

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

**AS OF SEPTEMBER 30, 2020**

**(in Canadian Dollars in Thousands)**

**INDEX**

	<u>Page</u>
<b>Consolidated Statements of Financial Position</b>	<b>3</b>
<b>Consolidated Statements of Profit or Loss and Comprehensive Loss</b>	<b>4</b>
<b>Consolidated Statements of Changes in Equity</b>	<b>5-7</b>
<b>Consolidated Statements of Cash Flows</b>	<b>8-9</b>
<b>Notes to Consolidated Financial Statements</b>	<b>10-13</b>

-----

**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.

November 30, 2020

---

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****Canadian dollars in thousands**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	5,121	2,909
Restricted cash	254	106
Trade receivables	509	506
Other accounts receivables and prepaid expenses	217	266
Inventories	1,223	157
	<u>7,324</u>	<u>3,944</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	81	51
Intangible assets, net	402	434
Right-of-use assets	124	100
	<u>607</u>	<u>585</u>
Total assets	<u><u>7,931</u></u>	<u><u>4,529</u></u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	294	301
Other account payables	615	359
Related parties	117	110
Current portion of lease liability	90	69
	<u>1,116</u>	<u>839</u>
<b>NON-CURRENT LIABILITIES:</b>		
Lease liability	31	32
Liability in respect of share warrants	4,722	-
	<u>4,753</u>	<u>32</u>
<b>EQUITY:</b>		
Share capital and premium	16,121	8,599
Subscription received (receivable)	88	(9)
Other reserve	1,598	629
Accumulated other comprehensive loss	(137)	(29)
Accumulated deficit	(15,608)	(5,532)
<u>Total equity</u>	<u>2,062</u>	<u>3,658</u>
<u>Total liabilities and equity</u>	<u><u>7,931</u></u>	<u><u>4,529</u></u>

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

<u>November 30, 2020</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

	Nine months ended 30 September,		Three months ended 30 September,	
	2020	2019	2020	2019
	Unaudited			
Revenues	884	251	376	219
Cost of sales (purchased products)	(668)	(123)	(308)	(110)
Gross profit (loss)	216	128	68	109
Operating expenses:				
Employee benefits expense	1,526	487	561	372
Research and development subcontractors	704	113	360	48
Share-based compensation	684	204	591	65
Consulting fees	941	225	407	213
Professional fees	581	407	218	141
Advertising	693	-	514	-
Depreciation and amortization	136	39	47	34
Investors relations	196	75	44	75
Office and miscellaneous	333	242	105	219
Total operating expenses	5,794	1,792	2,847	1,165
Loss before other expenses	(5,578)	(1,664)	(2,779)	(1,056)
Other expenses:				
Revaluation of share warrants	4,339	-	1,002	-
Loss on foreign exchange	159	1	149	2
Listing expense	-	2,356	-	-
Net loss	(10,076)	(4,021)	(3,930)	(1,058)
Other comprehensive loss:				
Amounts that will be classified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(108)	(67)	(43)	12
Total comprehensive loss for the period	(10,184)	(4,088)	(3,973)	(1,046)
Net loss per share attributable to equity holders of the Company (in Canadian dollars):				
Basic and diluted loss per common share	(0.13)	(0.11)	(0.05)	(0.02)
Weighted average number of shares outstanding – basic and diluted	77,619,566	38,839,867	80,655,731	67,165,177

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 income (loss) *)	Accumulated deficit	Total shareholders' equity
	Number	Amount						
Balance as of January 1, 2019	29,400,019	1	(1)	-	-	1	(154)	(153)
Other comprehensive loss	-	-	-	-	-	(30)	-	(30)
Net loss	-	-	-	-	-	-	(5,378)	(5,378)
Total comprehensive loss	-	-	-	-	-	(30)	(5,378)	(5,408)
Issuance of shares for reverse takeover transaction	3,538,666	885	1	-	-	-	-	886
Issuance of shares in private placement, net of issuance expenses	30,000,000	6,639	-	-	-	-	-	6,639
Issuance of shares upon warrants exercise	82,160	24	(9)	(3)	-	-	-	12
Share issued for finder's fees	4,199,965	1,050	-	-	-	-	-	1,050
Issuance of warrants to brokers and advisers in connection with listing	-	-	-	379	-	-	-	379
Share-based compensation	-	-	-	153	100	-	-	253
Balance as of December 31, 2019	<u>67,220,810</u>	<u>8,599</u>	<u>(9)</u>	<u>529</u>	<u>100</u>	<u>(29)</u>	<u>(5,532)</u>	<u>3,658</u>
Other comprehensive loss	-	-	-	-	-	(108)	-	(108)
Net loss	-	-	-	-	-	-	(10,076)	(10,076)
Total comprehensive loss	-	-	-	-	-	(108)	(10,076)	(10,184)
Issuance of shares in private placement, net of issuance expenses	12,383,900	7,191	-	327	-	-	-	7,518
Issuance of shares upon warrants exercise	1,066,286	365	9	(40)	-	-	-	334
Issuance of shares upon options exercise	15,000	9	-	-	(2)	-	-	7
Subscription received in advance net of issuance expenses	-	(43)	88	-	-	-	-	(45)
Share-based compensation	-	-	-	5	679	-	-	684
Balance as of September 30, 2020 (unaudited)	<u>80,685,996</u>	<u>16,121</u>	<u>88</u>	<u>821</u>	<u>777</u>	<u>(137)</u>	<u>(15,608)</u>	<u>2,062</u>

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

### 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 income (loss) *)	Accumulated deficit	Total shareholders' equity
	Number	Amount						
Balance as of January 1, 2019	29,400,019	1	(1)	-	-	1	(154)	(153)
Other comprehensive loss	-	-	-	-	-	(67)	-	(67)
Net loss	-	-	-	-	-	-	(4,021)	(4,021)
Total comprehensive loss	-	-	-	-	-	(67)	(4,021)	(4,088)
Issuance of shares for reverse takeover transaction	3,538,666	1,885	1	-	-	-	-	1,886
Issuance of shares in private placement, net of issuance expenses	30,000,000	6,639	-	-	-	-	-	6,639
Share issued for finder's fees	4,199,965	1,050	-	-	-	-	-	1,050
Issuance of warrants to brokers and advisers in connection with listing	-	-	-	379	-	-	-	379
Share-based compensation	-	-	-	150	54	-	-	204
Balance as of September 30, 2019 (unaudited)	<u>67,138,650</u>	<u>\$ 8,575</u>	<u>\$ -</u>	<u>\$ 529</u>	<u>\$ 54</u>	<u>\$ (66)</u>	<u>\$ (4,175)</u>	<u>\$ 4,917</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>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
<u>Cash flows from operating activities:</u>		
Net loss	(10,076)	(4,021)
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	684	204
Financial expenses, net	4	-
Depreciation and amortization	136	39
Listing expense	-	2,315
Warrants exercise	36	
Revaluation of share warrants	4,339	-
	<u>5,199</u>	<u>2,558</u>
Changes in asset and liability items:		
Increase in trade receivables	13	(303)
Decrease (increase) in other account receivables and prepaid expenses	58	(581)
Increase in inventories	(1,053)	(132)
Increase in trade payables	2	31
Increase in related parties	4	77
Increase in other account payables	241	312
	<u>(735)</u>	<u>(596)</u>
Net cash used in operating activities	<u>(5,612)</u>	<u>(2,059)</u>

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

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

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(41)	(51)
Purchase of intangible assets	-	(365)
Deposit for restricted cash	(144)	(38)
Net cash used in investing activities	<u>(185)</u>	<u>(454)</u>
<u>Cash flows from financing activities:</u>		
Issue of Common shares and warrants, net of issue expenses	7,868	6,639
Lease payment	(81)	(19)
Subscription received in advance	88	-
Cash received for exercise of options	7	-
Cash received for exercise of warrants	288	-
Net cash provided by financing activities	<u>8,170</u>	<u>6,620</u>
Exchange rate differences on balances of cash and cash equivalents	<u>(161)</u>	<u>(67)</u>
Increase in cash and cash equivalents	2,212	4,107
Cash and cash equivalents at the beginning of the period	<u>2,909</u>	<u>10</u>
Cash and cash equivalents at the end of the period	<u>5,121</u>	<u>4,050</u>
<u>Non-cash transactions</u>		
Right-of-use asset recognized with corresponding lease	<u>96</u>	<u>133</u>
Exercise of warrant liability to Common shares	<u>36</u>	<u>-</u>

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.
- b. The Company’s shares are traded on the TSX Venture Exchange as a Tier 2 ‘Technology’ company under the trading symbol “BABY”.  
Effective December 10, 2019, the Company’s shares were listed for trading on the OTCQB International Market under the trading symbol ‘BABYF’. The Company upgraded its OTCQB listing to the OTCQX Best Market as of July 24, 2020.  
On June 12, 2020, the Company’s shares were accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol ‘OYL’.

- c. 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.

- d. 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.
- 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 September 30, 2020, the Group has an accumulated deficit of \$15,608. For the nine-month period ended September 30, 2020, the Group incurred total comprehensive loss of \$10,184 and had negative cash flow from operations of \$5,612. As described in Note 5, the Company raised during October 2020 \$25,700 in a public offering and private placement. The Company’s management and Board of Directors are of the opinion that its current financial resources will be sufficient to continue the Company’s operations for at least the next twelve months.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

 Canadian dollars in thousands, except share and per share data
 

---

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

- f. In late 2019, a novel strain of COVID-19, also known as coronavirus, was reported in Wuhan, China. While initially the outbreak was largely concentrated in China, it has now spread to most other countries, including Canada and Israel. Infections and mortality have been reported globally. Many countries around the world, including in Canada and Israel, have significant governmental measures being implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. These measures have resulted in work stoppages and other disruptions.

The Company experienced the effect of the pandemic in all areas of our business, from delays in raw material deliveries, to clinical and product development projects. Due to lockdowns, and other COVID-19 related measures, all our business meeting, marketing events, conferences and expos were either canceled or turned virtual, slowing down the pace of our business development efforts.

- g. These interim consolidated financial statements have been prepared in a condensed format as of September 30, 2020 and for the nine 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, 2019 and for the year then ended and the accompanying notes ("annual consolidated financial statements").
- h. h. 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  |

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

Canadian dollars in thousands, except share and per share data

---

**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*".

Issue of a unit of securities:

The issue of a unit of securities involves the allocation of the proceeds received (before issue expenses) to the securities issued in the unit based on the following order: financial derivatives and other financial instruments measured at fair value in each period. Then fair value is determined for financial liabilities that are measured at amortized cost. The proceeds allocated to equity instruments are determined to be the residual amount. Issue costs are allocated to each component pro rata to the amounts determined for each component in the unit.

**NOTE 3: EQUITY**

- a. During the nine months ended September 30, 2020, 1,066,286 of the share warrants were exercised, were each share warrant was exercised for one Common share of the Company. An aggregate of 1,036,538 share warrants were exercised at an exercise price of \$0.25 per share and 29,748 share warrants were exercised at an exercise price of \$0.969 per share.
- b. During the nine months ended September 30, 2020, 15,000 of the share options were exercised, were each share option was exercised for one Common share of the Company at an exercise price of \$0.48 per share.
- c. On January 14, 2020, the Company granted 100,000 incentive stock options as consideration for the services of a consultant. Such options are exercisable into one Common share of the Company at an exercise price of \$0.48 per share for a period of 5 years from the date of grant. 2 months following the effective date of the consulting agreement with such consultant, these options will vest equally on a monthly basis until November 2020.
- d. On March 4, 2020, the Company closed financing of \$8,000 through a private placement. Pursuant to the private placement, the Company will issue 12,383,900 units at a price of \$0.646 per unit for gross proceeds of \$8,005. Each unit consists of one Common share and 0.25 share warrants, with each whole warrant entitling the holder to acquire one additional Common share of the Company at an exercise price of \$0.969 per share for a period of thirty months from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling \$7,191 (after deduction of issuance expenses totaling \$394) and a liability in respect of share for warrants at the amount of \$420. The warrants are presented at fair value using the Black & Scholes option pricing model.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

## NOTE 3: EQUITY (Cont.)

During the nine and three months ended September 30, 2020 the Company recorded other expenses at the amount of \$4,339 and \$ 1,002, respectively, for revaluation of these warrants from the date of the private placement. The warrants 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 as of September 30, 2020 (unaudited):

Dividend yield (%)	-
Expected volatility of the share prices (%)	56.10
Risk-free interest rate (%)	0.50
Expected life of share warrants (years)	1.92
Share price (\$)	2.44

- e. During the three-month period ended September 30, 2020 the Company issued an aggregate of 1,255,250 stock options for employees and directors.

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 employees and the directors' plan:

Dividend yield (%)	-
Expected volatility of the share prices (%)	54.65-59.36
Risk-free interest rate (%)	0.27-0.32
Expected life of share options (years)	2.5 – 5
Exercise price (\$)	1.84 -2.19
Share price (\$)	1.80-2.12
Fair value (\$)	0.62-1.12

- f. During the three-month period ended September 30, 2020, the Company issued an aggregate of 409,000 stock options for the services of consultants.

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 consultants' plan:

Dividend yield (%)	-
Expected volatility of the share prices (%)	58.92
Risk-free interest rate (%)	0.31
Expected life of share options (years)	3 – 5
Share price (\$)	2.44-2.77
Exercise price (\$)	2.19-2.77
Fair value (\$)	1.25-1.28

## 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:

	Nine months ended		Three months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
	Unaudited			
Revenue from dried food snacks	389	125	168	102
Revenue from feeding accessories	384	126	97	117
Revenue from Formula	111	-	111	-
	884	251	376	219

## NOTE 5: SUBSEQUENT EVENTS

- a. On October 6, 2020, the Company closed an upsized bought deal public offering of 9,200,000 units at a price of \$2.25 per unit for aggregate proceeds of \$20,700. Each unit comprises of one Common share of the Company and one-half of one Common share purchase warrant, with each whole warrant entitling the holder to purchase one share at a price of \$3.25 per share for a period of two years. Concurrent with the above-mentioned public offering, the Company also issued 2,224,111 units on a private placement for aggregate proceeds of \$5,000.

The Company also issued 597,920 broker warrants as underwriting fees, each broker warrant entitling the holder to purchase one Common share at a price of \$2.25 per share for a period of two years.

During September 2020, the Company received \$88 of the private placement in advance.

- b. During November 2020, 2,223,887 of the share warrants were exercised, where each share warrant was exercised for one Common share of the Company. An aggregate of 2,000,000 share warrants were exercised at an exercise price of \$0.15 per share and 209,088 share warrants were exercised at an exercise price of \$0.25 per share, and 14,799 share warrants were exercised at an exercise price of \$2.25 per share.
- c. During November 2020, 54,375 of the share options were exercised, where each share option was exercised for one Common share of the Company. An aggregate of 21,875 share options were exercised at an exercise price of \$0.25 per share and 32,500 share options were exercised at an exercise price of \$0.48 per share.