

ELSE NUTRITION HOLDINGS INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF MARCH 31, 2022
(in Canadian Dollars in Thousands)

INDEX

	<u>Page</u>
Consolidated Statements of Financial Position	3
Consolidated Statements of Profit or Loss and Comprehensive Profit (Loss)	4
Consolidated Statements of Changes in Equity	5-6
Consolidated Statements of Cash Flows	7-8
Notes to Consolidated Financial Statements	9-12

ELSE NUTRITION HOLDINGS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, Kost Forer Gabbay & Kasierer (a member of Ernst & Young Global), has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim condensed financial statements by an entity's auditor.

May 16, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Canadian dollars in thousands

	March 31, 2022	December 31, 2021
	Unaudited	Audited
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	18,564	23,047
Restricted cash	1,155	1,191
Short term bank deposit	79	1,229
Trade receivables	889	694
Other accounts receivables and prepaid expenses	294	431
Inventories	4,606	4,546
	<u>25,587</u>	<u>31,138</u>
LONG-TERM ASSETS:		
Property, plant and equipment, net	466	484
Intangible assets, net	316	344
Right-of-use assets	838	956
	<u>1,620</u>	<u>1,784</u>
Total long-term assets	<u>1,620</u>	<u>1,784</u>
Total assets	<u><u>27,207</u></u>	<u><u>32,922</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Trade payables	1,349	1,898
Other account payables	928	1,060
Related parties	8	8
Current portion of lease liability	314	351
	<u>2,599</u>	<u>3,317</u>
Total current liabilities	<u>2,599</u>	<u>3,317</u>
NON-CURRENT LIABILITIES:		
Lease liability	505	590
Warrants liability	3,299	2,243
	<u>3,804</u>	<u>2,833</u>
Total long-term liabilities	<u>3,804</u>	<u>2,833</u>
EQUITY:		
Share capital and premium	54,917	54,917
Other reserve	4,393	3,978
Accumulated other comprehensive loss	(18)	(869)
Accumulated deficit	(38,488)	(31,254)
	<u>20,804</u>	<u>26,772</u>
Total equity	<u>20,804</u>	<u>26,772</u>
Total liabilities and equity	<u><u>27,207</u></u>	<u><u>32,922</u></u>

The accompanying notes are an integral part of the interim consolidated financial statements.

May 16, 2022	<i>"Hamutal Yitzhak"</i>	<i>"Sokhie Puar"</i>
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE PROFIT
(LOSS)**

Canadian dollars in thousands, except share and per share data

	Three months ended	
	31, March	
	2022	2021
	Unaudited	
Revenues	1,601	1,135
Cost of sales (purchased products)	1,118	1,086
Gross profit	483	49
Operating expenses:		
Employee benefits expense	1,579	897
Research and development subcontractors	582	446
Share-based compensation	415	595
Consulting fees	318	154
Professional fees	245	195
Advertising	1,317	1,405
Depreciation and amortization	172	71
Investors relations	165	49
Office and miscellaneous	534	182
Total operating expenses	5,327	3,994
Loss before other expenses	(4,844)	(3,945)
Other expenses:		
Revaluation gain (loss) on warrants	(1,055)	6,565
Unrealized gain (loss) on foreign currency	(1,335)	(438)
Net profit (loss)	(7,234)	2,182
Other comprehensive loss:		
Amounts that will be classified subsequently to profit or (loss):		
Exchange differences on translation of foreign operations	851	(23)
Total comprehensive profit (loss) for the period	(6,383)	2,159
Net profit (loss) per share attributable to equity holders of the Company (in Canadian dollars):		
Basic profit (loss) per common share	(0.07)	0.02
Diluted loss per common share	(0.07)	(0.04)
Weighted average number of shares outstanding – basic	104,196,220	95,288,652
Weighted average number of shares outstanding – diluted	104,196,220	111,012,107

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Canadian dollars in thousands, except share and per share data

	Common shares		Reserve - warrants	Reserve - options	Accumulated other comprehensive loss *)	Accumulated deficit	Total shareholders' equity
	Number	Amount					
Balance as of January 1, 2021 (audited)	94,652,872	39,137	873	1,112	(278)	(29,636)	11,208
Other comprehensive loss	-	-	-	-	(591)	-	(591)
Net loss	-	-	-	-	-	(1,618)	(1,618)
Total comprehensive loss	-	-	-	-	(591)	(1,618)	(2,209)
Shares issued as a consideration for services	37,632	68	-	-	-	-	68
Issuance of president list shares, net of issuance expenses	8,050,000	14,076	185	-	-	-	14,261
Issuance of shares upon warrants exercise	1,402,716	1,604	(388)	-	-	-	1,216
Issuance of shares upon options exercise	53,000	32	-	(5)	-	-	27
Share-based compensation	-	-	6	2,195	-	-	2,201
Balance as of December 31, 2021 (audited)	104,196,220	54,917	676	3,302	(869)	(31,254)	26,772
	Common Shares		Reserve - warrants	Reserve - options	Accumulated other comprehensive loss *)	Accumulated deficit	Total shareholders' equity
	Number	Amount					
Balance as of January 1, 2022 (audited)	104,196,220	54,917	676	3,302	(869)	(31,254)	26,772
Other comprehensive income	-	-	-	-	851	-	851
Net loss	-	-	-	-	-	(7,234)	(7,234)
Total comprehensive profit (loss)	-	-	-	-	851	(7,234)	(6,383)
Share-based compensation	-	-	5	410	-	-	415
Balance as of March 31, 2022 (unaudited)	104,196,220	54,917	681	3,712	(18)	(38,488)	20,804

*) Comprised of exchange differences on translation of foreign operations.

CONSOLIDATED STATEMENTS OF CASH FLOWS**Canadian dollars in thousands**

	Three months ended	
	March 31,	
	2022	2021
	Unaudited	
<u>Cash flows from operating activities:</u>		
Net profit (loss)	(7,234)	2,182
Adjustments to reconcile net profit (loss) to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	415	595
Financial expenses, net	11	1
Revaluation of warrants	1055	(6,565)
Depreciation and amortization	172	70
	<u>1,653</u>	<u>(5,899)</u>
Changes in asset and liability items:		
Increase in trade receivables	(219)	(166)
Decrease (increase) in other account receivables and prepaid expenses	118	(84)
Increase in inventories	(139)	(158)
Increase in trade payables	(511)	(403)
Decrease in related parties	-	1
Increase in other account payables	(92)	189
	<u>(843)</u>	<u>(621)</u>
Net cash used in operating activities	<u>(6,424)</u>	<u>(4,338)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Canadian dollars in thousands

	Three months ended	
	March 31,	
	2022	2021
	Unaudited	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(80)	(11)
Proceeds from maturity of investment in short term deposit	1,094	1,163
Net cash provided by (used in) investing activities	1,014	1,152
<u>Cash flows from financing activities:</u>		
Lease payment	(99)	(68)
Cash received for exercise of warrants	-	1,050
Net cash provided by financing activities	(99)	982
Exchange rate differences on balances of cash and cash equivalents	1,026	235
Increase (decrease) in cash and cash equivalents	(4,483)	(1,969)
Cash and cash equivalents at the beginning of the period	23,047	21,538
Cash and cash equivalents at the end of the period	18,564	19,569

The accompanying notes are an integral part of the interim consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 1: GENERAL

- a. Else Nutrition Holdings Inc. (the “Company” or “Else”) was incorporated under the Business Corporations Act of British Columbia on July 18, 2011.

On January 25, 2022 the Company’s common shares and warrants commenced trading on the TSX under the trading symbols of “BABY”. In connection with the TSX listing, the Company’s common shares and warrants were concurrently delisted from the TSX-V.

Effective December 10, 2019, the Company’s common shares were listed for trading on the OTCQB International Market under the trading symbol ‘BABYF’. The OTCQB International Market is a venture market operated by the OTC Markets Group and designed for early-stage and developing U.S. and international companies. The Company upgraded its OTCQB listing to the OTCQX® Best Market as of July 24, 2020.

On June 12, 2020, the Company’s common shares were also accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol ‘OYL’.

- b. The Company focuses on research, development, manufacturing, marketing and sale of innovative plant-based food and nutrition products and feeding accessories products to infant, toddler and children's markets.

The head office is located at 4 Raul Wallenberg Street, Tel Aviv, Israel 6971904. The registered office of the Company is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

- c. On February 11, 2021, the Company filed and received a receipt for a preliminary base shelf prospectus with the securities commissions in each of the provinces of Canada excluding Quebec. The Company filed a final base shelf prospectus on April 20, 2021 and received a final receipt, therefore. The final base shelf prospectus qualifies distribution up to \$75,000 in any combination of common shares, warrants and units of the Company in one or more transactions within a 25-month period from the effective date of the Short Form Prospectus. The specific terms of any offering under the base shelf prospectus will be established in a

prospectus supplement, which will be filed with the applicable Canadian securities' regulatory authorities in connection with any such offering. On October 2021, the Company utilized \$17,308 out of the \$75,000.

- d. On January 25, 2022 the Company established a wholly owned subsidiary in Canada, Else Nutrition Canada, Inc., which is primarily engaged in sales and marketing. The registered office of the Company is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

- e. The Company experienced delays of certain research and development milestones. These delays were primarily caused by business and government closures of testing laboratories and regulatory agencies delays in inputs and responses, as well as the imposition of governmental restrictions as a result of COVID-19. The Company expects ongoing delays in FDA and other

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**Canadian dollars in thousands, except share and per share data**

regulatory agencies reviewing process and long waiting times for input and responses required to obtain necessary EMA, FDA and other regulatory approvals as a result of ongoing pandemic related restrictions. The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

- f. These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Group has not achieved a scalable commercialization of its products. As of March 31, 2022, the Group has an accumulated deficit of \$38,488., total comprehensive loss of \$6,383 and had negative cash flow from operations of \$6,424. The Group's ability to continue as a going concern is dependent upon its ability to generate product sales, negotiate collaboration agreements with upfront and/or continuing payments, obtain research grants, raise additional financing, and ultimately attain and maintain profitable operations. While the Group is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Group to continue as a going concern.

The above circumstances indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Group's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

- g. Definitions:

In these financial statements:

Related parties - As defined in IAS 24.

Subsidiaries - Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.

Group - - The Company and its subsidiaries

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements unless otherwise stated.

Basis of presentation of the financial statements:

The interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for the preparation of financial statements for interim periods, as prescribed in IAS 34, "*Interim Financial Reporting*".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 3: EQUITY

Share Warrants:

During the three months ended March 31, 2022, the Company recorded other expenses in the amounts of \$964 and \$ 135 for revaluation of liability warrants from March 2020 and October 2020 private and public placement, respectively. The public warrants with a fair value of \$411 as of March 31, 2022, are classified as level 1 and the private placement warrants with a fair value of \$1,809 as of March 31, 2022, are classified as level 3 of the fair value hierarchy.

During the three months ended March 31, 2022, the Company recorded other income in the amounts of \$209 for revaluation of liability warrants from the October 2021 public offering. The public warrants with a fair value of \$1,079 as of March 31, 2022, are classified as level 1.

The following table lists the inputs to the Black and Scholes model used for the fair value measurement of the above warrants that are not classified as level 1 of the fair value hierarchy:

	2022
Dividend yield (%)	-
Expected volatility of the share prices (%)	45.77-49.48
Risk-free interest rate (%)	0.022-0.23
Expected life of share warrants (years)	0.4-0.5
Share price (\$)	1.54

NOTE 4:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

Additional information on revenues:

	Three months ended	
	March 31,	
	2022	2021
	Unaudited	
Revenue from dried food	90	117
Revenue from feeding accessories	206	156
Revenue from Formula	1,305	862
	<u>1,601</u>	<u>1,135</u>