

**ELSE NUTRITION HOLDINGS INC.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2021**

**(in Canadian Dollars in Thousands)**

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**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.

August 27, 2021

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

Canadian dollars in thousands

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	15,946	21,538
Restricted cash	1,199	644
Short term bank deposit	761	3,174
Trade receivables	658	369
Other accounts receivables and prepaid expenses	210	289
Inventories	3,671	2,424
	<u>22,445</u>	<u>28,438</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	308	253
Intangible assets, net	349	395
Right-of-use assets	140	233
	<u>797</u>	<u>881</u>
<b>Total assets</b>	<u><u>23,242</u></u>	<u><u>29,319</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	996	1,235
Other account payables	1,136	630
Related parties	8	8
Current portion of lease liability	106	146
	<u>2,246</u>	<u>2,019</u>
<b>NON-CURRENT LIABILITIES:</b>		
Lease liability	29	82
Warrants liability	10,283	16,010
	<u>10,312</u>	<u>16,092</u>
<b>EQUITY:</b>		
Share capital and premium	40,754	39,137
Other reserve	2,711	1,985
Accumulated other comprehensive loss	(574)	(278)
Accumulated deficit	(32,207)	(29,636)
<b>Total equity</b>	<u>10,684</u>	<u>11,208</u>
<b>Total liabilities and equity</b>	<u><u>23,242</u></u>	<u><u>29,319</u></u>

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

<u>August 27, 2021</u>	<u>"Hamutal Yitzhak" (s)</u>	<u>"Sokhie Puar" (s)</u>
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

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

Canadian dollars in thousands, except share and per share data

	Six months ended 30 June,		Three months ended 30 June,	
	2021	2020	2021	2020
	Unaudited			
Revenues	2,249	507	1,114	210
Cost of sales (purchased products)	1,875	359	789	128
Gross profit	374	148	325	82
Operating expenses:				
Employee benefits expense	1,727	965	830	493
Research and development subcontractors	868	344	422	78
Share-based compensation	1,119	93	524	40
Consulting fees	450	534	296	302
Professional fees	286	363	91	194
Advertising	3,043	179	1,638	8
Depreciation and amortization	130	89	59	47
Investors relations	84	152	35	79
Office and miscellaneous	384	228	202	108
Total operating expenses	8,091	2,947	4,097	1,349
Loss before other expenses	(7,717)	(2,799)	(3,772)	(1,267)
Other income (expenses):				
Revaluation of warrants	5,727	(3,337)	(838)	(3,001)
Loss on foreign currency	(581)	(10)	(142)	(227)
Net loss	(2,571)	(6,146)	(4,753)	(4,495)
Other comprehensive loss:				
Amounts that will be classified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(296)	(65)	(273)	(37)
Total comprehensive loss for the period	(2,867)	(6,211)	(5,026)	(4,532)
Net loss per share attributable to equity holders of the Company (in Canadian dollars):				
Basic and diluted loss per common share	(0.03)	(0.08)	(0.05)	(0.06)
Weighted average number of shares outstanding – basic and diluted	95,615,315	76,089,815	95,938,390	80,626,976

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		Subscription Receivable	Reserve - warrants	Reserve - options	Accumulated other comprehensive loss *)	Accumulated deficit	Total shareholders' equity
	Number	Amount						
Balance as of January 1, 2020	67,220,810	8,599	(9)	529	100	(29)	(5,532)	3,658
Other comprehensive loss	-	-	-	-	-	(249)	-	(249)
Net loss	-	-	-	-	-	-	(24,104)	(24,104)
Total comprehensive loss	-	-	-	-	-	(249)	(24,104)	(24,353)
Issuance of public and private placement shares, net of issuance expenses	23,808,011	25,608	-	4,373	-	-	-	29,981
Issuance of shares upon warrants exercise	3,554,676	4,895	9	(4,036)	-	-	-	868
Issuance of shares upon options exercise	69,375	35	-	-	(7)	-	-	28
Share-based compensation	-	-	-	7	1,019	-	-	1,026
Balance as of December 31, 2020 (audited)	<u>94,652,872</u>	<u>39,137</u>	<u>-</u>	<u>873</u>	<u>1,112</u>	<u>(278)</u>	<u>(29,636)</u>	<u>11,208</u>
Other comprehensive loss	-	-	-	-	-	(296)	-	(296)
Net loss	-	-	-	-	-	-	(2,571)	(2,571)
Total comprehensive loss	-	-	-	-	-	(296)	(2,571)	(2,867)
Issuance of shares upon warrants exercise	1,397,716	1,590	-	(386)	-	-	-	1,204
Issuance of shares upon options exercise	53,000	27	-	-	(7)	-	-	20
Share-based compensation	-	-	-	33	1,1165	-	-	1,1198
Balance as of June 30, 2021 (unaudited)	<u>96,103,588</u>	<u>40,754</u>	<u>-</u>	<u>490</u>	<u>2,221</u>	<u>(574)</u>	<u>(32,207)</u>	<u>10,684</u>

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

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		Subscription Receivable	Reserve warrants	Reserve options	Accumulated other comprehensive loss *)	Accumulated deficit	Total shareholders' equity
	Number	Amount						
Balance as of January 1, 2020	67,220,810	8,599	(9)	529	100	(29)	(5,532)	3,658
Other comprehensive loss	-	-	-	-	-	(65)	-	(65)
Net loss	-	-	-	-	-	-	(6,146)	(6,146)
Total comprehensive loss	-	-	-	-	-	(65)	(6,146)	(6,211)
Issuance of shares in private placement, net of issuance expenses	12,383,900	7,223	-	327	-	-	-	7,550
Issuance of shares upon warrants exercise	1,028,162	296	9	(40)	-	-	-	265
Share-based compensation	-	-	-	3	90	-	-	93
Balance as of June 30, 2020 (unaudited)	<u>80,632,872</u>	<u>16,118</u>	<u>-</u>	<u>819</u>	<u>190</u>	<u>(94)</u>	<u>(11,678)</u>	<u>5,355</u>

\*) Comprised of exchange differences on translation of foreign operations.  
The accompanying notes are an integral part of the interim consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Canadian dollars in thousands

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	
<u>Cash flows from operating activities:</u>		
Net loss	<u>(2,571)</u>	<u>(6,146)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	1,119	93
Financial expenses, net	4	3
Depreciation and amortization	140	88
Revaluation of share warrants	<u>(5,727)</u>	<u>3,337</u>
	<u>(4,464)</u>	<u>3,521</u>
Changes in asset and liability items:		
Decrease (increase) in trade receivables	(307)	141
Decrease in other account receivables and prepaid expenses	70	41
Increase in inventories	(1,323)	(412)
Decrease in trade payables	(236)	(24)
Increase in related parties	-	4
Increase in other account payables	<u>525</u>	<u>228</u>
	<u>(1,271)</u>	<u>(22)</u>
Net cash used in operating activities	<u>(8,306)</u>	<u>(2,647)</u>

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

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>Unaudited</b>	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(90)	(31)
Investment in short term deposit	2,326	-
Change in restricted cash. net	<u>(588)</u>	<u>(67)</u>
Net cash provided by (used in) investing activities	<u>1,648</u>	<u>(98)</u>
<u>Cash flows from financing activities:</u>		
Issue of Common shares and warrants, net of issue expenses	-	7,979
Lease payment	(90)	(53)
Cash received for exercise of warrants	1,204	256
Cash received for exercise of share options	<u>20</u>	<u>-</u>
Net cash provided by financing activities	<u>1,134</u>	<u>8,182</u>
Exchange rate differences on balances of cash and cash equivalents	<u>(68)</u>	<u>(95)</u>
Increase (decrease) in cash and cash equivalents	(5,592)	5,342
Cash and cash equivalents at the beginning of the period	<u>21,538</u>	<u>2,909</u>
Cash and cash equivalents at the end of the period	<u>15,946</u>	<u>8,251</u>
<u>Non-cash transactions</u>		
Right-of-use asset recognized with corresponding lease	<u>-</u>	<u>96</u>

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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.
- b. The Company focuses on research, development, manufacturing, marketing and sale of innovative plant-based food and nutrition products and also maintain feeding accessories products to infants and dried food snacks.

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 January 23, 2020, the Company established a wholly owned subsidiary in the U.S., Else Nutrition USA, Inc., which is primarily engaged in sales and marketing.
- d. 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 thousand 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.
- e. These interim 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. As of June 30, 2021, the Group has an accumulated deficit of \$32,207. For the six-month period ended June 30, 2021, the Group incurred total comprehensive loss of \$2,867 and had negative cash flow from operations of \$8,306. 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 interim 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.

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

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**NOTE 1: GENERAL (Cont.)**

f. These interim consolidated financial statements have been prepared in a condensed format as of June 30, 2021, and for the six and three months then ended ("interim consolidated financial statements"). These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2020, and for the year then ended and the accompanying notes ("annual consolidated financial statements").

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

## a. Stock Options:

On January 20, 2021, the Company issued an aggregate of 375,000 incentive stock options to directors, officers, and employees of the Company. Each option is exercisable into one Common share of the Company at a price of \$3.5 per share for a period of five years from the date of grant. The total stock options will follow two different vesting schedules. Of the total options granted: (A) 200,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; and (B) 175,000 options granted are subject to a 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On February 24, 2011, the Company issued an aggregate of 144,000 incentive stock options as a consideration towards consulting agreement. Each option is exercisable into one Common share of the Company at a price of \$3.65 per share for a period of three years from the date of grant. These options will vest equally over a period of 36 months from the date of grant.

On May 13, 2021, the Company issued an aggregate of 253,000 incentive stock options to director and employees of the Company. Each option is exercisable into one Common share of the Company at a price of \$2.03 per share for a period of five years from the date of grant. The total stock options will follow two different vesting schedules. Of the total options granted: (A) 178,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; and (B) 75,000 options granted are subject to 12 months vesting schedule as follows: 25% vest upon completion of each quarter (up to 100% in 12 months).

On June 27, 2011, the Company issued an aggregate of 205,000 incentive stock options to employees of the Company. Each option is exercisable into one Common share of the Company at a price of \$2.59 per share for a period of five years from the date of grant. The options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months

The following table lists the inputs to the Black-Scholes option pricing model used for the fair value measurement of equity-settled share options for the above plan:

	<u>2021</u>
Dividend yield (%)	—
Expected volatility of the share prices (%)	52.99 – 54.7
Risk-free interest rate (%)	0.18 - 0.73
Expected life of share options (years)	2.5 - 4
Share price (\$) average	2.83

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

## NOTE 3: EQUITY (Cont.)

## b. Share Warrants:

During the six months ended June 30, 2021, 1,397,716 of the share warrants were exercised, where each share warrant was exercised for one Common share of the Company. An aggregate of 477,434 share warrants were exercised at an exercise price of \$0.25 per share, 3,750 share warrants were exercised at an exercise price of \$0.969 per share, 400,000 share warrants were exercised at an exercise price of \$0.0001 per share, 93,511 share warrants were exercised at an exercise price of \$3.25 per share, 293,021 share warrants were exercised at an exercise price of \$2.25 per share and 130,000 share warrants were exercised at an exercise price of \$0.15 per share.

During the six months ended June 30, 2021, the Company recorded other income (expense) at the amounts of \$5,727 and \$ (838) for revaluation of liability warrants from March 2020 and October 2020 private and public placement, respectively.

The public warrants with a fair value of \$3,248 as of June 30, 2021, are classified as level 1 and the private placement warrants with a fair value of \$7,035 as of June 30, 2021, are classified as level 3 of the fair value hierarchy.

The following table lists the inputs to the Black and Scholes model used for the fair value measurement of the above warrants:

	2021
Dividend yield (%)	-
Expected volatility of the share prices (%)	51.18-56.63
Risk-free interest rate (%)	0.45-0.55
Expected life of share warrants (years)	1.18-1.27
Share price (\$)	2.98

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

## NOTE 4:- ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

Additional information on revenues:

	Six months ended		Three months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	Unaudited			
Revenue from dried food snacks	250	221	133	99
Revenue from feeding accessories	301	286	145	112
Revenue from formula	1,699	-	837	-
	<u>2,249</u>	<u>507</u>	<u>1,115</u>	<u>211</u>