9,536,004
Stock options and warrants	5,202,123	4,382,299
Subscription receivable	(195,000)	(195,000)
Accumulated deficit	(20,055,173)	(18,452,975)

TOTAL STOCKHOLDERS' DEFICIT		(4,678,707)		(4,383,997)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$	1,521,550	\$	2,040,823

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

F-2

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)
REVENUE, NET OF RETURNS AND ALLOWANCES	\$ 1,181,166	\$ 1,108,759
COST OF GOODS SOLD	363,063	287,952
GROSS PROFIT BEFORE COMMISSION EXPENSE	818,103	820,807
COMMISSION EXPENSE	416,877	385,443
GROSS PROFIT AFTER COST OF GOODS SOLD AND COMMISSION EXPENSE	401,226	435,364
OPERATING EXPENSES		
Consulting fees	198,574	259,736
Legal and professional fees	25,788	74,482
Customer service	30,823	40,416
Finance and administration	169,365	499,973
Sales and marketing	25,138	78,624
Telecommunications	44,426	30,660
Wages and benefits	1,270,920	277,571
Warehouse expense	71,292	62,898
TOTAL OPERATING EXPENSES	1,836,326	1,324,360
LOSS FROM OPERATIONS	(1,435,100)	(888,996)
OTHER INCOME (EXPENSES)		
Interest and other income	201	(8,565)
Interest expense	(98,780)	(450)
Financing fees	(237,012)	-
Gain/(loss) on derivatives	162,735	-
Foreign currency gain	5,758	4,669
TOTAL OTHER INCOME (EXPENSES)	(167,098)	(4,346)
NET LOSS BEFORE TAXES	(1,602,198)	(893,342)
PROVISION FOR INCOME TAXES	-	-
NET LOSS BEFORE ALLOCATION TO MINORITY INTEREST	(1,602,198)	(893,342)
ALLOCATION OF LOSS TO MINORITY INTEREST	-	17,420
LOSS FROM DISCONTINUED OPERATIONS	-	-
NET LOSS	\$ (1,602,198)	\$ (875,922)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ nil	\$ nil
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING FOR BASIC AND DILUTED CALCULATION	333,018,096	250,936,751

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

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Subscription Receivable	Option/ Warrants	Retained Earnings	Total
Balance, December 31, 2005	217,600,875	\$ 217,600	\$ 6,155,518	\$ (195,000)	\$ 2,698,984	\$ (11,347,215)	\$ (2,470,113)
Vested stock options issued for consulting at an average price of \$0.20 per share	-	-	-	-	3,750	-	3,750
Stock issued to Cornell in exchange for \$1,084,565 pursuant to SEDA	42,941,686	42,942	1,041,623	-	-	-	1,084,565
Shares returned to treasury	(268,639)	(269)	269	-	-	-	-
Beneficial conversion of convertible debt	-	-	200,207	-	-	-	200,207
Warrants issued to Cornell Capital for financing services	-	-	-	-	3,148,413	-	3,148,413
Vested stock options issued for consulting at \$0.10 per share	-	-	-	-	5,000	-	5,000
Vested stock options issued to employees at \$0.02 per share	-	-	-	-	1,400	-	1,400
Expired consultant stock options	-	-	961,300	-	(961,300)	-	-
Expired employee stock options	-	-	311,717	-	(311,717)	-	-

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Vested stock options issued to employees at \$0.06 per share	-	-	-	-	40	-	40
Expired consultant stock options	-	-	38,500	-	(38,500)	-	-
Expired employee stock options	-	-	99,988	-	(99,988)	-	-
Beneficial conversion of convertible debt	-	-	67,604	-	-	-	67,604
Stock issued to Cornell to retire portion of debenture	34,095,618	34,096	182,140	-	-	-	216,236
Stock issued to Certain Wealth to retire portion of debenture	22,430,351	22,430	104,195	-	-	-	126,625
Stock issued to TAIB Bank to retire portion of debenture	28,058,371	28,058	130,403	-	-	-	158,461
Vested stock options issued to employees at \$0.06 per share	-	-	-	-	1,415	-	1,415
Warrants issued to a consulting firm for services	-	-	-	-	862	-	862
Warrants issued to a manufacturer for services	-	-	-	-	1,440	-	1,440
Expired consultant stock options	-	-	30,000	-	(30,000)	-	-
Expired employee stock	-	-	37,500	-	(37,500)	-	-

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

options							
Beneficial conversion of convertible debt	-	-	170,669	-	-	-	170,669
Restricted shares issued to a consultant at \$0.006	500,000	500	2,500	-	-	-	3,000
Restricted shares issued to a consultant at \$0.0069	317,254	317	1,872	-	-	-	2,189
Net loss for year ended December 31, 2006	-	-	-	-	-	(7,105,759)	(7,105,759)
Balance, December 31, 2006	345,675,516	345,675	9,536,004	(195,000)	4,382,299	(18,452,975)	(4,383,997)
Expired employee stock options	-	-	180,000	-	(180,000)	-	-
Stock issued to Cornell to retire portion of debenture	15,908,008	15,908	54,092	-	-	-	70,000
Stock issued to Certain Wealth to retire portion of debenture	7,063,155	7,063	24,017	-	-	-	31,080
Stock issued to TAIB Bank to retire portion of debenture	8,844,852	8,845	30,075	-	-	-	38,920
Vested stock options issued to employees at \$0.06 per share	-	-	-	-	25	-	25
Vested stock options issued to employees at \$0.0052 per share	-	-	-	-	999,800	-	999,800

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Beneficial conversion of convertible debt	-	-	46,924	-	-	-	46,924
Stock issued in exchange for shares in subsidiary	1,999,323	2,000	118,739	-	-	-	120,739
Net loss for three months ended March 31, 2007 (Unaudited)	-	-	-	-	-	(1,602,198)	(1,602,198)
Balance, March 31, 2007 (Unaudited)	379,490,854	\$ 379,490	\$ 9,989,852	\$ (195,000)	\$ 5,202,124	\$ (20,055,173)	\$ (4,678,707)

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

F-4

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Net loss	\$ (1,602,198)	\$ (875,922)
Loss allocated to minority interest	-	17,420
	(1,602,198)	(893,342)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	6,509	4,648
Stock and warrants issued for employee compensation and consulting	999,825	3,750
Loss (gain) on valuation of derivative	(162,735)	-
Beneficial conversion of convertible debt	46,924	200,207
Discount recognized on convertible debt	190,087	-
Decrease (increase) in:		
Accounts receivable	(42,025)	(45,336)
Other accounts receivable	(7,728)	-
Prepaid expenses	107,409	(6,098)
Inventory	(169,580)	16,023
Deposits	2,461	5,266
Increase (decrease) in:		
Accounts payable and accrued liabilities	14,315	(501,929)
Accounts payable - related parties	(101,727)	315,584
Interest payable, convertible debt	96,236	-
Net cash used by operating activities	(622,227)	(901,227)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Decrease (increase) in property, plant, and equipment	(2,771)	(18,140)
Purchase of trademarks	-	-
Net cash provided by investing activities	(2,771)	(18,140)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from Cornell SEDA	-	1,084,565
Net cash provided by financing activities	-	1,084,565
Net increase in cash and cash equivalents	(624,998)	165,198
CASH - Beginning of Year	901,764	25,639
CASH - End of Period	\$ 276,766	\$ 190,837
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest expense paid	\$ 98,780	\$ 450
Income taxes paid	\$ -	\$ -
NON-CASH INVESTING AND FINANCING TRANSACTIONS:		
	\$ 999,825	\$ 3,750

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Stock options and warrants granted for consulting and compensation			
Beneficial conversion of convertible debt	\$	46,924	\$ 200,207
Gain on valuation of derivative	\$	162,735	\$ -
Discount recognized on convertible debt	\$	190,087	\$ -
Stock issued to Cornell to retire debenture	\$	70,000	\$ -
Stock issued to Certain Wealth to retire debenture	\$	31,080	\$ -
Stock issued to TAIB Bank to retire debenture	\$	38,920	\$ -
Stock issued in exchange for shares in subsidiary	\$	120,739	\$ -

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

F-5

NOTE 1 - DESCRIPTION OF BUSINESS

Essentially Yours Industries, Inc. (hereinafter "EYI") was incorporated on June 21, 2002 in the State of Nevada. The main business activities of EYI were acquired through a merger with the former entity, Burrard Capital, Inc., and other entities concerning EYI's reorganization. On December 31, 2003, EYI entered into a share exchange agreement of its stock with Safe ID Corporation (hereinafter "Safe ID"). This transaction was accounted for as a share exchange and recapitalization. As a result of this transaction, Safe ID has changed its name to EYI Industries, Inc. (hereinafter "the Company") and is acting as the parent holding company for the operating subsidiaries.

The principal business of the Company is the marketing of health and wellness care products, a water filtration system, and a fuel additive product. The Company sells its products primarily through network marketing distributors which in turn sell the products to the end customers. The Company also sells product directly and through affiliates. The Company maintains its principal business office in Burnaby, British Columbia. The Company's year end is December 31.

The Company has six wholly owned subsidiaries. The first subsidiary is Halo Distribution LLC (hereinafter "Halo"), which was organized on January 15, 1999, in the State of Kentucky. Halo was the distribution center for the Company's product, in addition to other products, until April 30, 2005 at which time the Company made the decision to discontinue its' operations. The second subsidiary is RGM International Inc., which was incorporated on July 3, 1997, in the State of Nevada. RGM International Inc. is a dormant investment company, which owns one percent of Halo. The third subsidiary is Essentially Yours Industries (Canada) Inc. (hereinafter "EYI Canada"), which was incorporated on September 13, 2002, under the *Canada Business Corporations Act*. EYI Canada markets health and wellness care products for use in Canada. The fourth subsidiary is 642706 B.C. Ltd., doing business as EYI Management, which was organized on February 22, 2002, in the province of British Columbia, Canada. EYI Management provides accounting, customer service and marketing services to the consolidated entity. The fifth subsidiary is Essentially Yours Industries (Hong Kong) Limited (hereinafter "EYI HK"). EYI HK was organized on August 23, 2005 in Hong Kong. EYI HK markets health and wellness care products for use in Hong Kong and China. The sixth subsidiary is Essentially Yours Industries (International) Limited (hereinafter "EYI INTL"). EYI INTL was organized on December 6, 2005 to facilitate the expansion throughout other Southeast Asian countries.

In addition, the Company owns approximately 99% of Essentially Yours Industries, Inc. ("EYI"), incorporated on June 21, 2002 in the State of Nevada. EYI markets health and wellness care products for use in USA. The Company also owns 51% of World Wide Buyers' Club Inc. (hereinafter "WWBC"), a Nevada corporation, which was organized by a joint venture agreement effective May 6, 2004.

Basis of Presentation

The accompanying interim condensed financial statements are prepared in accordance with rules set forth in Regulation SB of the Securities and Exchange Commission. As said, these statements do not include all disclosures required under generally accepted principles and should be read in conjunction with the audited financial statements for the year ended December 31, 2006. In the opinion of management, all required adjustments which consist of normal recurring accruals have been made to the financial statements. Operating results for the three months ended March 31, 2007 are not indicative of the results that may be expected for the year ending December 31, 2007.

The preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities known to exist as of the date the financial statements are published, and the reported amounts of revenues and expenses during the reporting period. Uncertainties with respect to such estimates and assumptions are inherent in the preparation of the Company's financial statements. Accordingly, it is possible that the actual results could differ from these estimates and assumptions that could have a material effect on the reported amounts of the

Company's financial position and results of operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

This summary of significant accounting policies of EYI Industries, Inc., is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Concentration of Credit Risk

The Company maintains its cash in one commercial bank. Although the financial institution is considered creditworthy, at March 31, 2007 the Company's cash balance exceeded Federal Deposit Insurance Corporation (FDIC) limits by \$97,357 (see Note 13).

F-6

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

The Company has determined that derivatives existed because of features of the convertible debt as of the balance sheet date of March 31, 2007 (See Note 4.)

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, and accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at March 31, 2007 and December 31, 2006.

Inventory

The Company records inventories at the lower of cost or market on a first-in, first-out basis. The Company's product inventory is reviewed each month and also when the re-order of the product is necessary. On a monthly basis, the Company's inventory is reviewed based on the expiration of our existing inventory. Product that has a shelf-life of less than 60 days is written off or discounted. An allowance is also accrued for products that may not be sold within its shelf-life and based on current sales trends. The Company expensed \$16,606 and \$48,981 for the three months ended March 31, 2007 and twelve months ended December 31, 2006 respectively.

A re-order review consists of an evaluation of the Company's current monthly sales volume of the product, cost of product, shelf-life of the product, and the manufacturers minimum purchase requirement, which all determine the overall potential profitability or loss of re-ordering. If the re-order of the product has an assessed loss, then the recommendation to management is to remove the product from the product line.

Revenue Recognition

The Company is in the business of selling products in the following categories: dietary supplements, personal care products, water filtration systems, and gas additive. Sales of personal care products and water filtration systems represent less than 5% of the overall revenue and therefore are not classified separately in the financial statements. The Company recognizes revenue from product sales when the products are shipped and title passes to the customer. Administrative fees charged to the Independent Business Associates are included in the gross sales and amounted to \$66,607 and \$39,990 for the three months ended March 31, 2007 and March 31, 2006 respectively. The total sales of the gas additive product were \$226,640 and \$0 for the three months ended March 31, 2007 and March 31, 2006, respectively.

Stock Options and Warrants Granted to Employees and Non-Employees

Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation" ("SFAS No. 123R"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

Going Concern

As shown in the accompanying financial statements, the Company had negative working capital of approximately \$4,400,000 and an accumulated deficit at March 31, 2007. The Company also has a history of recurring losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

F-7

Management has established plans designed to increase the sales of the Company's products and decrease debt. The Company plans on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, and international sales, believe that they will eventually be able to reverse the present deficit. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan. Management plans include negotiations to convert significant portions of existing debt into equity.

The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships.

NOTE 3 - CONVERTIBLE DEBT

On April 24, 2006 the Company entered into a securities purchase agreement with Cornell, TAIB Bank, and Certain Wealth (collectively the "Buyers") and together with the Company, the "Parties"). Pursuant to the securities purchase agreement, the Company shall sell to the Buyers, and the Buyers shall purchase from the Company, convertible debentures in the aggregate principal amount of four million five hundred thousand dollars (\$4,500,000), plus accrued interest, which are convertible into shares of the Company's common stock, par value \$0.001 per, at the Buyers discretion. Of this aggregate amount, (a) one million five hundred thousand dollars (\$1,500,000) was funded on April 28, 2006, (b) one million five hundred thousand dollars (\$1,500,000) was funded two (2) business days prior to the date the registration statement was filed with the U.S. Securities and Exchange Commission ("SEC") and (c) one million five hundred thousand dollars (\$1,500,000) was funded two (2) business days prior to the date that such registration statement is declared effective by the SEC.

The debentures mature on April 24, 2009, accrue interest at an annual rate of ten percent (10%) and shall be convertible into shares of the Company's common stock at the option of the holder, in whole or in part at any time and from time to time, at a conversion price equal to (a) \$0.06 or (b) eighty percent (80%) of the lowest volume weighted average price of the Company's common stock during the five (5) trading days immediately preceding the date of conversion as quoted by Bloomberg, LP. During the quarter ended March 31, 2007, the Company recognized embedded derivatives in the convertible debentures. (See Note 4.)

The Company also executed a registration rights agreement pursuant to which the Company agreed to provide certain registration rights to the Investors. The Parties have also executed a security agreement, pursuant to which the Company has agreed to provide to the Buyers, a security interest in pledged collateral to secure the Company's obligations under the debentures, the securities purchase agreement, the investor registration rights agreement, the irrevocable transfer agent instructions, the security agreement, or any other obligations of the Company to the Buyer.

On April 24, 2006, the Company issued to Cornell seventeen (17) warrants to purchase up to an aggregate 124,062,678 shares of the Company's common stock at \$0.02 and \$0.40 per share. Each warrant has "piggy back" registration rights and shall expire five (5) years from the date of issuance, on or about April 24, 2011. Following EITF 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settle in, a Company's Own Stock," and SFAS No. 133, the Company has recognized an embedded equity derivative in the warrant. For accounting and fair value purposes, the equity derivative will be accounted for as a stock option, following SFAS No. 123(R) for valuation purposes. (See Note 9.)

NOTE 4 - DERIVATIVES

Derivatives have been accounted for in accordance with SFAS 133, as amended, and EITF No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock." The Company has identified that the debentures described in Note 3 have embedded derivatives. These embedded derivatives have

been bifurcated from their respective host debt contracts and accounted for as derivative liabilities in accordance with EITF 00-19. When multiple derivatives exist within the loan agreements, they have been bundled together as a single hybrid compound instrument in accordance with SFAS No. 133, Derivatives Implementation Group Implementation Issue No. B-15, "Embedded Derivatives: Separate Accounting for Multiple Derivative Features Embedded in a Single Hybrid Instrument".

The embedded derivatives within the loan agreements have been recorded at fair value at the date of issuance and are marked-to-market each reporting period with changes in fair value recorded on the Company's income statement as gain (loss) on derivatives.

The fair value of the derivative liabilities are subject to the changes in the trading value of the Company's common stock, as well as other factors. As a result, the Company's financial statements may fluctuate from quarter-to-quarter based on factors such as the price of the Company's stock at the balance sheet date and the amount of shares converted by note holders. Consequently, the Company's financial position and results of operations may vary from quarter-to-quarter based on conditions other than its operating revenues and expenses.

At March 31, 2007, the Company revalued the derivative embedded in each of the three convertible debentures at \$370,371 each or a total of \$1,111,113. As a result, the Company recognized a corresponding gain of \$136,181.

At March 31, 2007, the Company also calculated a marked-to-market adjustment for the warrants issued to Cornell Capital in connection with the convertible debenture. The Company recognized a gain of \$26,554 as a result of this valuation.

NOTE 5 - ACCOUNTS RECEIVABLE AND CREDIT RISK

Accounts receivable at March 31, 2007 and December 31, 2006 consist primarily of amounts due from direct retail clients of EYI.

Other Receivables

The Company also has a balance owed from two IBAs which were advanced funds pursuant to the terms of a letter agreement dated September 19, 2006 and promissory notes. As of March 31, 2007, the balance of these receivables was \$75,310.

NOTE 6 - PROPERTY AND EQUIPMENT

Capital assets are recorded at cost. Depreciation is calculated using the straight line method over three to seven years.

NOTE 7 - INTANGIBLE ASSETS

Intangible assets consist of rights, title, and interest in and to the contracts with the Company's independent business associates, as well as the rights and licenses to trademarks and formula for the Company's primary products. These rights and licenses were obtained from the Company's former parent, pursuant to a transfer agreement, as well as from the Company's primary shareholder.

Trademarks and Formulas

Costs relating to the purchase of trademarks and formulas are capitalized and amortized using the straight-line method over ten years, representing the estimated life of the assets.

NOTE 8 - CAPITAL STOCK

Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001. As of March 31, 2007 and December 31, 2006 the Company has not issued any preferred stock.

Common Stock

The Company is authorized to issue 3,000,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

Between January 1, 2007 and March 31, 2007, the Company issued 15,908,008 common shares to Cornell Capital to retire \$70,000 of convertible debt.

Between January 1, 2007 and March 31, 2007, the Company issued 7,063,155 common shares to Certain Wealth to retire \$31,080 of convertible debt.

Between January 1, 2007 and March 31, 2007, the Company issued 8,884,852 common shares to TAIB Bank to retire \$38,920 of convertible debt.

On January 5, 2007, the Company completed a share exchange with certain shareholders of EYI. Shareholders received 1,999,323 restricted shares of the Company in exchange for shares owned by individuals in our subsidiary, Essentially Yours Industries, Inc. Management determined that the value of the shares issued to this group was equivalent to the remaining portion of minority interest in the amount \$120,739.

NOTE 9 - COMMON STOCK OPTIONS AND WARRANTS

Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation" (hereinafter "SFAS No. 123R"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

In accordance with SFAS No. 123R, the fair value of stock options and warrants granted are estimated using the Black-Scholes Option Price Calculation. The following assumptions were made to value the options for the period ended March 31, 2007: estimated risk-free interest rate of 4.625%; no dividends to be paid; estimated volatility of 134% and term of two to five years.

F-9

Stock Options

During the year ending December 31, 2004, the Company's board of directors approved the Stock Compensation Program ("Plan A") to allow up to 25,000,000 shares of stock to be issued under the program. This plan enables the Company to grant stock options to directors, officers, employees and eligible consultants of the Company. There was no Company stock option plan in effect prior to 2004.

On February 1, 2007, the board of the directors of the Company approved a Stock Incentive Plan ("Plan B") for its employees, directors and consultants. The plan is for a total of 250,000,000 restricted shares of common stock and expires February 11, 2017. On February 1, 2007 the board of directors also approved the grants of 235,000,000 stock options to officers, employees and consultants

During the three months ended March 31, 2007, the Company recognized an expense to wages of \$999,825 for all vested options.

The following table summarizes stock option activity for the three months ended March 31, 2007 and for the year ended December 31, 2006:

	Three Months Ended March 31, 2007		Year Ended December 31, 2006	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	5,265,000	\$ 0.0900	16,252,390	\$ 0.1400
Options granted	236,255,000	\$ 0.0052	25,000	\$ 0.0600
Options exercised		\$ -		\$ -
Options canceled/expired	3,000,000	\$ 0.0052	11,012,390	\$ 0.1700
Outstanding at end of period	238,520,000	\$ 0.0052	5,265,000	\$ 0.0900
Exercisable at end of period	202,270,000	\$ 0.0052	5,265,000	\$ 0.0900
Weighted-average fair value of options granted during the period		\$ 0.0050		\$ 0.0600

The following table summarizes information about stock options outstanding as of March 31, 2007:

Range of Exercise Prices	Stock Options Outstanding			Stock Options Exercisable		
	Shares Outstanding	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Remaining Life	Weighted-Average Exercise Price
\$0.001 - \$0.010	235,000,000	4.84	\$ 0.0052	200,000,000	4.84	\$ 0.0052
\$0.011 - \$0.22	2,270,000	1.15	\$ 0.1373	2,270,000	1.15	\$ 0.1373

Warrants

In consideration of the convertible debenture (See Note 3), the Company has also issued an aggregate of 124,062,678 common stock purchase warrants dated April 24, 2006 to Cornell, each exercisable for a period of five years commencing April 24, 2006 for the purchase of one share of common stock. The warrants provide that the holder

cannot exercise the warrants to the extent such exercise would cause the holder and its affiliates to own more than 4.99% of our outstanding common shares. The warrants have exercise prices, subject to adjustment, ranging from \$0.02 to \$0.40 per share. Each warrant has “piggy back” registration rights and shall expires five (5) years for the date of issuance, on or about April 24, 2011.

F-10

	Number of Warrants	Weighted Average Remaining Life	Average Exercise Price
Outstanding and exercisable	131,006,548	4.07	\$ 0.09

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Purchase Agreement

On June 30, 2002, EYI entered into a distribution and license agreement with a company that gives EYI the exclusive right to market, sell and distribute certain products for a five-year renewable term. Management estimates that 76% of EYI's sales volume results from products supplied under this licensing agreement.

Pursuant to the agreement, EYI is required to purchase a minimum amount of \$6,035,000 of product in each of the remaining years.

In the event that EYI is unable to meet the minimum purchase requirements of the licensing agreement or the terms requiring it to pay 15% of the difference between the minimum purchase amount referred to above and actual purchases for that year in which there is a shortfall, then the licensor has various remedies available to it including renegotiating the agreement, removing exclusivity rights, or terminating the agreement.

As of the date of these financial statements, the purchase requirements have not been made. The period for which the Licensor could request payment per the penalty clause has expired for the year and prior. Accordingly, the Company has not made any accrual of license fees to the financial statements. EYI continues to purchase Nutri Diem products on a regular basis.

Manufacturing Agreement

On October 12, 2006, the Company entered into a definitive agreement with Mach 3 Technologies Group, LLC. ("Mach 3") who will provide EYI with the exclusive rights to the fuel enhancement product ME2 in the US, Canada and Mexico for a period of three years. Pursuant to the agreement, the Company must purchase \$1,000,000, \$6,000,000, and \$12,000,000 respectively in each of the first three years of the contract. In addition to the unit price of the ME2 product, Mach 3 will also receive warrants to purchase the Company's common stock with each product purchase order. The maximum number of warrants that can be issued to Mach 3 is 15,000,000. In connection with purchase orders issued in October 2006, the Company issued Mach 3 a total of 967,680 warrants with an exercise price of \$0.06.

Lease Payments

The Company has operating lease commitments for its premises and office equipment. The minimum annual lease commitments are as follows:

Year ended December 31,	Minimum Amount
2007	\$ 163,285
2008	141,841
2009	147,013
2010	152,186
2011	157,358

Regulatory Risks and Claims

The Company's products are subject to regulation by a number of federal and state entities, as well as those of foreign countries in which the Company's products are sold. These regulatory entities may prohibit or restrict the sale, distribution, or advertising of the Company's products for legal, health or safety related reasons. In addition to the

potential risk of adverse regulatory actions, the Company is subject to the risk of potential product liability claims.

Other Matters

The Company's predecessor organization, Essentially Yours Industries Corp. ("EYIC"), a British Columbia corporation, has outstanding claims from the Internal Revenue Service for penalties and interest of approximately \$2,000,000. Furthermore, one or more states may have claims against EYIC for unpaid state sales taxes. Management believes that these claims are limited solely to EYIC and that any prospective unpaid tax claims against the Company are remote and unable to be estimated.

F-11

Action by the State of Texas, et al

On August 25, 2006 the State of Texas filed a Plaintiffs' First Amended Original Petition in the District Court of Travis County, Texas naming Essentially Yours Industries, Inc. A/K/A Essentially Yours Corp. A/K/A Burrard Capital, Inc. a foreign (NV) Corporation. The action arises from EYI's predecessor organization, Essentially Yours Industries, Corp., a British Columbia Corporation's unpaid sales tax for the State of Texas in the amount of \$179,094.84 plus interest and costs. Management believes that there is a remote possibility that the plaintiff will be successful in this action and no liability has been recorded as of March 31, 2007.

NOTE 11 - DISCONTINUED OPERATIONS

During the year ended December 31, 2005, the Company elected to discontinue the operations of Halo Distribution LLC (hereinafter "Halo"), a subsidiary of the Company. The Company's balance sheet reports net liabilities from discontinued operations of \$375,344 as at March 31, 2007 and December 31, 2006.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards, No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (hereinafter "SFAS No. 146"). SFAS No. 146 addresses significant issues regarding the recognition, measurement, and reporting of costs associated with exit and disposal activities, including restructuring activities. SFAS No. 146 also addresses recognition of certain costs related to terminating a contract that is not a capital lease, costs to consolidate facilities or relocate employees, and termination benefits provided to employees that are involuntarily terminated under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 was issued in June 2002, effective December 31, 2002. The Company's financial position and results of operations have not been affected by adopting SFAS No. 146.

NOTE 12 - RELATED PARTY NOTE PAYABLE

The Company issued a promissory note for a total of \$50,000 in December 2003. The note is unsecured, non-interest bearing and payable upon demand. This note has a remaining balance of \$50,000 at March 31, 2007.

NOTE 13 - CONCENTRATIONS

Bank Accounts

The Company maintains its cash accounts in one commercial bank. During the year, the Company may maintain balances in excess of the federally insured amounts in the accounts that are maintained in the United States. The Company also maintains funds in commercial banks in Vancouver, British Columbia, in which funds in U.S. dollars are not insured. Additionally, the Company maintains funds in Hong Kong where none of the funds are insured. At March 31, 2007 and December 31, 2006, a total of \$155,269 and \$56,088 respectively, was not insured.

Economic Dependence

During the year, the Company purchased approximately 76% of its products for resale from one company, Nutri-Diem Inc., which is the sole supplier of the Company's flagship product Calorad. Pursuant to a purchase agreement, the Company is subject to minimum purchases per annum. (See Note 10.)

NOTE 14 - RELATED PARTY TRANSACTIONS

On May 27, 2002, Mr. Jay Sargeant, a shareholder of Essentially Yours Industries, Corp. ("EYI Corp.") agreed to acquire all of the shares of the Essentially Yours Industries, Inc. ("EYI"), along with the transfer agreement, license agreement, and agency appointment agreement, in settlement of amounts owed to him. As part of this transaction, EYI Corp. agreed to provide to EYI the services outlined in a management agreement.

The Company acquired, through agreements with Essentially Yours Industries, Corp. (“EYI Corp”), the rights, title, and interest in and to the contracts with the Company’s Independent Business Associates as well as the rights and licenses to trademarks and formula for the Company’s primary products.

Accounts payable to related parties represents amounts due to EYI Corp.

F-12

NOTE 15 - SUBSEQUENT EVENTS

Between April 1, 2007 and May 14, 2007, The Company issued 13,873,170 common shares to Cornell Capital to retire \$57,900 of convertible debt.

Between April 1, 2007 and May 14, 2007, The Company issued 6,159,686 common shares to Certain Wealth to retire \$25,708 of convertible debt.

Between April 1, 2007 and May 14, 2007, The Company issued 7,713,482 common shares to TAIB Bank to retire \$32,192 of convertible debt.

On April 14, 2007, The Company issued an unsecured promissory note to an employee for \$10,488 CDN.

F-13

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

FORWARD LOOKING STATEMENTS

The information in this discussion contains forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding EYI's capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in the Risk Factors section below, and, from time to time, in other reports we file with the Securities and Exchange Commission (the "SEC"). These factors may cause our actual results to differ materially from any forward-looking statement.

OVERVIEW

We are in the business of selling, marketing, and distributing a product line consisting of approximately 26 products in four categories: dietary supplements, personal care products, water filtration systems and a fuel additive product. Our most successful product is Calorad, a liquid collagen-based dietary supplement presently available in the market. Our products are marketed through a network marketing program in which independent business associates ("IBAs") purchase products for resale to retail customers, as well as for their own personal use. We have a list of over 385,000 IBAs, of which approximately 8,400 we consider "active". An "active" IBA is one who has purchased our products within the preceding 12 months. Approximately 2,500 of these IBAs are considered "very active". A "very active" IBA is one who is on our Convenience Program and is current with their annual administration fee. Our Convenience Program allows our IBAs to set up a reoccurring order that is automatically shipped to them each month.

The IBAs in our network are encouraged to recruit interested people to become new distributors of our products. New IBAs are placed beneath the recruiting IBA in the "network" and are referred to as being in that IBA's "down-line" organization. Our marketing plan is designed to provide incentives for IBAs to build, maintain and motivate an organization of recruited distributors in their down-line organization to maximize their earning potential. IBAs generate income by purchasing our products at wholesale prices and reselling them at retail prices. IBAs also earn commissions on product purchases generated by their down-line organization. Qualified IBAs may also earn additional commissions under the Management Matching Bonus ("MMB") program.

On an ongoing basis, we review our product line for duplication and sales trends and make adjustments accordingly. As of December 31, 2006, our product line consisted of: (i) 18 dietary supplement products; (ii) 5 personal care products, consisting primarily of cosmetic and skin care products; (iii) 2 water filtration system products; (iv) 1 fuel additive product. Our products are primarily manufactured by Nutri-Diem, Inc., ("NDI") and sold by us under a license and distribution agreement with NDI. Certain of our own products are manufactured for us by third party manufacturers pursuant to formulations developed for us. Our products are sold to our IBAs located in the United States, Canada, the Philippines and Hong Kong.

We believe that our network marketing system is suited to marketing dietary supplements, personal care products, water filtration systems and fuel additive products because sales of such products are strengthened by ongoing personal contact between IBAs and their customers. We also believe that our network marketing system appeals to a broad cross-section of people, particularly those looking to supplement family income or who are seeking part-time work. IBAs are given the opportunity, through our sponsored events and training sessions, to network with other distributors, develop selling skills and establish personal goals.

Recent Corporate Developments

We experienced the following significant developments through the date of this filing:

- On May 1, 2007 the Company entered into consulting agreements with Flaming Gorge, Inc. a company controlled by Mr. Jay Sargeant and Global Mutual Benefit Network, Inc., a company controlled by Mr. Dori O'Neill to provide consulting services to the Company for a period of five years effective May 1, 2007.
- On April 30, 2007 we received letters from Flaming Gorge, Inc., a company controlled by Mr. Jay Sargeant and O'Neill Enterprises, Inc., a company controlled by Mr. Dori O'Neill, requesting the termination of their respective consulting agreements with the Company and requesting waiver of the one year notice requirement. The Company agreed to the termination effective April 30, 2007.
- On April 14, 2007, the Company entered into a promissory note for a loan in the amount of \$10,488 CDN and \$15,000 US to an employee of the Company.
- On February 1, 2007, the Board of the Directors of the Company approved a Stock Incentive Plan for its employees, directors and consultants. The plan is for a total of 250,000,000 restricted shares of common stock and expires February 11, 2017. On February 1, 2007 the Board of Directors also approved the grants of 235,000,000 stock options to our officers, employees and consultants.
- On January 23, 2007, EYI entered into a web site design and development agreement with Colossal Head Communications ("Colossal"). Compensation for Colossal will be paid after completion of stages in the project, which is expected to be completed in sixteen weeks once work commences. The estimated cost is \$40,000. Scheduling of phase two of this project is in progress.
- On January 5, 2007, the Company completed a share exchange with certain shareholders of EYI. Shareholders received 1,999,323 restricted shares of the Company in exchange for shares owned by individuals in our subsidiary, Essentially Yours Industries, Inc.
- On January 1, 2007, EYI entered into a Consulting Agreement with New U, Inc. ("New U") for a six month term. New U will receive \$2,000 per month compensation for providing consulting services.

Growth Strategy

Leadership Training and Support. - We believe that a key indication of growth is the addition and retention of IBAs. In order to successfully attract and retain, we must continue to provide the necessary training and guidance to both our mature and new distributors. We accomplish this by offering the following support services:

- a) We host up to 6 live training calls per week to teach business building techniques and to provide essential product information
- b) We provide a comprehensive business and product training manual ("Success Planner") to each new IBA. An electronic version of the Success Planner is available to all our IBAs through our on-line platform.
- c) We provide a 24/7 online training community in which our IBAs can ask questions about products, training, and business growth.
- d) Live training calls are taped and then posted on-line

- e) We promote consignment centers to both act as a fulfillment center for product orders but also to serve as a training location for local IBAs

2

- f) Our management team provides specialized training to our team leaders through one-on-one calls or conference calls
- g) We assist with the coordination of regional training events and periodically send members of our management team as guest speakers.
- h) Our customer service department offers one-on-one assistance to our IBAs

New Product Introduction. - We believe that a component of our future growth is attributed to offering quality products that are in-demand. Our strategy is to work with our existing manufacturers to improve our existing product formulation and to seek out new products that may fit within our product line.

- *Ultimate ME2* - In October 2006, EYI signed a definitive agreement with Mach 3. Through this agreement, Mach 3 has granted EYI the right to market the fuel enhancement product Ultimate ME2 (“ME2”). ME2 is a non-polluting fuel performance additive product that enhances and creates efficient combustion that cools the engine of vehicles. Test results indicate that automobiles using ME2 will create fewer emissions for the environment, their engines will run smoother and will consume less fuel. In October 2006, EYI placed its first purchase order of the ME2 product and received delivery at the end of December. Our first quarter 2007 financial statements indicate that this product represented approximately 20% of our overall sales.

International Expansion. - We believe that there is a demand for our products outside of USA and Canada. Our Hong Kong office was opened in September 2005 and during 2006, EYI entered into a definitive agreement with Orientrends, Inc. (“Orientrends”). Orientrends has opened an office which will serve as a distribution center of EYI’s products within the Philippines. EYI is currently working with Orientrends to establish their marketing platform, assist in training their staff and providing managerial guidance to assist with their business launch. We anticipate that initial sales will begin in the second quarter of 2007.

Additional new markets may be considered based on an evaluation of key factors such as potential market size, product demand, reception to network marketing, and review of governing regulations. We believe that we have infrastructure to support new locations should they meet our requirements.

Distributor Commission Pay Plan Enhancement.

We offer a very competitive global sales compensation plan that pays up to 50% of the gross wholesale binary sales. Under our global compensation plan, a distributor is paid for the distributor’s own product sales and for product sales in that distributor’s downline distributor network across all geographic regions.

We periodically make modifications and enhancements to our global compensation plan to help motivate distributors. In 2007, we intend to launch a further enhancement to our commission pay plan called Environmental Hero Awards (“EHA”). This program is designed to run in conjunction with our existing compensation program and will allow eligible IBA’s to generate bonuses paid from a separate pool of up to 5% of our binary product sales. Management believes that this new commission plan addendum will encourage the sales of our environmentally friendly product Ultimate ME2, as well as our other products.

RESULTS OF OPERATIONS

First Quarter Summary

Summary of Quarterly Results

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

	31-Mar-07	Three months ended 31-Mar-06		Variance	
Revenue	\$ 1,181,166	\$ 1,108,759	\$ 72,407		7%
Cost of goods sold	\$ 363,063	\$ 287,952	\$ 75,111		26%
Gross profit before commissions expense	\$ 818,103	\$ 820,807	(\$2,704)		0%
Commission expense	\$ 416,877	\$ 385,443	\$ 31,434		8%
Gross profit after cost of goods sold and commissions	\$ 401,226	\$ 435,364	(\$34,138)		-8%
Operating expenses	\$ 1,836,326	\$ 1,324,360	\$ 511,966		39%
Operating loss	(\$1,435,100)	(\$888,996)	(\$546,104)		61%

3

Revenues

During the three months ended March 31, 2007 we had total revenues of \$1,181,166 as compared to revenues of \$1,108,759 for the same period in 2006 which represents an increase of \$72,407 or 7%. The increase in our revenues can be primarily attributed to the following factors:

- Increase in new IBA's who paid the annual membership fees
- Increased product sales of Ultimate ME2

Gross Profit

During the three months ended March 31, 2007 as compared to the same period in 2006, we had gross profits of \$818,103 and \$820,807 respectively. This represents a slight decline of \$2,704.

Revenue by Segments

The following table summarizes our four revenue segments as a percentage of total revenue, respectively, for the periods indicated:

Revenue by Segments

	Three months ended			
	31-Mar-07	31-Mar-06	Variance	
Administration fees	\$ 66,607	\$ 39,990	\$ 26,617	67%
Binary Sales	\$ 835,756	\$ 762,194	\$ 73,562	10%
Direct sales	\$ 172,091	\$ 201,677	(\$29,586)	-15%
Affiliate sales	\$ 101,595	\$ 100,612	\$ 983	1%
Sales Aids	\$ 5,117	\$ 4,285	\$ 832	19%
	\$ 1,181,166	\$ 1,108,759	\$ 72,405	7%

Details of the most significant changes from the quarter ended March 31, 2007 to the quarter ended March 31, 2006 are detailed below:

Administration fees - We realized a 67% increase in administration fee revenue in the March 2007 quarter over the same period in 2006. We believe that this improvement in attracting a greater number of new IBAs is related to two key factors:

- the launch of our newest product, Ultimate ME2, and
- improvements made to our Compensation Plan during 2006

Binary sales - The binary sales segment represents \$835,756 or 71% of the total revenue earned during the quarter ended March 31, 2007, as compared to \$762,194 or 69% of the total revenues earned during the quarter ended March 31, 2006. Management believes that the 10% improvement in binary sales is directly related to the sales of Ultimate ME2.

Direct sales - The direct sales segment represents \$172,091 or 15% of the total revenue earned during the quarter ended March 31, 2007, as compared to \$201,677 or 18% of the total revenues earned during the quarter ended March 31, 2006. No commissions are paid out on direct sales.

Expenses

Operating expenses:

The following table summarizes operating expenditures for the periods indicated:

Operating Expenses

	Three months ended			
	31-Mar-07	31-Mar-06	Variance	
Consulting fees	\$ 198,574	\$ 259,736	-\$61,162	-24%
Legal and professional fees	\$ 25,788	\$ 74,482	-\$48,694	-65%
Customer service	\$ 30,823	\$ 40,416	-\$9,593	-24%
Finance and administration	\$ 169,365	\$ 499,973	-\$330,608	-66%
Sales and marketing	\$ 25,138	\$ 78,624	-\$53,486	-68%
Telecommunications	\$ 44,426	\$ 30,660	\$ 13,766	45%
Wages and benefits	\$ 1,270,920	\$ 277,571	\$ 993,349	358%
Warehouse expense	\$ 71,292	\$ 62,898	\$ 8,394	13%
	\$ 1,836,326	\$ 1,324,360	\$ 511,966	39%

We incurred operating expenses in the amount of \$1,836,326 during the three months ended March 31, 2007, compared to \$1,324,360 for the three months ended March 31, 2006. The following explains the most significant changes for the periods presented:

Consulting fees - For the three months ended March 31, 2007, consulting fees totaled \$198,574 as compared to \$259,736 for the three months ended March 31, 2006. The 24% decline is the result of the eliminated fees to a consultant that was present in 2006.

Legal and professional fees - For the three months ended March 31, 2007, legal and professional fees totaled \$25,788 as compared to \$74,482 for the three months ended March 31, 2006. The 65% decline is the elimination of fees paid to legal representation.

Customer Service - For the three months ended March 31, 2007, customer services fees totaled \$30,823, as compared to \$40,416 for the three months ended March 31, 2006. These expenditures represent the services provided by EYI Corp. pursuant to the terms of their management agreement with our subsidiary Essentially Yours Industries, Inc. ("EYI"). The reduction of expenditures is related to EYI utilizing other service providers to provide the services that were previously provided by EYI Corp.

Finance and administration - For the three months ended March 31, 2007, finance and administration fees totaled \$169,365 and represented 9% of our total operating expenditures, as compared to \$499,973 or 38% of the total operating expenditures for the three months ended March 31, 2006. The net decrease of \$330,608 or 66% is primarily attributed to the elimination of a large portion of the Hong Kong office's overhead costs as well as a reduction in stock promotional fees.

Sales & Marketing The Sales and Marketing expenses for the three months ended March 31, 2007 were \$25,138 as compared to \$78,624 for the three months ended March 31, 2006. During the quarter ended March 31, 2006, we paid

\$28,300 for a product registration fee.

Wages and benefits - For the three months ended March 31, 2007, wages and benefits totaled \$1,270,920 and represented 69% of our total operating expenditures, as compared to \$277,571 or 21% of the total operating expenditures for the three months ended March 31, 2006. During the quarter ended March 31, 2007, we expensed approximate \$1,000,000 for vested stock options whereas for the same quarter in the 2006, no employee stock options vested.

5

The following table summarizes other income and expenditures for the periods indicated:

Other Income (Expenses)	Three months ended		
	31-Mar-07	31-Mar-06	Variance
Interest and other income	\$ 201	(\$8,565)	\$ 8,766
Interest expense	(\$98,780)	(\$450)	(\$98,330)
Financing fees	(\$237,012)	\$ 0	(\$237,012)
Gain/(Loss) on derivative	\$ 162,735	\$ 0	\$ 162,735
Foreign currency gain (discount)	\$ 5,758	\$ 4,669	\$ 1,089
	(\$167,098)	(\$4,346)	(\$162,752)

Other Income (Expense):

Interest expense - For the quarter ended March 31, 2007 and March 31, 2006, we expensed \$98,780 and \$450 respectively. The current year's results include the interest charged to us pursuant to our debentures with Cornell Capital, TAIB Bank, and Certain Wealth.

Financing fees - For the quarter ended March 31, 2007, we incurred total financing fees of \$237,012 which relate to expenses charged pursuant to our debentures with Cornell Capital, TAIB Bank, and Certain Wealth.

Gain on derivatives - For the quarter ended March 31, 2007, the Company reported a gain on derivatives in the amount of \$162,735, which is made up of the following two components:

- At March 31, 2007, the Company revalued the derivative embedded in each of the three convertible debentures at \$370,371 each or a total of \$1,111,113. For the quarter ended March 31, 2007, the Company recognized a corresponding gain of \$136,181.
- At March 31, 2007, the Company also calculated a marked-to-market adjustment for the warrants issued to Cornell Capital in connection with the convertible debenture. For the quarter ended March 31, 2007, the Company recognized a gain of \$26,554 as a result of this valuation.

FINANCIAL CONDITION

Cash and Working Capital

Working Capital	As at 31-Mar-07	As at 31-Mar-06	Variance	
Current assets	\$ 1,391,035	\$ 1,904,110	(\$513,075)	-27%
Current Liabilities	\$ 5,824,913	\$ 5,928,737	(\$103,823)	-2%
Working Capital (deficit)	(\$4,433,878)	(\$4,024,627)	(\$409,251)	10%

We had cash of \$276,766 as at March 31, 2007, compared with cash of \$901,764 as at December 31, 2006. We had a working capital deficit at March 31, 2007 and December 31, 2006 of \$4,433,878 and \$4,024,627 respectively.

Cash Used in Operating Activities

Cash used in operating activities for the three months ended March 31, 2006 was \$622,227 compared to \$901,227 for the comparative period in 2006, representing a decrease of \$279,000 or 31%.

Cash Provided by Financing Activities

Cash provided by financing activities for the three months ended March 31, 2007 was \$0, compared to \$1,084,565 for the three months ended March 31, 2006. Our financing activities are primarily through our financing agreements with Cornell Capital LLC.

Financing Requirements

Our consolidated interim financial statements included with this Quarterly Report on Form 10-QSB have been prepared assuming that we will continue as a going concern. As shown in the accompanying financial statements, we had negative working capital of approximately \$4,400,000 and an accumulated deficit of approximately \$20,000,000 incurred through March 31, 2007.

Our current sources of working capital may not be sufficient to satisfy our anticipated current working capital needs. In the event we do not receive further financing from Cornell or other third parties to fully implement our business plan we may be required to seek additional financing. We may not be able to obtain additional working capital on acceptable terms, or at all. Accordingly, there is substantial doubt about our ability to continue as a going concern. We anticipate that any additional financing would be through the sales of our common or preferred stock or placement of convertible debt.

In the event that we are unable to raise additional financing on acceptable terms, then we may have to scale back our plan of operations and operating expenditures. We anticipate that we will continue to incur losses until such time as the revenues we are able to generate from sales and licensing of our products exceed our increased operating expenses. We base this expectation in part on the expectation that we will incur increased operating expenses in completing our stated plan of operations and there is no assurance that we will generate revenues that exceed these expenses.

OFF-BALANCE SHEET ARRANGEMENTS

We have no 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.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

Our management routinely makes judgments and estimates about the effects of matters that are inherently uncertain. As the number of variables and assumptions affecting the probable future resolution of the uncertainties increase, these judgments become even more subjective and complex. We have identified certain accounting policies, described below, that are the most important to the portrayal of our current financial condition and results of operations.

Accounting for Stock Options and Warrants Granted to Employees and Non-Employees

Statement of Financial Accounting Standards No. 123R, "Accounting for Stock-Based Compensation" ("SFAS No. 123R"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

7

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Basic and diluted loss per share was the same, at the reporting dates, as inclusion of the common stock equivalents would be anti-dilutive.

Foreign Currency Translation and Other Comprehensive Income

The Company has adopted Financial Accounting Standard No. 52. Monetary assets and liabilities denominated in foreign currencies are translated into United States dollars at rates of exchange in effect at the balance sheet date. Gains or losses are included in income for the year. Non-monetary assets, liabilities and items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction.

As the Company's functional currency is the U.S. dollar, and all translation gains and losses are transactional, the Company has no assets with value recorded in Canadian dollar, and there is no recognition of other comprehensive income in the financial statements.

Foreign Currency Valuation and Risk Exposure

While the Company's functional currency is the U.S. dollar and the majority of its operations are in the United States, the Company maintains its main operations office in Burnaby, British Columbia. The assets and liabilities relating to the Canadian operations are exposed to exchange rate fluctuations. Assets and liabilities of the Company's foreign operations are translated into U.S. dollars at the year-end exchange rates, and revenue and expenses are translated at the average exchange rate during the period. The net effect of exchange difference arising from currency translation is disclosed as a separate component of stockholders' equity. Realized gains and losses from foreign currency transactions are reflected in the results of operations.

Income Taxes

The Company's accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This statement requires the recognition of deferred tax liabilities and assets for the future consequences of events that have been recognized in the Company's consolidated financial statement or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of EYI assets and liabilities results in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such an asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Long-Lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets. For the year ended December 31, 2006, no impairments have been identified.

Revenue Recognition

The Company is in the business of selling nutritional products in the following categories: dietary supplements, personal care products, water filtration systems, and gas additive. Sales of personal care products and water filtration systems represent less than 5% of the overall revenue and therefore are not classified separately in the financial statements. The Company recognizes revenue from product sales when the products are shipped and title passes to the customer. Administrative fees charged to the Independent Business Associates are included in the gross sales and amounted to \$66,607 and \$39,990 for the three months ended March 31, 2007 and March 31, 2006 respectively. The total sales of the gas additive product were \$226,640 and \$0 for the three months ended March 31, 2007 and March 31, 2006.

Segment Information

The Company adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," (hereafter "SFAS No. 131") which supersedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise," replacing the "industry segment" approach with the "management" approach. The management approach designates the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. SFAS No. 131 also requires disclosures about products and services, geographic areas and major customers. The adoption of SFAS No. 131 did not affect the Company's results of operations or financial position.

Recent Accounting Pronouncements

New accounting pronouncements that have a current or future potential impact on our financial statements are as follows:

In February, 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (hereinafter SFAS No. 159"). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board's long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company's financial condition or results of operation.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (hereinafter :SFAS No. 158"). This statement requires an employer to recognize the overfunded or underfunded statuses of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not for profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year end statement of financial position, with limited exceptions. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In September, 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157"). This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosure about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. This statement does not require any new fair value measurements, but for some entities, the application of this statement may change current practice. The adoption of this statement had no immediate material effect on the Company's financial condition or results of operations.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have a material impact on its financial reporting, and the Company is currently evaluating the impact, if any the adoption of FIN 48 will have on its disclosure requirements.

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets-an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140" (hereinafter "SFAS No. 155"). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity ("SPE") may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early

adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In May 2005, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections," (hereinafter "SFAS No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes," and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28." SFAS No. 154 provides guidance on accounting for and reporting changes in accounting principle and error corrections. SFAS No. 154 requires that changes in accounting principle be applied retrospectively to prior period financial statements and is effective for fiscal years beginning after December 15, 2005. The Company does not expect SFAS No. 154 to have a material impact on its consolidated financial position, results of operations, or cash flows.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47 (“FIN 47”), “Accounting for Conditional Asset Retirement Obligations.” FIN 47 clarifies that the term “conditional asset retirement obligation,” which as used in SFAS No. 143, “Accounting for Asset Retirement Obligations,” refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The entity must record a liability for a “conditional” asset retirement obligation if the fair value of the obligation can be reasonably estimated. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005.

RISKS AND UNCERTAINTIES

We have an accumulated deficit and may have continued losses for the foreseeable future with no assurance of profitability.

As of March 31, 2007, we had an accumulated deficit of \$20,055,173. We will need to generate significant revenues to achieve profitability, which may not occur. We expect operating expenses to increase as a result of the further implementation of our business plan. Even if we achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future. It is possible that we will never achieve profitability.

Management has established plans designed to attempt to increase the sales of our products and decrease debt. We plan on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, and international sales, believe that we will eventually be able to reverse the present deficit. Management intends to utilize the cash proceeds from the Securities Purchase Agreement with the Cornell, TAIB Bank, and Certain Wealth to assist in its operating cash flow shortages.

We have been subject to a going concern opinion from our independent auditors.

Our independent auditors have added an explanatory paragraph to their audit issued in connection with the financial statements for the period ended December 31, 2006, relative to our ability to continue as a going concern. We have negative working capital of approximately \$4,400,000 and an accumulated deficit incurred through March 31, 2007, which raises substantial doubt about our ability to continue as a going concern. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

We are dependent on our IBAs for our product marketing efforts, the loss of a significant number of IBAs or the loss of a key IBA could adversely affect our sales.

Our success and growth depend upon our ability to attract, retain and motivate our network of IBAs who market our products. IBAs are independent contractors who purchase products directly from us for resale and their own use. IBAs typically offer and sell our products on a part-time basis and may engage in other business activities, possibly including the sale of products offered by our competitors. Typically, we have non-exclusive arrangements with our IBAs which may be canceled on short notice and contain no minimum purchase requirements. While we encourage IBAs to focus on the purchase and sale of our products, they may give higher priority to other products, reducing their efforts devoted to marketing our products. Also, our ability to attract and retain IBAs could be negatively affected by adverse publicity relating to us, our products or our operations. In addition, as a result of our network marketing program, the down-line organizations headed by a relatively small number of key IBAs are responsible for a significant percentage of total sales.

The loss of a significant number of IBAs, including any key IBA, for any reason, could adversely affect our sales and operating results, and could impair our ability to attract new IBAs. There is no assurance that our network marketing

program will continue to be successful or that we will be able to retain or expand our current network of IBAs.

Failure To Expand Into, Or To Succeed In, New International Markets Will Limit Our Ability To Grow Sales Of Our Products

We believe that our ability to achieve future growth is dependent in part on our ability to continue our international expansion efforts. However, there can be no assurance that we could be able to enter new international markets on a timely basis, or that new markets would be profitable. We must overcome significant regulatory and legal barriers before we can begin marketing in any foreign market. Our operations in some markets also may be adversely affected by political, economic and social instability in foreign countries.

We may be required to reformulate certain of our products before commencing sales in a given country. Once we have entered a market, we must adhere to the regulatory and legal requirements of that market. No assurance can be given that we would be able to successfully reformulate our products in any of our potential international markets to meet local regulatory requirements or attract local customers. The failure to do so could result in increased costs of producing products and adversely affect our financial condition. There can be no assurance that we would be able to obtain and retain necessary permits and approvals.

Also, it is difficult to assess the extent to which our products and sales techniques would be accepted or successful in any given country. In addition to significant regulatory barriers, we may also encounter problems conducting operations in new markets with different cultures and legal systems from those encountered elsewhere.

Additionally, in many markets, other network marketing companies already have significant market penetration, the effect of which could be to desensitize the local distributor population to a new opportunity, or to make it more difficult for us to recruit qualified distributors. There can be no assurance that, even if we were able to commence operations in new foreign countries, there would be a sufficiently large population of potential distributors inclined to participate in a network marketing system offered by us. We believe our future success could depend in part on our ability to integrate our business methods, including our distributor compensation plan, across all markets in which our products are sold. If we are unable to expand our operations in new international markets, we could be forced to curtail our business operations.

Our Marketing System Could Be Found To Not Comply With Applicable Laws and Regulations

We currently have IBAs in the United States, Canada, Hong Kong and the Philippines. We review the requirements of various states, as well as seek legal advice regarding the structure and operation of our selling organization to ensure that it complies with all of the applicable laws and regulations pertaining to network sales organizations. On the basis of these efforts and the experience of our management, we believe that we are in compliance with all applicable federal and state regulatory requirements. We have not obtained any no-action letters or advance rulings from any federal or state security regulator or other governmental agency concerning the legality of our operations, nor are we relying on a formal opinion of counsel to such effect. We, accordingly, are subject to the risk that, in one or more of our markets, our marketing system could be found to not comply with applicable laws and regulations. Our failure to comply with these regulations could have a material adverse effect on us in a particular market or in general.

We are subject to the risk of challenges to the legality of our network marketing organization, including claims by our distributors, both individually and as a class. Most likely these claims would be based on our network marketing program allegedly being operated as an illegal "pyramid scheme" in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act.

Adverse Publicity With Respect To Nutritional, Water Filtration or Fuel Additive Products May Force Us To Curtail Or Cease Our Business Operations

In the future, scientific research and/or publicity may not be favorable with respect to the products we market and sell. Future reports of unfavorable to our products could force us to curtail or cease our business operations.

Because of our dependence upon consumer perceptions, adverse publicity associated with illness or other adverse effects resulting from the consumption or use of our products or any similar products distributed by other companies could have a material adverse effect on our operations. Such adverse publicity could arise even if the adverse effects associated with such products resulted from consumers' failure to consume or use products as directed. In addition, we may not be able to counter the effects of negative publicity concerning the efficacy of our products.

Government Regulation By The FDA And Other Federal And State Entities Of Our Products Can Impact Our Ability To Market Products

The manufacturing, processing, formulation, packaging, labeling and advertising of nutritional products are subject to regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Product Safety Commission, the United States Department of Agriculture, the United States Postal Service, the EPA and the Occupational Safety and Health Administration. These activities are also regulated by various agencies of the states and localities, as well as of foreign countries, in which our products may be sold. We may incur significant costs in complying with these regulations. In the event we cannot comply with government regulations affecting our business and products, we may be forced to curtail or cease our business operations.

On March 7, 2003, the FDA proposed a new regulation to require current good manufacturing practices, or cGMPs, affecting the manufacturing, packing and holding of dietary supplements. The proposed regulation would establish standards to ensure that dietary supplements and dietary ingredients are not adulterated with contaminants or impurities and are labeled to accurately reflect the active ingredients and other ingredients in the products. It also includes proposed requirements for designing and constructing physical plants, establishing quality control procedures, and testing manufactured dietary ingredients and dietary supplements, as well as proposed requirements for maintaining records for handling consumer complaints related to current good manufacturing practices. The final rule resulting from this rulemaking process is currently undergoing review by the Office of Management and Budget. Publication of the final rule is expected in the near future. Because of the long delay in issuing the final rule, there is considerable uncertainty as to the provisions of the final rule, and as to how large an impact the rule will have on the dietary supplement industry.

We anticipate that the new GMPs, once finalized, will be more detailed and rigorous than the GMPs that currently apply to dietary supplements. In particular, they may require dietary supplements to be prepared, packaged, produced and held in compliance with standards similar to those required for drugs.

Our failure to comply with applicable FDA regulatory requirements could result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. We intend to comply with any new cGMPs that are adopted. We recognize, however, that compliance with new GMPs may require us to expend additional, potentially substantial, capital and resources on manufacturing controls and increased testing of raw materials and finished products in the future in order to comply with the law and meet higher quality standards.

We market products that fall under two types of FDA regulations: dietary supplements and personal care products. In general, a dietary supplement:

- is a product (other than tobacco) that is intended to supplement the diet that bears or contains one or more of the following dietary ingredients: a vitamin, a mineral, a herb or other botanical, an amino acid, a dietary substance for use by man to supplement the diet by increasing the total daily intake, or a concentrate, metabolite, constituent, extract, or combinations of these ingredients.
- is intended for ingestion in pill, capsule, tablet, or liquid form.
- is not represented for use as a conventional food or as the sole item of a meal or diet.
- is labeled as a “dietary supplement.”

Personal care products, regulated by the FDA as cosmetics, are intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance. Included in this definition are products such as skin creams, lotions, perfumes, lipsticks, fingernail polishes, eye and facial make-up preparations, shampoos, permanent waves, hair colors, deodorants, and any material intended for use as a component of a cosmetic product provided such products are not promoted with drug claims. In general, our cosmetic products are not subject to pre-market approval by the FDA. Cosmetics are, however, subject to regulation by the FDA under the Federal Food, Drug and Cosmetic Act adulteration and misbranding provisions. They are also subject to specific labeling regulations, including warning statements, if the product's safety is not adequately substantiated or if it may be hazardous, as well as ingredient statements and other packaging requirements under the Fair Packaging and Labeling Act. Cosmetics that meet the definition of a drug (i.e. that are intended to treat or prevent disease or affect the structure or function of the body), such as sunscreens, are regulated as drugs. Cosmetics that bear label claims that expressly or impliedly suggest that the product serves such drug purposes will also be regulated as drugs. As a marketer of products that are ingested by consumers or applied topically, we are subject to the risk that one or more of the ingredients in our products may become the subject of adverse regulatory action or product liability action.

Dietary supplements must follow labeling guidelines outlined by the FDA.

Under the Dietary Supplement Health and Education Act of 1994, companies that manufacture and distribute dietary supplements are limited in the statements that they are permitted to make about nutritional support on the product label without FDA approval. In addition, a manufacturer of a dietary supplement must have substantiation for any such statement made and must not claim to diagnose, mitigate, treat, cure or prevent a specific disease or class of disease, unless such claim has been authorized by the FDA. The product label must also contain a prominent disclaimer if certain types of claims are included on product labeling. These restrictions may restrict our flexibility in marketing our product.

13

The processing, formulation, packaging, labeling and advertising of such products, however, are subject to regulation by one or more federal agencies, including the FDA, the FTC, the Consumer Products Safety Commission, the Department of Agriculture and the EPA. Our activities are also subject to regulation by various agencies of the states and localities in which our products are sold. Among other things, such regulation puts a burden on our ability to bring products to market. Any changes in the current regulatory environment could impose requirements that would make bringing new products to market more expensive or restrict the ways we can market our products.

In general, no governmental agency or other third party makes a determination as to whether our products qualify as dietary supplements or personal care products prior to introducing such products into the marketplace. We make this determination based on the ingredients contained in the products and the claims we make for the products.

On December 9, 2006, President Bush signed the Dietary Supplement & Nonprescription Drug Consumer Protection Act into law. This Act requires manufacturers of dietary supplement and over-the-counter products to notify the FDA when they receive reports of serious adverse events. Implementing regulations are due to be issued later in 2007. Expenditure of significant resources may be required to implement programs that comply with the requirements of these regulations.

If the Federal Trade Commission or certain states object to our product claims and advertising we may be forced to give refunds, pay damages, stop marketing certain products or change our business methods.

The Federal Trade Commission and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. In the past several years the Federal Trade Commission has instituted enforcement actions against several dietary supplement companies for false or deceptive advertising of certain products. We provide no assurance that:

- the Federal Trade Commission will not question our past or future advertising or other operations; or
- a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations.

Also, our IBAs and their customers may file actions on their own behalf, as a class or otherwise, and may file complaints with the Federal Trade Commission or state or local consumer affairs offices. These agencies may take action on their own initiative or on a referral from IBAs, consumers or others. If taken, such actions may result in:

- entries of consent decrees;
- refunds of amounts paid by the complaining IBA or consumer;
- refunds to an entire class of IBAs or customers;
- other damages; and
- changes in our method of doing business.

A complaint based on the activities of one IBA, whether or not such activities were authorized by us, could result in an order affecting some or all IBAs in a particular state, and an order in one state could influence courts or government agencies in other states.

Our IBAs act as independent sales people and are not closely supervised by EYI, or supervised by us at all. We have little or no control or knowledge of our IBAs' actual sales activities and therefore we have little or no ability to ensure

that our IBAs comply with regulations and rules regarding how they market and sell our products. It is possible that we may be held liable for the actions of our IBAs. Proceedings resulting from any complaints in connection with our IBAs' marketing and sales activities may result in significant defense costs, settlement payments or judgments and could force to curtail or cease our business operations.

If our network marketing program is shown to violate federal or state regulations we may be unable to market our products. Our network marketing program is subject to a number of federal and state laws and regulations administered by the Federal Trade Commission and various state agencies. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of "pyramid" or "endless chain" types of selling organizations. These regulations are generally directed at ensuring that product sales are ultimately made to consumers (as opposed to other IBAs) and that advancement within the network marketing program is based on sales of products, rather than investment in the company or other non-retail sales related criteria.

The compensation structure of a network marketing organization is very complex. Compliance with all of the applicable regulations and laws is uncertain because of:

- the evolving interpretations of existing laws and regulations, and
- the enactment of new laws and regulations pertaining in general to network marketing organizations and product distribution.

We have not obtained any no-action letters or advance rulings from any federal or state securities regulator or other governmental agency concerning the legality of our operations. Also, we are not relying on a formal opinion of counsel to such effect. Accordingly there is the risk that our network marketing system could be found to be in noncompliance with applicable laws and regulations, which could have a material adverse effect on us. Such a decision could require modification of our network marketing program, result in negative publicity, or have a negative effect on IBA morale and loyalty. In addition, our network marketing system will be subject to regulations in foreign markets administered by foreign agencies should we expand our network marketing organization into such markets. If our marketing program is deemed inappropriate, we could be forced to cease our business operations.

The legality of our network marketing program is subject to challenge by our IBAs.

We are subject to the risk of challenges to the legality of our network marketing organization by our IBAs, both individually and as a class. Generally, such challenges would be based on claims that our network marketing program was operated as an illegal "pyramid scheme" in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act. An illegal pyramid scheme is generally a marketing scheme that promotes "inventory loading" and does not encourage retail sales of the products and services to ultimate consumers. Inventory loading occurs when distributors purchase large quantities of non-returnable inventory to obtain the full amount of compensation available under the network marketing program. In the event of challenges to the legality of our network marketing organization by our IBAs, there is no assurance that we will be able to demonstrate that:

- our network marketing policies were enforced, and
- the network marketing program and IBAs' compensation thereunder serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

To further address the problem of "inventory loading", our IBAs must sell at least 70% of their inventory before they can reorder.

In the event of challenges to the legality of our network marketing organization by distributors we would be required to:

- demonstrate that our network marketing policies are enforced, and
- demonstrate that the network marketing program and distributors' compensation there under serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

A large portion of our sales is attributable to Calorad, if Calorad loses market share or loses favor in the marketplace, our financial results will suffer

A significant portion of our net sales is expected to be dependent upon our Calorad product. Calorad has traditionally represented more than 65% of our net sales and, although we hope to expand and diversify our product offerings,

Calorad is expected to provide a large portion of our net sales in the foreseeable future. If Calorad loses market share or loses favor in the marketplace, our financial results will suffer.

We Face Substantial Competition In The Dietary Supplement, Personal Care Industry, Water Filtration Category and Fuel Additive Industry Including Products That Compete Directly With Calorad

The dietary supplement, personal care, water filtration and fuel additive industries are highly competitive. It is relatively easy for new companies to enter the industry due to the availability of numerous contract manufacturers, a ready availability of natural ingredients and a relatively relaxed regulatory environment. Numerous companies compete with us in the development, manufacture and marketing of supplements specifically as their sole or principal business. Generally, these companies are well funded and sophisticated in their marketing approaches.

Our products are subject to obsolescence, which could reduce our sales significantly

The introduction by us or our competitors of new dietary supplement or personal care products offering increased functionality or enhanced results may render our existing products obsolete and unmarketable. Therefore, our ability to successfully introduce new products into the market on a timely basis and achieve acceptable levels of sales has and will continue to be a significant factor in our ability to grow and remain competitive and profitable. In addition, the nature and mix of our products are important factors in attracting and maintaining our network of IBAs, which consequently affects demand for our products. Although we seek to introduce additional products, the success of new products is subject to a number of conditions, including customer acceptance. There can be no assurance that our efforts to develop innovative new products will be successful, or customers will accept new products.

In addition, no assurance can be given that new products currently experiencing strong popularity will maintain their sales over time. In the event we are unable to successfully increase the product mix and maintain competitive product replacements or enhancements in a timely manner in response to the introduction of new products, competitive or otherwise, our sales and earnings will be materially and adversely affected.

We have no manufacturing capabilities and we are dependent upon NDI and other companies to manufacture our products.

We have no manufacturing facilities and have no present intention to manufacture any of our dietary supplement and personal care products. We are dependent upon relationships with independent manufacturers to fulfill our product needs. NDI manufactures and supplies more than 70% of our products. We have contracts with NDI that require us to purchase set amounts of its manufactured products for at least the next five years and possibly the next ten years. It is possible that these contracts with NDI could become unfavorable, and we may not be able to use other manufacturers to provide us with these services if our terms with NDI become unfavorable. In addition, we must be able to obtain our dietary supplement and personal care products at a cost that permits us to charge a price acceptable to the customer, while also accommodating distribution costs and third party sales compensation. Competitors who do own their own manufacturing may have an advantage over us with respect to pricing, availability of product and in other areas through their control of the manufacturing process. In addition, if we are forced to hold larger quantities of inventory, we face the risk that our inventory becomes obsolete with the passage of large amounts of time.

We may not be able to deliver various products to our customers if third party providers fail to provide necessary ingredients to us. We are dependent on various third parties for various ingredients for our products. Some of the third parties that provide ingredients to us have a limited operating history and are themselves dependent on reliable delivery of products from others. As a result, our ability to deliver various products to our users may be adversely affected by the failure of these third parties to provide reliable various ingredients for our products.

We are materially dependent upon our key personnel and the loss of such key consultants could result in delays in the implementation of our business plan or business failure.

We depend upon the continued involvement of Jay Sargeant, our President, Chief Executive Officer and Director, and Dori O'Neill, our Executive Vice President, Chief Operations Officer, Secretary, Treasurer and Director. As we are a developing company, the further implementation of our business plan is dependent on the entrepreneurial skills and direction of management. Mr. Sargeant and Mr. O'Neill guide and direct our activity and vision. This direction requires an awareness of the market, the competition, current and future markets, and technologies that would allow us to continue our operations. The loss or lack of availability of these individuals could materially adversely affect our business and operations. We do not carry "key person" life insurance for these officers and directors, and we would be adversely affected by the loss of these two key consultants.

We face substantial competition in the dietary supplement and personal care industry, including products that compete directly with Calorad.

The dietary supplement and personal care industry is highly competitive. It is relatively easy for new companies to enter the industry due to the availability of numerous contract manufacturers, a ready availability of natural ingredients and a relatively relaxed regulatory environment. Numerous companies compete with us in the development, manufacture and marketing of supplements as their sole or principal business. Generally, these companies are well funded and sophisticated in their marketing approaches.

Depending on the product category, our competition varies.

Calorad competes directly with Colvera, a product with different ingredients but a similar concept. Additionally, Calorad competes indirectly with food plans such as Weight Watchers and meal replacement products such as Slim Fast. Our Noni Plus product competes with Morinda and others. Ultimate ME2 competes with Fuel Freedom International, a fuel performance product. Code Blue water filtration system competes with the Brita Products Company which also sells a water filtration system. Our other products have similar well-funded and sophisticated competitors. Increased competitive activity from such companies could make it more difficult for us to increase or keep market share, since such companies have greater financial and other resources available to them and possess far more extensive manufacturing, distribution and marketing capabilities.

We may be subject to products liability claims and may not have adequate insurance to cover such claims. As with other retailers, distributors and manufacturers of products that are designed to be ingested, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in injury.

As a retailer and distributors of products, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in injury. Such claims may include, among others, that our products contain contaminants or include inadequate instructions as to use or inadequate warnings concerning side effects and interactions with other substances. With respect to product liability claims, we have coverage of \$2,000,000 per occurrence and \$2,000,000 in the aggregate. Because our policies are purchased on a year-to-year basis, industry conditions or our own claims experience could make it difficult for us to secure the necessary insurance at a reasonable cost. In addition, we may not be able to secure insurance that will be adequate to cover liabilities. We generally do not obtain contractual indemnification from parties supplying raw materials or marketing our products. In any event, any such indemnification is limited by its' terms and, as a practical matter, to the creditworthiness of the other party. In the event that we do not have adequate insurance or contractual indemnification, liabilities relating to defective products could require us to pay the injured parties' damages which are significant compared to our net worth or revenues and we could be forced to curtail or cease our business operations.

We may be adversely affected by unfavorable publicity relating to our products or similar products manufactured by our competitors.

We believe that the dietary supplement products market is affected by national media attention regarding the consumption of these products. Future scientific research or publicity may be unfavorable to the dietary supplement products market generally or to any particular product and may be inconsistent with earlier favorable research or publicity. Adverse publicity associated with illness or other adverse effects resulting from the consumption of products distributed by other companies, which are similar to our products, could reduce consumer demand for our products and consequently our revenues. This may occur even if the publicity did not relate to our products. Adverse publicity directly concerning our products could be expected to have an immediate negative effect on the market for that product.

Because we have few proprietary rights, others can provide products and services substantially equivalent to ours.

We hold no patents. We believe that most of the technology used by us in the design and implementation of our products may be known and available to others. Consequently, others may be able to formulate products equivalent to ours. We rely on confidentiality agreements and trade secret laws to protect our confidential information. In addition, we restrict access to confidential information on a "need to know" basis. However, there can be no assurance that we will be able to maintain the confidentiality of our proprietary information. If our pending trademark or other proprietary rights are violated, or if a third party claims that we violate its trademark or other proprietary rights, we may be required to engage in litigation. Proprietary rights litigation tends to be costly and time consuming. Bringing

or defending claims related to our proprietary rights may require us to redirect our human and monetary resources to address those claims.

Our common stock is "penny stock", which may make it more difficult for investors to sell their shares due to suitability requirements

Our common stock is deemed to be a "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stock:

- With a price of less than \$5.00 per share;
- That are not traded on a "recognized" national exchange;
- Whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than \$5.00 per share; or

- In issuers with net tangible assets less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$5.0 million (if in continuous operation for the last three years).

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

ITEM 3. CONTROLS AND PROCEDURES.

Evaluation Of Disclosure Controls And Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving our disclosure control objectives. Our Principal Executive Officer and Principal Accounting Officer have concluded that our disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period covered.

Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of our internal controls during our last fiscal quarter, our Principal Executive Officer and Principal Financial Officer have determined that there are no changes to our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Other than as described below, we are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

Action By Suhl, Harris and Babich

In 2003 a consolidated action was brought by the plaintiffs Wolf Suhl, Christine Harris and Edward Babich in the Supreme Court of British Columbia pursuant to an order pronounced in the New Westminster Registry under Action No. S061589 on May 7, 2003, which allowed the plaintiffs to proceed with an action against EYI. In February 2006, the Supreme Court of British Columbia made an order that the Company and Mr. Jay Sargeant be added to the lawsuit. The Plaintiffs' total claim in this matter was approximately \$478,000. On September 5, 2006 we paid \$200,000 in full and final settlement and a consent dismissal order was pronounced on September 13, 2006 concluding the action.

Action by The State of Texas, et al

On August 25, 2006 the State of Texas filed a Plaintiffs' First Amended Original Petition in the District Court of Travis County, Texas naming Essentially Yours Industries, Inc. A/K/A Essentially Yours Corp. A/K/A Burrard Capital, Inc. a foreign (NV) Corporation. The action arises from EYI's predecessor organization, Essentially Yours Industries, Corp., a Canadian Corporation's unpaid sales tax for the State of Texas in the amount of \$179,094.84 plus interest and costs. A hearing on this matter has been set for June 11, 2007 at 9:00 am at the District Court of Travis

County, Texas.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On January 5, 2007 we completed a share exchange with certain of the shareholders of EYI, under a Share Exchange Agreement, dated January 5, 2007, (the "Exchange Agreement").

Under the terms of the Exchange Agreement, we issued 1,999,323 restricted shares of our common stock to the shareholders of EYI in exchange for 260,485 shares of common stock held by them in EYI.

18

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

E x h i b i t

Number	Description of Exhibit
3.1	Articles of Incorporation. ⁽¹⁾
3.2	Certificate of Amendment to Articles of Incorporation dated December 29, 2003. ⁽¹¹⁾
3.3	Certificate of Amendment to Articles of Incorporation dated December 31, 2003. ⁽¹¹⁾
3.4	Bylaws. ⁽¹⁾
3.5	Amended Bylaws. ⁽¹²⁾
3.6	Certificate of Amendment to Articles of Incorporation dated March 30, 2006
10.1	Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and Flaming Gorge, Inc. ⁽¹⁾
10.2	Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and O'Neill Enterprises, Inc. ⁽¹⁾
10.3	Registration Rights Agreement, dated December 31, 2003, by and among Safe ID Corporation, A Nevada corporation, and certain shareholders of EYI Industries, Inc., A Nevada corporation. ⁽⁵⁾
10.4	Stock Compensation Program ⁽⁴⁾
10.5	Consulting Agreement dated December 27, 2003 between Rajesh Raniga Inc. and Safe ID Corporation. ⁽⁶⁾
10.6	Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and O'Neill Enterprises Inc. ⁽⁶⁾
10.7	Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and Flaming Gorge, Inc. ⁽⁶⁾

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 10.8 Addendum to the Distribution and License Agreement between Essentially Yours Industries, Inc. and Nutri-Diem Inc. dated April 30, 2004.⁽⁶⁾
- 10.9 Letter Agreement dated May 4, 2004 between Eye Wonder, Inc. and EYI Industries, Inc.⁽⁶⁾
- 10.10 Standby Equity Distribution Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.11 Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.12 Escrow Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.13 Placement Agent Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.14 Compensation Debenture, dated June 22, 2004⁽⁷⁾
- 10.15 Securities Purchase Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.16 Investor Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.17 Security Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP⁽⁶⁾
- 10.18 Irrevocable Transfer Agent Instructions, dated June 22, 2004, by and among EYI Industries, Inc., Cornell Capital Partners, LP and Corporate Stock Transfer⁽⁶⁾
- 10.19 Escrow Agreement, dated June 22, 2004 by and among EYI Industries, Inc., Cornell Capital Partners, L.P. and Butler Gonzalez, LLP⁽⁶⁾
- 10.20 Form of Secured Convertible Debenture⁽⁶⁾
- 10.21 Form of Warrant⁽⁷⁾
- 10.22 Letter Agreement dated May 25, 2004 between EYI Industries, Inc. and Source Capital Group, Inc.⁽⁸⁾
- 10.23 Lease Agreement dated May 1, 2003 among 468058 B.C. Ltd., 642706 B.C. Ltd., Essentially Yours Industries Corp., and Essentially Yours Industries, Inc. ⁽⁸⁾

E x h i b i t

Number	Description of Exhibit
10.24	5% Secured Convertible Debenture dated September 24, 2004 between EYI Industries, Inc. and Cornell Capital Partners, LP ⁽⁸⁾
10.25	5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. and Kent Chou ⁽⁸⁾
10.26	5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. Taib Bank, E.C. ⁽⁸⁾
10.27	Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Taib Bank, E.C. ⁽⁸⁾
10.28	Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Kent Chou ⁽⁸⁾
10.29	Joint Venture Agreement dated May 28, 2004 between EYI Industries, Inc., World Wide Buyer's Club Inc. and Supra Group, Inc. ⁽⁹⁾
10.30	Indenture of Lease Agreement dated January 3, 2005 between Golden Plaza Company Ltd., 681563 B.C. Ltd., and 642706 B.C. Ltd. ⁽¹⁰⁾
10.31	Consulting Services Agreement dated March 5, 2004 between EYI Industries, Inc. and EQUIS Capital Corp. ⁽¹³⁾
10.32	Letter dated May 25, 2004 between Source Capital Group, Inc. and EYI Industries, Inc. ⁽¹⁴⁾
10.33	Consulting Agreement dated April 1, 2004 between EYI Industries, Inc. and Daniel Matos ⁽¹⁴⁾
10.34	Loan Agreement between Janet Carpenter and EYI Industries, Inc., dated February 10, 2005 ⁽¹⁵⁾
10.35	Promissory Note dated February 10, 2005 between Janet Carpenter and EYI Industries ⁽¹⁵⁾
10.36	Bonus Share Agreement between Janet Carpenter and EYI Industries, Inc. dated February 14, 2005 ⁽¹⁵⁾
10.37	Pledge and Escrow Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP and David Gonzalez. ⁽¹⁵⁾
10.38	Guaranty Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP ⁽¹⁵⁾
10.39	Secured Promissory Note dated February 24, 2005 between EYI Industries, Inc. and Cornell Capital Partners, LP ⁽¹⁵⁾
10.40	Agreement dated April 22, 2005 between Essentially Yours Industries Inc. and Source 1 Fulfillment ⁽¹⁵⁾

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 10.41 Reseller Agreement dated May 11, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. ⁽¹⁶⁾
- 10.42 Termination Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP⁽¹⁷⁾
- 10.43 Standby Equity Distribution Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP⁽¹⁷⁾
- 10.44 Registration Rights Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP⁽¹⁷⁾
- 10.45 Escrow Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP⁽¹⁷⁾
- 10.46 Placement Agent Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP⁽¹⁷⁾
- 10.47 Consulting Agreement dated June 1, 2005 between EYI Industries, Inc. and Eliza Fung⁽¹⁸⁾
- 10.48 Addendum to the Reseller Agreement dated June 1, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. ⁽¹⁸⁾
- 10.49 Non-Circumvention and Non-Disclosure Agreement dated July 14, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. ⁽¹⁸⁾
- 10.50 Promissory Note dated August 1, 2005 between EYI Industries Inc. and Cornell capital Partners, LP⁽¹⁸⁾
- 10.51 Investor Relations Agreement dated July 28, 2005 between EYI Industries, Inc. and Agora Investor Relations Corp. ⁽¹⁸⁾
- 10.52 China Agency Agreement entered into with Guangzhou Zhongdian Enterprises (Group) Co. Ltd. and China Electronics Import and Export South China Corporation. Dated September 15, 2005⁽¹⁹⁾
- 10.53 Logistics Management Agreement dated September 1, 2005 between Essentially Yours Industries (Hong Kong) Limited and All In One Global Logistics Ltd. ⁽²⁰⁾
- 10.54 Contract for Legal Services dated September 1, 2005 between EYI Industries Inc. and M. Ali Lakhani Law Corporation⁽²¹⁾
- 10.55 Amended Investor Relations Agreement dated October 5, 2005 between EYI Industries, Inc. and Agora Investor Relations Corp. ⁽²²⁾
- 10.56 Settlement Agreement dated December 21, 2005 between EYI Industries, Inc., Halo Distribution, LLC and Business Centers, LLC
- 10.57 Global Consulting Group Agreement dated January 19, 2006 entered into with Global Consulting Group Inc. and EYI Industries Inc.

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 10.58 Consulting Agreement dated January 27, 2006 entered into with Lou Prescott and Essentially Yours Industries, Inc.
- 10.59 Termination Agreement dated April 3, 2006 between EYI Industries Inc. and Cornell Capital Partners, LP ⁽²⁵⁾
- 10.60 Letter of Intent dated April 6, 2006 between Essentially Yours Industries (International) Limited and Rommel Panganiban and Raul Batista ⁽²⁵⁾

E x h i b i t

Number	Description of Exhibit
10.61	Securities Purchase Agreement, dated as of April 24, 2006, by and between EYI Industries, Inc. and the Buyers listed therein ⁽²⁴⁾
10.62	Registration Rights Agreement, dated as of April 24, 2006, by and between EYI Industries, Inc. and the Buyers listed therein ⁽²⁴⁾
10.63	\$750,000 Secured Convertible Debenture No. CCP-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP ⁽²⁴⁾
10.64	\$333,333 Secured Convertible Debenture CW-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP ⁽²⁴⁾
10.65	\$416,667 Secured Convertible Debenture TAIB-1, dated as of April 24, 2006, issued to Cornell Capital Partners, LP ⁽²⁴⁾
10.66	Security Agreement, dated as of April 24, 2006, issued to Cornell Capital Partners, LP ⁽²⁴⁾
10.67	Warrant No. CCP-001, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.68	Warrant No. CCP-002, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.69	Warrant No. CCP-003, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.70	Warrant No. CCP-004, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.71	Warrant No. CCP-005, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.72	Warrant No. CCP-006, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.73	Warrant No. CCP-007, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.74	Warrant, No. CCP-008, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.75	Warrant No. CCP-009, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾
10.76	Warrant No. CCP-010, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP ⁽²⁴⁾

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 10.77 Warrant No. CCP-011, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.78 Warrant No. CCP-012, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.79 Warrant No. CCP-013, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.80 Warrant No. CCP-014, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.81 Warrant No. CCP-015, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.82 Warrant No. CCP-016, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.83 Warrant No. CCP-017, dated April 24, 2006, issued by the Company to Cornell Capital Partners, LP⁽²⁴⁾
- 10.84 Irrevocable Transfer Agent Instructions, dated April 24, 2006, by and among the Company, the Buyers listed therein and Corporate Stock Transfer, Inc. ⁽²⁴⁾
- 10.85 Consulting Agreement dated May 1, 2006 between Essentially Yours Industries (Hong Kong) Limited and Siu Chung (Freeda) Chan ⁽²⁵⁾

E x h i b i t

Number	Description of Exhibit
10.86	Amended Logistics Management Agreement dated May 1, 2006 between Essentially Yours Industries (Hong Kong) Limited and All In One Global Logistics Ltd. ⁽²⁹⁾
10.87	Distribution Agreement dated May 17, 2006 between Essentially Yours Industries (Hong Kong) Limited and Nozin, LLC ⁽²⁷⁾
10.88	Consulting Agreement dated July 1, 2006 between Essentially Yours Industries, Inc. and James Toll ⁽²⁹⁾
10.89	Letters dated July 12, 2006 and July 14, 2006 from Metals & Arsenic Removal Technology ⁽²⁹⁾
10.90	Addendum to the China Agency Agreement dated September 15, 2005 between EYI HK and Guangzhou Zhondian Enterprises (Group) Co. Ltd. and China Electronics Import and Export South China Corporation ⁽²⁸⁾
10.91	Consignment and Distribution Agreement dated September 20, 2006 between Essentially Yours Industries (International) Limited and Orientrends, Inc. ⁽³²⁾
10.92	Investor Relations Agreement between EYI Industries, Inc and Agoracom Investor Relations Corp. ⁽³²⁾
10.93	Settlement Agreement dated September 1, 2006 between Barry LaRose, Jay Sargeant and EYI Industries Inc. ⁽³²⁾
10.94	Settlement Agreement and Release dated September 5, 2006 ⁽³²⁾
10.95	Letter Agreement dated September 19, 2006 between Essentially Yours Industries, Inc., James Toll and Fred Erickson ⁽³⁰⁾
10.96	Agreement between Essentially Yours Industries, Inc. and Mach 3 Technologies Group, LLC ⁽³¹⁾
10.97	Agreement dated October 27, 2006 between Essentially Yours Industries, Inc. and Global Trends, Inc. ⁽³⁶⁾
10.98	Agreement dated January 23, 2007 between Essentially Yours Industries, Inc. and Colossal Head Communications ⁽³⁴⁾
10.99	Agreement dated January 1, 2007 between Essentially Yours Industries, Inc. and New U, Inc. ⁽³⁶⁾
10.100	Share Exchange Agreement dated January 5, 2007 between the Company and EYI Shareholders ⁽³⁶⁾
10.101	Stock Incentive Plan ⁽³⁵⁾
10.102	Promissory Note dated April 14, 2007 between EYI Industries, Inc. and Janet Carpenter

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 10.103 Termination Letter from Flaming Gorge, Inc. dated April 30, 2007⁽³⁷⁾
- 10.104 Termination Letter from O'Neill Enterprises, Inc. dated April 30, 2007⁽³⁷⁾
- 10.105 Consulting Agreement dated May 1, 2007 between the Company and Flaming Gorge, Inc. ⁽³⁷⁾
- 10.106 Consulting Agreement dated May 1, 2007 between the Company and Global Mutual Benefit Network, Inc. ⁽³⁷⁾
- 14.1 Code of Ethics⁽⁵⁾
- 21.1 List of Subsidiaries⁽²³⁾
 - 23.1 Consent of Williams & Webster, P.S.
 - 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
 - 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
 - 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
 - 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

⁽¹⁾Filed as an exhibit to the registration statement on Form 10-SB/A of Safe ID Corporation, filed with the SEC on September 21, 2000.

⁽²⁾Filed as an exhibit to the registration statement on Form SB-2 of Essentially Yours Industries, Inc., filed with the SEC on November 12, 2002.

⁽³⁾ Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 8, 2004.

⁽⁴⁾ Filed as an exhibit to our Registration Statement on Form S-8, filed with the SEC on March 30, 2004.

⁽⁵⁾Filed as an exhibit to our annual report on Form 10-KSB for the year ended December 31, 2003, filed with the SEC on April 14, 2004.

⁽⁶⁾Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2004, filed with the SEC on May 24, 2004.

⁽⁷⁾ Filed as an exhibit to our registration statement on Form SB-2, filed with the SEC on September 17, 2004.

⁽⁸⁾Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.

⁽⁹⁾Filed as an exhibit to our Amendment No. 1 to our registration statement on Form SB-2 on December 23, 2004.

(10) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 12, 2005.

22

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- (11) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.
- (12) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on March 10, 2005.
- (13) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended March 31, 2004, filed with the SEC on December 15, 2004.
- (14) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended June 30, 2004, filed with the SEC on December 15, 2004.
- (15) Filed as an exhibit to our annual report on Form 10-KSB for the period ended December 31, 2004, filed with the SEC on April 18, 2005.
- (16) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on May 17, 2005.
- (17) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2005, filed with the SEC on May 20, 2005
- (18) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended June 30, 2005, filed with the SEC on August 19, 2005
- (19) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 27, 2005
- (20) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005
- (21) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005
- (22) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2005, filed with the SEC on November 21, 2005
- (23) Filed as an exhibit to our annual report on Form 10-KSB for the period ended December 31, 2006, filed with the SEC on April 2, 2007.
- (24) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on April 28, 2006.
- (25) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended March 31, 2006, filed with the SEC on May 16, 2006.
- (26) Filed as an exhibit to our registration statement on Form SB-2/A on June 21, 2006.
- (27) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on April 28, 2006
- (28) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on August 3, 2006
- (29) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended June 30, 2006, filed with the SEC on August 21, 2006

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- (30) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on September 25, 2006
- (31) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on October 16, 2006
- (32) Filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended September 30, 2006, filed with the SEC on November 20, 2006
- (33) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on December 19, 2006
- (34) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on February 2, 2007
- (35) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on February 13, 2007
- (36) Filed as an exhibit to our Annual Report on Form 10-KSB, filed with the SEC on April 2, 2007
- (37) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on May 3, 2007

(b) Reports on Form 8-K:

Date of SEC filing of Form 8-K	Description of the Form 8-K
February 1, 2007	Disclosure of Entry into Material Definitive Agreement and Unregistered Sale of Equity Securities
February 2, 2007	Disclosure of Entry into Material Definitive Agreement with Colossal Head Communications
February 6, 2007	Disclosure of Regulation FD news release and letter of intent
May 3, 2007	Disclosure of Termination and Entry into Material Definitive Agreements

SIGNATURES

In accordance with requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EYI INDUSTRIES, INC.

By: /s/ Jay Sargeant
 Jay Sargeant
 President, Chief Executive Officer,
 and Director
 (Principal Executive Officer)
 Date: May 15, 2007

By: /s/ Rajesh Raniga
 Rajesh Raniga
 Chief Financial Officer
 (Principal Accounting Officer)
 Date: May 15, 2007