EYI INDUSTRIES INC.
Form 10QSB
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended **September 30, 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	**88-0407078**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
7865 Edmonds Street **Burnaby, BC CANADA**	**V3N 1B9**
(Address of principal executive offices)	(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 x No ¨

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

Yes ¨ No x

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 842,267,557 shares of common stock issued and outstanding as of November 14, 2007.

Transitional Small Business Disclosure Format (check one): Yes ¨ No x

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 September 30, 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.

EYI INDUSTRIES, INC.
CONSOLIDATED BALANCE SHEETS

	September 30, 2007 (Unaudited)		December 31, 2006	
ASSETS				
CURRENT ASSETS				
Cash	$	85,895	$	901,764
Accounts receivable, net of allowance		21,167		18,425
Other accounts receivables		-		67,582
Prepaid expenses		98,429		181,048
Inventory		601,449		735,291
TOTAL CURRENT ASSETS		806,940		1,904,110
OTHER ASSETS				
Property, plant and equipment, net		51,020		77,452
Deposits		49,459		46,432
TOTAL OTHER ASSETS		100,479		123,884
INTANGIBLE ASSETS		11,158		12,829
TOTAL ASSETS	$	918,577	$	2,040,823
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	1,641,585	$	1,427,214
Accounts payable - related parties		516,411		439,256
Interest payable, convertible debt		532,240		252,326
Convertible debt, net of discount		1,980,723		2,456,311
Derivative on convertible debt		885,818		1,303,630
Notes payable - related party		111,431		50,000
TOTAL CURRENT LIABILITIES		5,668,208		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, 642,592,839 and 345,675,516 shares issued and outstanding, respectively		642,593		345,675
Additional paid-in capital		10,206,048		9,536,004
Stock options and warrants		5,182,104		4,382,299
Subscription receivable		(180,000)		(195,000)
Accumulated deficit		(20,975,720)		(18,452,975)
TOTAL STOCKHOLDERS' DEFICIT		(5,124,975)		(4,383,997)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	918,577	$	2,040,823

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

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30, 2007 (Unaudited)	Three Months Ended September 30, 2006 (Unaudited)	Nine Months Ended September 30, 2007 (Unaudited)	Nine Months Ended September 30, 2006 (Unaudited)
REVENUE, NET OF RETURNS AND ALLOWANCES	$ 1,056,952	$ 949,429	$ 3,512,123	$ 3,068,166
COST OF GOODS SOLD	334,932	268,763	1,072,755	947,611
GROSS PROFIT BEFORE COMMISSION EXPENSE	722,020	680,666	2,439,368	2,120,555
COMMISSION EXPENSE	406,235	355,556	1,292,271	1,120,273
GROSS PROFIT AFTER COST OF GOODS SOLD AND COMMISSION EXPENSE	315,785	325,110	1,147,097	1,000,282
OPERATING EXPENSES				
Consulting fees	197,673	259,639	599,471	743,738
Legal and professional fees	30,451	266,908	98,600	428,150
Customer service	55,880	62,718	136,615	169,721
Finance and administration	145,298	214,835	604,370	643,529
Sales and marketing	25,269	59,339	75,134	271,631
Telecommunications	40,938	32,930	128,559	97,955
Wages and benefits	236,964	264,899	1,856,538	864,292
Warehouse expense	28,596	98,995	145,847	229,668
TOTAL OPERATING EXPENSES	761,069	1,260,263	3,645,134	3,448,684
LOSS FROM OPERATIONS	(445,284)	(935,153)	(2,498,037)	(2,448,403)
OTHER INCOME (EXPENSES)				
Interest and other income	178	2,162	504	2,405
Interest expense	(98,217)	(117,803)	(300,452)	(174,537)
Financing fees	(297,355)	(285,534)	(724,138)	(592,471)
Loss on derivatives	374,430	(1,731,034)	940,316	(3,026,542)
Foreign currency gain (discount)	23,058	5,587	57,129	21,919
TOTAL OTHER INCOME (EXPENSES)	2,095	(2,126,622)	(26,641)	(3,769,226)
NET LOSS BEFORE TAXES	(443,188)	(3,061,775)	(2,524,678)	(6,217,628)
PROVISION FOR INCOME TAXES	-	-	-	-
	(443,188)	(3,061,775)	(2,524,678)	(6,217,628)

NET LOSS BEFORE ALLOCATION TO MINORITY INTEREST								
ALLOCATION OF LOSS TO MINORITY INTEREST		-		59,705		-		121,244
ALLOCATION OF LOSS TO DISCONTINUED OPERATIONS		-		-		-		-
NET LOSS	$	(443,188)	$	(3,002,070)		(2,524,678)	$	(6,096,384)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	$	nil	$	nil	$	nil	$	nil
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING FOR BASIC AND DILUTED CALCULATION		572,059,506		286,014,193		449,615,979		286,014,193

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

3

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

	Common Stock Number of Shares	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)	-	-
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)	-	-
	-	-	67,604	-	-	-	67,604

Beneficial conversion of convertible debt							
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 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 options	-	-	37,500	-	(37,500)	-	-
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)

4

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
Beneficial conversion of convertible debt	-	-	46,924	-	-	-	46,924
Stock issued in exchange for shares in subsidiary	1,999,323	2,000	118,739	-	-	-	120,738
Expired consultant stock options	-	-	20,000	-	(20,000)	-	-
Expired employee stock options	-	-	-	-	(25)	-	(25)
Beneficial conversion of convertible debt	-	-	49,044	-	-	-	49,044
Stock issued to Cornell to retire portion of debenture	13,873,170	13,873	44,027	-	-	-	57,900
Stock issued to Certain Wealth to retire portion of debenture	6,159,686	6,160	19,548	-	-	-	25,708
Stock issued to TAIB Bank to retire portion of debenture	14,070,506	14,071	36,243	-	-	-	50,314
Cornell conversion adjustment	-	-	4,540	-	-	-	4,540
Vested stock options issued to employees at $0.06 per share	-	-	-	-	16	-	16
Canceled employee stock options	-	-	-	-	(10)	-	(10)
Beneficial conversion of convertible debt	-	-	49,059	-	-		49,059
	149,147,059	149,147	8,853	-	-	-	158,000

Stock issued to Cornell to retire portion of debenture							
Stock issued to Certain Wealth to retire portion of debenture	36,842,924	36,843	4,522		-	-	41,365
Stock issued to TAIB Bank to retire portion of debenture	43,008,640	43,009	4,859	-	-	-	47,868
Employee transferred shares to EYI Industries in lieu retired debt valued at $24,500	-	-	-24500	15000	-	-	(9,500)
EEPI common stock issued to a consultant for services	-	-	-	-	-	1933	1933
Net loss for nine months ended September 30, 2007 (Unaudited)	-	-	-	-	-	(2,524,677)	(2,524,677)
Balance, September 30, 2007 (Unaudited)	642,592,839	$ 642,593	$ 10,206,048	$ (180,000)	$ 5,182,107	$ (20,975,720)	$ (5,124,975)

5

EYI INDUSTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2007 (Unaudited)	Nine Months Ended September 30, 2006 (Unaudited)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Net loss	$ (2,524,678)	$ (6,096,383)
Loss allocated to minority interest	-	121,244
	(2,524,678)	(6,217,627)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	31,063	16,007
EEPI stock issued for consulting service	1,933	-
Stock and warrants issued for employee compensation and consulting	999,806	10,190
Loss (gain) on valuation of derivative	(940,315)	3,026,541
Debt retired in lieu of returned stock	(9,500)	-
Beneficial conversion of convertible debt	145,028	267,811
Discount recognized on convertible debt	572,610	267,931
Decrease (increase) in:		
Accounts receivable	(2,742)	12,590
Related party receivables	-	(31,250)
Accounts receivable - other	67,581	-
Prepaid expenses	82,618	(85,408)
Inventory	133,842	(216,377)
Deposits	(3,027)	41,592
Increase (decrease) in:		
Accounts payable and accrued liabilities	214,372	(554,527)
Accounts payable - related parties	77,155	132,111
Notes payable related party	61,431	(40,000)
Interest payable, convertible debt	279,915	149,681
Net cash used by operating activities	(812,908)	(3,220,736)
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Decrease (increase) in property, plant, and equipment	(2,961)	(40,393)
Net cash provided by investing activities	(2,961)	(40,393)
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Proceeds from Cornell SEDA	-	1,084,565
Net proceeds from convertible debt	-	4,030,000
Net cash used by financing activities	-	5,114,565
Net increase in cash and cash equivalents	(815,869)	1,853,436
CASH - Beginning of Year	901,764	25,639
CASH - End of Period	$ 85,895	$ 1,879,075
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest expense paid	$ 300,452	$ 174,537
Income taxes paid	$ -	$ -

Stock options and warrants vested for consulting and compensation	999,806	10,190
EEPI stock issued for consulting service	1,933	-
Beneficial conversion of convertible debt	145,028	267,811
Gain on valuation of derivative	940,315	(3,026,541)
Discount recognized on convertible debt	572,610	267,931

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

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 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 fuel additive products. The Company primarily sells its’ products through network marketing distributors, who in turn sell to the end customers. The Company also sells product directly and through affiliates. The Company maintains its’ principal business office in Burnaby, British Columbia. Effective for the period ended December 31, 2003, the Company elected to change its year-end from June 30 to December 31.

The Company has five 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, in Canada. EYI Canada markets health and wellness care products and a fuel additive product 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. In addition, the Company owns approximately 99% of Essentially Yours Industries, Inc. (“EYI”), which was incorporated on June 21, 2002 in the State of Nevada. EYI markets health and wellness care products and a fuel additive product 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.

The Company also owns approximately 95% of Essential Environmental Products (International) Limited (hereinafter “EEPI INTL”) which was formerly named Essentially Yours Industries (International) Limited (“EYI INTL”). EEPI INTL also has two wholly owned subsidiaries. The first subsidiary is EEPI (Canada) Inc. (hereinafter “EEPI Canada”) which was organized on September 11, 2007, in the province of British Columbia, Canada. EEPI Canada markets a commercial grade fuel additive product for use in Canada and provides training programs. The second subsidiary is EEPI US Inc. (hereinafter “EEPI USA”) which was organized on September 12, 2007, in the state of Nevada. EEPI USA markets a commercial grade fuel additive product for use in the US.

<u>Basis of Presentation</u>

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 nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended 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 US commercial bank and two foreign commercial banks. Although the financial institution is considered creditworthy, at September 30, 2007 the Company's cash balance exceeded Federal Deposit Insurance Corporation (FDIC) limits by $90,020 (see Note 13).

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 September 30, 2007 and December 31, 2006 (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 September 30, 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 $21,943 and $48,981 for the nine months ended September 30, 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 $168,117 and $111,581 for the nine months ended September 30, 2007 and September 30, 2006 respectively. The total sales of the gas additive product were $831,214 and $0 for the nine months ended September 30, 2007 and

September 30, 2006, respectively, under this policy.

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 $4,861,000 and an accumulated deficit at September 30, 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.

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 these agreement, the Company issued to the Buyers, 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, 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 on June 8, 2006 and (c) one million five hundred thousand dollars ($1,500,000) was funded on June 20, 2007 which was two business days prior to the date that our registration statement was declared effective by the SEC.

The debentures mature on April 24, 2009, accrue interest at an annual rate of ten percent (10%) and are 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 September 30, 2007, the Company recognized embedded derivatives in the convertible debentures. (See Note 4.)

The Company also executed a registration rights agreement whereby the Company agreed to provide certain registration rights to the Investors. The Parties have also executed a security agreement, whereby 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 September 30, 2007, the Company revalued the derivative embedded in each of the three convertible debentures at $289,415 each or a total of $868,245. As a result, the Company recognized a corresponding gain of $109,428.

At September 30, 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 $265,002 as a result of this valuation.

NOTE 5 - ACCOUNTS RECEIVABLE AND CREDIT RISK

Accounts receivable at September 30, 2007 and December 31, 2006 consist primarily of amounts due from direct retail clients of EYI.

Other Receivables

The Company has a balance owed from two Independent Business Associates (“IBAs”) which were advanced funds pursuant to the terms of a letter agreement dated September 19, 2006 and promissory notes. As of September 30, 2007, the balance of these receivables was $75,310 and the Company has established an allowance for bad debt in the amount of $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 September 30, 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 July 1, 2007 and September 30, 2007, the Company issued 149,147,059 common shares to Cornell Capital to retire $158,000 of convertible debt.

Between July 1, 2007 and September 30, 2007, the Company issued 36,842,924 common shares to Certain Wealth to retire $41,365 of convertible debt.

Between July 1, 2007 and September 30, 2007, the Company issued 43,008,640 common shares to TAIB Bank to retire $47,868 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 $120,738.

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 September 30, 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.

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 nine months ended September 30, 2007, the Company recognized an expense to wages of $999,806 for all vested options.

The following table summarizes stock option activity for the nine months ended September 30, 2007 and for the years ended December 31, 2006:

	Nine Months Ended September 30, 2007		12 Months 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	8,360,000	$ 0.0053	11,012,390	$ 0.1700
Outstanding at end of period	233,160,000	$ 0.0062	5,265,000	$ 0.0900
Exercisable at end of period	201,275,000	$ 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 September 30, 2007:

	Stock Options Outstanding			Stock Options Exercisable		
Range of Exercise Prices	Shares Outstanding	Weighted-Average Remaining Life	Weighted-Average Exercise Price	Shares Exercisable	Weighted-Average Remaining Life	Weighted-Average Exercise Price
$0.001 - $0.010	231,900,000	4.34	0.0052	200,000,000	4.34	0.0052
$0.011 - $0.22	1,275,000	1.43	0.1936	1,275,000	1.43	0.1936

<u>Warrants</u>

In consideration of its' 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 it's 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.

	Number of Warrants	Weighted Average Remaining Life	Average Exercise Price
Outstanding and exercisable	131,006,548	3.56	$ 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 69% 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 its financial statements. EYI continues to purchase Nutri Diem products on a regular basis.

On June 26, 2007 the Company received notification from Nutri-Diem indicating that the purchase agreement was no longer exclusive, however the Company can still purchase and market the Nutri-Diem products.

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.

On July 20, 2007, our subsidiary, EEPI entered into an agreement with Mach 3 Manufacturing, LLC for the sale of the fuel additive product MACH 3 SEFS HD for use with heavy duty diesel internal combustion engines, turbines, locomotives, open combustion furnaces, boilers, power generating and marine diesel engines. The agreement is for a term of three years. On August 10, 2007 the agreement was amended to include the distribution rights in an additional 19 countries.

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.

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 . On August 17, 2007 a judgment in favor of EYI was received and was subsequently appealed by the Plaintiffs on August 31, 2007. This matter is now under appeal.

Letter from Cunningham Dalman PC

On July 16, 2007 a letter addressed to Essentially Yours Industries, Inc. was received from the law firm Cunningham Dalman PC. The firm represents several EYI distributors requesting payment of out of pocket expenses in connection with the purchase of the code blue water filtration product. On August 28, 2007, letters addressed to Essentially Yours Industries, Inc., Essentially Yours Industries (Canada), Inc. and Essentially Yours Corp. were mailed to our office enclosing a complaint filed in the United States District Court Western District of Michigan docket number 1:07-cv-817. The nature of the claim includes accusations of misrepresentation pursuant to the Company's 'Precious Metal Program'. To date our subsidiaries EYI Canada and Essentially Yours Industries Inc. have been served and we intend to vigorously defend against any claims respecting this matter.

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 September 30, 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 September 30, 2007.

On June 29, 2007, the Company received $30,000 in connection with an unsecured loan from a related party. During July and August 2007, the Company received an additional $31,431 from this same related party.

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 September 30, 2007 and December 31, 2006, a total of $90,020 and $56,088 respectively, was not insured.

Economic Dependence

During the year, the Company purchased approximately 69% 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.

On April 14, 2007, The Company loaned $10,488 CAD to an employee. On August 9, 2007, the company accepted 800,000 of its common shares in exchange for the retirement of the April 14^{th} loan as well as the retirement of a subscription receivable balance in the amount of $15,000 USD owed by the same employee. These shares were re-issued in the Company’s name.

NOTE 15 - SUBSEQUENT EVENTS

Between October 1, 2007 and November 14, 2007, The Company issued 129,474,720 common shares to Cornell Capital to retire $129,475 of convertible debt.

Between October 1, 2007 and November 14, 2007, The Company issued 38,000,000 common shares to Certain Wealth to retire $38,000 of convertible debt.

Between October 1, 2007 and November 14, 2007, The Company issued 33,000,000 common shares to TAIB Bank to retire $33,000 of convertible debt.

On October 24, 2007, 800,000 common shares, issued in the Company’s name, were cancelled and returned to treasury.

On November 13, 2007 our wholly owned subsidiary Essentially Yours Industries (Hong Kong) Limited ("EYI HK") signed an Extension to the China Agency Agreement dated September 15, 2005 and the Addendum dated July 27, 2007, between EYI HK and Guangzhou Zhongdian Enterprises (Group) Co. Ltd. and China Electronics Import and Export

On October 31, 2007 Essential Environmental Products (International) Limited ("EEPI") and Orientrends, Inc. entered into a Memorandum of Understanding with respect to the sale of Ultimate ME2 in the Philippines.

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 27 products in four categories: dietary supplements, personal care products, water filtration systems and fuel additive products. 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 389,000 IBAs, of which approximately 9,800 we consider "active". An "active" IBA is one who has purchased our products within the preceding 12 months. Approximately 3,100 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 September 30, 2007, 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)2 fuel additive products. Our products are primarily manufactured by Nutri-Diem, Inc., ("NDI") and sold by us under a license and distribution agreement with NDI. On June 26, 2007 we received correspondence from NDI with respect to our distribution and license agreement's. Effective June 1, 2007 our agreement's are no longer exclusive however, we are still permitted to sell and market products. 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. Product availability may vary in each area.