**ELSE NUTRITION HOLDINGS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023**

**CANADIAN DOLLARS IN THOUSANDS**

## INDEX



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# INDEPENDENT AUDITORS' REPORT

**To the Shareholders and Board of Directors of**

**ELSE NUTRITION HOLDINGS INC.**

## Opinion

We have audited the consolidated financial statements of Else Nutrition Holdings Inc. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the consolidated statements of profit or loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the years then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1i in the consolidated financial statements which indicates that as of December 31, 2023 the Group has an accumulated deficit of $64,477 thousand, and that for the year ended December 31, 2023, the Group incurred total comprehensive loss of $15,568 thousand and had negative cash flow from operations of $18,311 thousand. As described in Note 1h, these conditions, together with other matters as set forth in Note 1h, indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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**Key audit matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. In addition to the matters described in the Material Uncertainty Related to Going Concern section of our report, we have determined the matter described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

| **Key audit matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Accuracy and existence of inventories**<br><br>As described in Notes 6 and 2d, the Company's inventories totaled $7,258 thousand as at December 31, 2023. Inventories are comprised of raw materials, work in progress and finished goods. Raw materials are valued at the lower of cost and net realizable value. Work in progress are valued at direct costs and an appropriate portion of materials and production overheads. Finished goods are valued at the lower of cost and net realizable value and include the cost of raw materials, other direct costs and manufacturing overhead expenses. Net realizable value is the estimated selling price less costs necessary to make the sale. We considered this a key audit matter due to the magnitude of the inventories balance and the large number of inventory locations, and the audit effort involved in testing the inventories balance. | Our approach to addressing the matter included the following procedures, among others:<br>• For a selection of locations of inventory counts performed by management prior to year-end, observed the inventory count procedures and performed independent test counts for a sample of inventory items.<br>• Tested the inventories activity in the intervening period between the count date and the year-end date.<br>• For a sample of inventory items for raw materials, work in progress and finished goods, recalculated the cost.<br>• For a sample of work in progress and finished goods, tested the cost of transferred materials from raw materials to work in progress and finished goods, by agreeing the cost transferred to the carrying cost of the items previously classified in raw materials.<br>• For a sample of inventory items, tested the net realizable value by comparing the selling prices of items sold close to the end of the reporting period to the carrying amounts of the inventory items.<br>• Tested the allocation of other direct standard costs attributed to finished goods, by comparing the other direct standard costs in a sample of finished goods to the direct standard cost list.<br>• Tested the reasonability of other direct standard costs absorbed by finished goods inventories during the year by analyzing the variances of standard to actual costs.<br>• Tested the allocation of the actual manufacturing overhead expenses to inventories at year-end. |

**Other Information included in the Group's 2023 Annual Information Form**

Other information comprises:
- Management's Discussion and Analysis.
- The information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Management is responsible for the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Eli Barda.

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
April 1, 2024

KOST FORER GABBAY & KASIERER
A Member of Ernst & Young Global

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**Canadian dollars in thousands**

| | Note | December 31, 2023 | December 31, 2022 |
|---|---|---|---|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | | 2,931 | 14,564 |
| Restricted cash | | 1,003 | 1,180 |
| Short term bank deposit | | 1,994 | 817 |
| Trade receivables | 4 | 1,340 | 1,495 |
| Other accounts receivables and prepaid expenses | 5 | 601 | 823 |
| Inventories | 6 | 7,258 | 5,910 |
| Total current assets | | 15,127 | 24,789 |
| LONG-TERM ASSETS: | | | |
| Property, plant and equipment, net | 7 | 427 | 533 |
| Intangible assets, net | 8 | 193 | 263 |
| Right-of-use assets | 10 | 322 | 578 |
| Total long-term assets | | 942 | 1,374 |
| Total assets | | 16,069 | 26,163 |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Trade payables | | 1,719 | 2,199 |
| Other account payables | 9 | 1,244 | 923 |
| Related parties | 16 | 11 | 9 |
| Current portion of lease liability | 10 | 194 | 238 |
| Total current liabilities | | 3,168 | 3,369 |
| LONG-TERM LIABILITIES: | | | |
| Lease liability | 10 | 109 | 320 |
| Warrants liability | 14 | 3,283 | 4,072 |
| Convertible loan | 12 | 2,788 | 2,807 |
| Total long-term liabilities | | 6,180 | 7,199 |
| EQUITY: | 14 | | |
| Share capital and premium | | 65,948 | 59,716 |
| Other reserve | | 5,253 | 4,791 |
| Accumulated other comprehensive income (loss) | | (3) | (44) |
| Accumulated deficit | | (64,477) | (48,868) |
| Total equity | | 6,721 | 15,595 |
| Total liabilities and equity | | 16,069 | 26,163 |

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

| April 1, 2024 | *"Hamutal Yitzhak"* | *"Sokhie Puar"* |
|---|---|---|
| Date of approval of the financial statements | Hamutal Yitzhak<br>CEO and Director | Sokhie Puar<br>Director |

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE LOSS

**Canadian dollars in thousands, except share and per share data**

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Revenues (Note 17) | 9,361 | 8,527 |
| Cost of sales (purchased products) | 9,446 | 7,216 |
| Gross profit (loss) | (85) | 1,311 |
| Operating expenses: | | |
| Employee benefits expense | 4,824 | 6,029 |
| Research and development subcontractors | 2,559 | 2,564 |
| Share-based compensation | 353 | 1,094 |
| Consulting fees | 1,022 | 1,531 |
| Professional fees | 1,075 | 1,054 |
| Advertising | 4,378 | 5,955 |
| Depreciation and amortization | 379 | 496 |
| Investors relations | 383 | 647 |
| Office and miscellaneous | 1,953 | 2,537 |
| Total operating expenses | 16,926 | 21,907 |
| Loss before other income (expenses) | (17,011) | (20,596) |
| Other income (expenses): | | |
| Revaluation of warrants (Note 14d) | 4,667 | 2,870 |
| Gain (loss) on foreign currency | (733) | 51 |
| Revaluation of convertible loan (Note 12) | (2,531) | - |
| Finance expenses | (63) | (13) |
| Finance income | 62 | 74 |
| Net loss | (15,609) | (17,614) |
| Other comprehensive loss: | | |
| Amounts that will be classified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | 41 | 825 |
| Total comprehensive loss for the year | (15,568) | (16,789) |
| Net loss per share attributable to equity holders of the Company (in Canadian dollars): | | |
| Basic and diluted loss per common share | (0.13) | (0.16) |
| Weighted average number of shares outstanding – basic | 116,778,704 | 108,684,822 |
| Weighted average number of shares outstanding – diluted | 129,778,704 | 108,684,822 |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Canadian dollars in thousands, except share and per share data**

| | Common shares Number | Common shares Amount | Reserve - warrants | Reserve - options | Accumulated other comprehensive income (loss) **) | Accumulated deficit | Total shareholders' equity |
|---|---|---|---|---|---|---|---|
| Balance as of January 1, 2022 | 104,196,220 | 54,917 | 676 | 3,302 | (869) | (31,254) | 26,772 |
| Other comprehensive income | - | - | - | - | 825 | - | 825 |
| Net loss | - | - | - | - | - | (17,614) | (17,614) |
| Total comprehensive income (loss) | - | - | - | - | 825 | (17,614) | (16,789) |
| Issuance of public shares, net of issuance expenses | 7,004,000 | 4,449 | 69 | - | - | - | 4,518 |
| Issuance of shares upon warrants exercise | 1,400,000 | 350 | (350) | - | - | - | - |
| Share-based compensation | - | - | (176) | 1,270 | - | - | 1,094 |
| Balance as of December 31, 2022 | 112,600,220 | 59,716 | 219 | 4,572 | (44) | (48,868) | 15,595 |
| Other comprehensive income | - | - | - | - | 41 | - | 41 |
| Net loss | - | - | - | - | - | (15,609) | (15,609) |
| Total comprehensive income (loss) | - | - | - | - | 41 | (15,609) | (15,568) |
| Issuance of public shares, net of issuance expenses | 13,000,000 | 1,831 | 121 | - | - | - | 1,952 |
| Issuance of share upon conversion of convertible loan | 10,318,939 | 4,344 | - | - | - | - | 4,344 |
| Issuance of shares upon options exercise | 175,000 | 57 | - | (12) | - | - | 45 |
| Share-based compensation | - | - | 4 | 349 | - | - | 353 |
| Balance as of December 31, 2023 | 136,094,159 | 65,948 | 344 | 4,909 | (3) | (64,477) | 6,721 |

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Canadian dollars in thousands**

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Cash flows from operating activities: | | |
| Net loss | (15,609) | (17,614) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Adjustments to the profit or loss items: | | |
| Share based compensation | 353 | 1,094 |
| Financial expenses, net | 22 | 35 |
| Revaluation of convertible loans | 2,531 | - |
| Revaluation of warrants | (4,667) | (2,870) |
| Depreciation and amortization | 379 | 496 |
| | (1,382) | (1,245) |
| Changes in asset and liability items: | | |
| Decrease (increase) in trade receivables | 58 | (774) |
| Decrease (increase) in other account receivables and prepaid expenses | 207 | (399) |
| Increase in inventories | (1,531) | (1,020) |
| Increase (decrease) in trade payable | (411) | 244 |
| Increase (decrease) in other account payables | 357 | (103) |
| | (1,320) | (2,052) |
| Net cash used in operating activities | (18,311) | (20,911) |

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Canadian dollars in thousands**

| | Year ended December 31, 2023 | Year ended December 31, 2022 |
|---|---|---|
| Cash flows from investing activities: | | |
| Purchase of property and equipment | - | (160) |
| Change in short term deposit, net | (1,256) | 341 |
| Change in restricted cash, net | 130 | (11) |
| Net cash provided by (used in) investing activities | (1,126) | 170 |
| Cash flows from financing activities: | | |
| Issue of Common shares and warrants, net of issue expenses | 4,394 | 6,743 |
| Lease payment | (227) | (335) |
| Receipt of a convertible loan and issuance of warrants | 3,231 | 5,281 |
| Cash from share options exercised | 45 | - |
| Net cash provided by financing activities | 7,443 | 11,689 |
| Exchange rate differences on balances of cash and cash equivalents | 361 | 569 |
| Increase (decrease) in cash and cash equivalents | (11,633) | (8,483) |
| Cash and cash equivalents at the beginning of the year | 14,564 | 23,047 |
| Cash and cash equivalents at the end of the year | 2,931 | 14,564 |
| Non-cash transactions | | |
| Issuance of warrants | 1,437 | 2,474 |
| Issuance of shares as repayment of convertible loan | 3,416 | - |

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

**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. On June 12, 2019, the Company completed a reverse take-over transaction with Else Nutrition GH Ltd. ("Else GH") by way of a share exchange, (the "Transaction" or "RTO"). Upon the completion of the Transaction, the Company changed its name from ASB Capital Inc. to Else Nutrition Holdings Inc. In connection with the Transaction, Else GH became a wholly owned subsidiary of the Company.

Prior to the Transaction, the Company was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4 with its shares listed on the NEX trading board of the Exchange. Upon completion of the Transaction, the Company's shares began trading on the Exchange as a Tier 2 'Technology' company on June 18, 2019 under the trading symbol "BABY".V. The Transaction represented the qualifying transaction of the Company under the policies of the Exchange. 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, 2021, the Company's common shares were also accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol '0YL'.

c. 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 6 Hanechoshet Street, Tel Aviv, Israel. The registered office of the Company is located at 750 West Pender Street, Vancouver, British Columbia.

d. On January 23, 2020 the Company established a wholly owned subsidiary in the U.S., Else Nutrition USA, Inc., which is primarily engaged manufacturing, sales and marketing.

e. 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

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

securities' regulatory authorities in connection with any such offering. On October 2021 and June 2022, the Company utilized $17,308 and $7,354, respectively, out of the $75,000. On May 2023, the base shelf prospectus expired.

On May 18, 2023, 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 November 10, 2023 and received a final receipt on November 14, 2023. The final base shelf prospectus qualifies the distribution of up to $75,000 in any combination of common shares, warrants, subscription receipts, units, and debt securities of the Company in one or more transactions within a 25-month period from the date of final receipt. 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 November 21, 2023, the Company utilized $5,005 out of the $75,000.

f. 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.

g. On December 7, 2022 the Company established a wholly owned subsidiary in Australia, Else Nutrition Australia PTY Ltd., which is primarily engaged in sales and marketing.

i. 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 December 31, 2023, the Group has an accumulated deficit of $64,477. For the year ended December 31, 2023, the Group incurred total comprehensive loss of $15,568 and had negative cash flow from operations of $18,311. 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.

**NOTE 2: - ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the consolidated financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

The Company's financial statements have been prepared on a cost basis, except for warrant liability and convertible loan which are presented at fair value through profit or loss. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousands, except where otherwise indicated.

The Company has elected to present the profit or loss items using the nature of expense method.

b. Functional currency, presentation currency and foreign currency:

1. Functional currency and presentation currency:

The presentation currency of the financial statements is the Canadian dollar.

The Group determines the functional currency of each Group entity. The functional currency of the entities located in Israel is the New Israel Shekel (“NIS”), and for the entities located in USA is the USA Dollar.

Assets, including fair value adjustments upon acquisition, and liabilities of an investee which is a foreign operation, are translated at the closing rate at each reporting date. Profit or loss items are translated at average exchange rates for all periods presented. The resulting translation differences are recognized in other comprehensive income (loss).

c. Restricted cash:

Restricted cash is primarily invested in highly liquid deposits, which mature within one year. These deposits are used as security for credit cards payments and rent payments and tender guarantee.

d. Inventories:

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises costs of purchase and costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale. The Company periodically evaluates the condition and age of inventories and makes provisions for slow moving inventories accordingly.

**NOTE 2: - ACCOUNTING POLICIES (Cont.)**

Cost of inventories is determined as follows:

Raw materials - at cost of purchase using the "first-in, first-out" method.

Work in progress - includes direct costs and an appropriate portion of materials and production overheads.

Finished goods - using the "first-in, first-out" method.

e. Revenue recognition:

Revenue from contracts with customers is recognized when the control over the goods or services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms, excluding amounts collected on behalf of third parties (such as taxes).

*Revenue from the sale of goods:*

Revenue from the sale of goods is recognized in profit or loss at the point in time when the control of the goods is transferred to the customer, generally upon delivery of the goods to the customer.

f. Financial instruments:

1. Impairment of financial assets:

The Company evaluates at the end of each reporting period the loss allowance for financial debt instruments which are not measured at fair value through profit or loss.

The Company has short-term financial assets such as trade receivables in respect of which the Company applies a simplified approach and measures the loss allowance in an amount equal to the lifetime expected credit losses.

2. Financial liabilities:

a. Financial liabilities measured at amortized cost:

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to the issue of the financial liability.

After initial recognition, the Company measures financial liabilities at amortized cost using the effective interest rate method.

b. Financial liabilities at fair value through profit or loss:

At initial recognition, the Company measures financial liabilities that are not measured at amortized cost at fair value. Transaction costs are recognized in profit or loss.

**NOTE 2: - ACCOUNTING POLICIES (Cont.)**

After initial recognition, changes in fair value are recognized in profit or loss.

3. 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.

g. Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorized into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable directly or indirectly.

Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

**NOTE 2: - ACCOUNTING POLICIES (Cont.)**

h. Share-based payment transactions:

The Company's employees and service providers are entitled to remuneration in the form of equity-settled share-based payment transactions that are measured based on the increase in the Company's share price.

*Equity-settled transactions:*

The cost of equity-settled transactions with employees is measured at the fair value of the equity instruments granted at grant date. The fair value is determined using an acceptable option pricing model.

As for other service providers, the cost of the transactions is measured at the fair value of the goods or services received as consideration for equity instruments granted.

The cost of equity-settled transactions is recognized in profit or loss together with a corresponding increase in equity during the period which the performance and/or service conditions are to be satisfied ending on the date on which the relevant employees become entitled to the award ("the vesting period"). The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other vesting conditions (service and/or performance) are satisfied.

If the Company modifies the conditions on which equity-instruments were granted, an additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee/other service provider at the modification date.

If a grant of an equity instrument is canceled, it is accounted for as if it had vested on the cancelation date and any expense not yet recognized for the grant is recognized immediately. However, if a new grant replaces the canceled grant and is identified as a replacement grant on the grant date, the canceled and new grants are accounted for as a modification of the original grant, as described above.

## NOTE 2: - ACCOUNTING POLICIES (Cont.)

i. Disclosure of new standards adopted during the year:

1) ***Amendment to IAS 1, "Disclosure of Accounting Policies":***
In February 2021, the IASB issued amendments to IAS 1 Presentation of Financial Statements, amendments to IFRS Practice Statement 2 Making Materiality Judgements and amendments to IAS 8 Definition of Accounting Estimate.

The amendments require companies to disclose material accounting policies rather than their significant accounting policies. This amendment is effective for annual periods starting on or after January 1, 2023.

The application of the above Amendment did not have a material impact on the Company's consolidated financial statements.

2) ***Amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors":***

In February 2021, the IASB issued an amendment to IAS 8, "Accounting Policies, Changes to Accounting Estimates and Errors" ("the Amendment"), in which it introduces a new definition of "accounting estimates".

Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The Amendment clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The Amendment is applied prospectively for annual reporting periods beginning on January 1, 2023 and is applicable to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

3) ***Amendment to IAS 12, "Income Taxes":***

In May 2021, the IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12"), which narrows the scope of the initial recognition exception under IAS 12.15 and IAS 12.24 ("the Amendment").

According to the recognition guidelines of deferred tax assets and liabilities, IAS 12 excludes recognition of deferred tax assets and liabilities with respect to certain temporary differences arising from the initial recognition of certain transactions. This exception is referred to as the "initial recognition exception". The Amendment narrows the scope of the initial recognition exception and clarifies that it does not apply to the recognition of deferred tax assets and liabilities arising from transactions that are not a business combination and that give rise to equal taxable and deductible temporary differences, even if they meet the other criteria of the initial recognition exception.

**NOTE 2: - ACCOUNTING POLICIES (Cont.)**

The Amendment applies for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted. In relation to leases and decommissioning obligations, the Amendment is to be applied commencing from the earliest reporting period presented in the financial statements in which the Amendment is initially applied. The cumulative effect of the initial application of the Amendment should be recognized as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at that date.
The application of the Amendment did not have a material impact on the Company's consolidated financial statements.

j. Disclosure of new standards in the period prior to their adoption:

***Amendment to IAS 1, "Disclosure of Accounting Policies":***

In January 2020, which was further amended in October 2022, the IASB issued an amendment to IAS 1, *Classification of Liabilities as Current or Non-Current* to clarify the requirements for classifying liabilities as current or non-current.
The new guidance will be effective for annual periods starting on or after January 1, 2024 and must be applied retrospectively. Early adoption is permitted.

The above Amendment is not expected to have a material impact on the Company's consolidated financial statements.

***Amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures":***

In May 2023, the IASB issued amendments to IAS 7, "Statement of Cash Flows", and IFRS 7, "Financial Instruments: Disclosures" ("the Amendments") to address the presentation of liabilities and the associated cash flows arising out of supplier finance arrangements, as well as disclosures required for such arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024. Early adoption is permitted but will need to be disclosed.

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

***Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates":***

In August 2023, the IASB issued "Amendments to IAS 21: Lack of Exchangeability (Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates")" ("the Amendments") to clarify how an entity should assess whether a currency is exchangeable and how it should measure and determine a spot exchange rate when exchangeability is lacking.
The Amendments set out the requirements for determining the spot exchange rate when a currency lacks exchangeability. The Amendments require disclosure of information that will enable users of financial statements to understand how a currency not being

**NOTE 2: - ACCOUNTING POLICIES (Cont.)**

exchangeable affects or is expected to affect the entity's financial performance, financial position and cash flows.

The Amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted, in which case, an entity is required to disclose that fact. When applying the Amendments, an entity should not restate comparative information. Instead, if the foreign currency is not exchangeable at the beginning of the annual reporting period in which the Amendments are first applied (the initial application date), the entity should translate affected assets, liabilities and equity as required by the Amendments and recognize the differences as of the initial application date as an adjustment to the opening balance of retained earnings and/or to the foreign currency translation reserve, as required by the Amendments .

The Company believes that the Amendments are not expected to have a material impact on its consolidated financial statements.

**NOTE 3: - SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS (Cont.)**

In the process of applying the significant accounting policies, the Group has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

a. Judgments:

- Determining the fair value of share-based payment transactions:

  The fair value of share-based payment transactions is determined upon initial recognition by an acceptable option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of share option and expected dividend yield.

b. Estimates and assumptions:

The preparation of the financial statements requires management to make estimates and assumptions that have an effect on the application of the accounting policies and on the reported amounts of assets, liabilities, revenues and expenses. Changes in accounting estimates are reported in the period of the change in estimate.

- Determining the fair value of an unquoted financial liability:

  The fair value of unquoted warrant liability and convertible loan in Level 3 of the fair value hierarchy is determined using the Black and Scholes option pricing model. The inputs to the model include share price, exercise price and assumptions regarding expected volatility, expected life of and expected dividend

Canadian dollars in thousands, except share and per share data

## NOTE 4: - TRADE RECEIVABLES

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Open accounts | 1,204 | 1,442 |
| Checks receivable | 136 | 53 |
| Trade receivables | 1,340 | 1,495 |

No past due trade receivables on December 31, 2023 and 2022.

## NOTE 5: - OTHER ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Government authorities | 166 | 47 |
| Prepaid expenses | 265 | 758 |
| Advances to suppliers | 170 | 18 |
| | 601 | 823 |

## NOTE 6: - INVENTORIES

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Raw materials | 3,006 | 3,152 |
| Work in progress | 830 | 1,953 |
| Finished goods | 3,422 | 805 |
| | 7,258 | 5,910 |

Canadian dollars in thousands, except share and per share data

## NOTE 7: - PROPERTY, PLANTAND EQUIPMENT, NET

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| Cost: | | |
| Computers, software and peripheral equipment | 114 | 116 |
| Office furniture and equipment | 82 | 89 |
| Leasehold improvements | 67 | 70 |
| Lab equipment | 102 | 106 |
| Electronic equipment | 68 | 71 |
| Manufacturing equipment | 287 | 293 |
| | 720 | 745 |
| Accumulated depreciation: | | |
| Computers, software and peripheral equipment | (100) | (81) |
| Office furniture and equipment | (16) | (12) |
| Leasehold improvements | (17) | (12) |
| Lab equipment | (27) | (21) |
| Electronic equipment | (39) | (25) |
| Manufacturing equipment | (94) | (61) |
| | (293) | (212) |
| Net book value | 427 | 533 |

## NOTE 8: - INTANGIBLE ASSETS, NET

Composition and movement:

**2023:**

| | Customer relationship | Order backlog | Goodwill | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance on January 1, 2023 | 253 | 175 | 48 | 476 |
| Additions during the year | - | - | - | - |
| Adjustments arising from translating financial statements of foreign operations | (14) | (9) | (2) | (25) |
| Balance on December 31, 2023 | 239 | 166 | 46 | 451 |
| Accumulated amortization: | | | | |
| Balance on January 1, 2023 | 91 | 122 | - | 213 |
| Additions during the year | 24 | 33 | - | 57 |
| Adjustments arising from translating financial statements of foreign operations | (5) | (7) | - | (12) |
| Balance on December 31, 2023 | 110 | 148 | - | 258 |
| Net book value at December 31, 2023 | 129 | 18 | 46 | 193 |

Canadian dollars in thousands, except share and per share data

## NOTE 8: - INTANGIBLE ASSETS, NET (Cont.)

**2022:**

| | Customer relationship | Order backlog | Goodwill | Total |
|---|---|---|---|---|
| Cost: | | | | |
| Balance on January 1, 2022 | 269 | 186 | 52 | 507 |
| Additions during the year | - | - | - | - |
| Adjustments arising from translating financial statements of foreign operations | (16) | (11) | (4) | (31) |
| Balance on December 31, 2022 | 253 | 175 | 48 | 476 |
| Accumulated amortization: | | | | |
| Balance on January 1, 2022 | 69 | 94 | - | 163 |
| Additions during the year | 25 | 35 | - | 60 |
| Adjustments arising from translating financial statements of foreign operations | (3) | (7) | - | (10) |
| Balance on December 31, 2022 | 91 | 122 | - | 213 |
| Net book value at December 31, 2022 | 162 | 53 | 48 | 263 |

## NOTE 9: - OTHER ACCOUNT PAYABLES

| | December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Accrued expenses | 795 | 577 |
| Employees and payroll accruals | 449 | 346 |
| | 1,244 | 923 |

Canadian dollars in thousands, except share and per share data

## NOTE 10: - OPERATING LEASES

The Group has entered into non-cancelable operating lease agreement of its offices, car leasing and a lab that terminates in between November 2022 to August 2024.

The leases include one or more options to renew. The Group assumes renewals in the determination of the lease term if the renewals are deemed to be reasonably assured at lease commencement date. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Other information about lease amounts recognized in the Group's consolidated financial statements is summarized as follows:

**2023:**

| | Total right of use asset – offices & car leasing | Lease liability- offices & car leasing |
|---|---|---|
| As of January 1, 2023 | **578** | **558** |
| Additions | - | - |
| Depreciation | **(227)** | - |
| Payments | - | (227) |
| Interest | - | **(22)** |
| Adjustments arising from translating financial statements of foreign operations | **(29)** | **(6)** |
| As of December 31, 2023 | **322** | **303** |

**2022:**

| | Total right of use asset – offices & car leasing | Lease liability- offices & car leasing | Total right of use asset – lab | Lease liability – lab |
|---|---|---|---|---|
| As of January 1, 2022 | 890 | 880 | 66 | 61 |
| Additions | - | - | - | - |
| Depreciation | (266) | - | (63) | - |
| Payments | - | (277) | - | (58) |
| Interest | - | (33) | - | (3) |
| Adjustments arising from translating financial statements of foreign operations | (46) | (12) | (3) | - |
| As of December 31, 2022 | 578 | 558 | - | - |

Canadian dollars in thousands, except share and per share data

**NOTE 11: - FINANCIAL INSTRUMENTS**

a. Financial assets:

| | December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Financial assets at amortized cost: | | |
| Short – term bank deposit | 1,994 | 817 |
| Restricted cash | 1,003 | 1,180 |
| Trade receivables | 1,340 | 1,495 |
| Total financial assets at amortized cost | 4,337 | 3,492 |
| Total financial assets | 4,337 | 3,492 |
| Total current | 4,337 | 3,492 |

b. Other financial liabilities:

| | December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Financial liabilities at amortized costs: | | |
| Trade payables | 1,719 | 2,199 |
| Other accounts payables | 1,244 | 923 |
| Lease liability | 303 | 558 |
| | 3,266 | 3,680 |
| Financial liabilities at fair value through profit or loss: | | |
| Warrant liability | 3,283 | 4,072 |
| Convertible loan | 2,788 | 2,807 |
| | 6,071 | 6,879 |
| Total financial liabilities | 9,337 | 10,568 |
| Total current | 3,157 | 3,369 |
| Total non-current | 6,180 | 7,199 |

c. Management believes that the carrying amount of cash, restricted cash, trade receivables, other accounts receivables, trade payables, other account payables and related parties approximate their fair value due to the short-term maturities of these instruments.

**NOTE 11: - FINANCIAL INSTRUMENTS (Cont.)**

d. Financial risk management objectives and policies:

The Company's principal financial assets include receivables, cash and restricted cash that derive directly from its operations.

The Company is exposed to credit risk, price risk, currency risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Company's financial performance. Risk management is performed by the Company's Chief Financial Officer.

1. Credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, restricted cash and trade receivables.

Cash and cash equivalents, and restricted cash are mainly invested in major banks in Israel and in Canada. Management believes that the financial institutions holding the Company's investments are financially sound and, accordingly, minimal credit risk exists with respect to those investments.

The Company does not require collateral on trade receivables, as the majority of their customers are well established companies. The Company performs ongoing reviews of its trade receivables based on payment due dates and provides an allowance for potential credit losses as necessary. For all periods presented credit losses are immaterial.

1. Share price risk:

The Company's warrant liability and convertible loan are sensitive to market price risk arising from uncertainties about future value of the Company. However, there will be no effect on the cash flow of the Company as the warrants and convertible loan can be only exercised to Company's shares.

2. Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to the Company's cash, warrant liability and convertible loan which are denominated in Canadian dollar and US dollar.

Canadian dollars in thousands, except share and per share data

## NOTE 11: - FINANCIAL INSTRUMENTS (Cont.)

4. Liquidity risk:

The Group monitors the risk to a shortage of funds using a liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, bank loans and debentures.

e. Changes in liabilities arising from financing activities:

| | Loan liabilities | Lease liabilities | Warrant liability | Total liabilities arising from financing activities |
|---|---|---|---|---|
| Balance as of January 1, 2022 | - | 941 | 2,243 | 3,184 |
| Cash flows | 3,306 | (335) | 4,699 | 7,670 |
| Effect of changes in exchange rates | - | (12) | - | (12) |
| Effect of changes in fair value | - | - | (2,870) | (2,870) |
| Other changes | (499) | (36) | - | (535) |
| Balance as of December 31, 2022 | 2,807 | 558 | 4,072 | 7,437 |
| Cash flows | 1,794 | (227) | 3,878 | 5,445 |
| Effect of changes in exchange rates | - | (6) | - | (6) |
| Effect of changes in fair value | 1,603 | - | (4,667) | (3,064) |
| Other changes | (3,416) | (22) | - | (3,438) |
| Balance as of December 31, 2023 | 2,788 | 303 | 3,283 | 6,374 |

## NOTE 12: - CONVERTIBLE LOAN

On December 19, 2022, the Company signed a convertible loan agreement with Lind Global Found II LP (Lind) in the amount of up to US $13,750 thousand (approximately $18,700). The convertible loan bears an annual interest of 10% with a maturity of 36 months.

On December 22, 2022 the Company received the Initial Convertible loan in the amount of US$4,250 thousand (approximately $5,780). The Initial Convertible Security will have a 36-month maturity date and will be convertible into Common shares of the Company after completion of a 120 day lock-up period. Lind will be able to convert 1/20th of the face value each month at a conversion price equal to 85% of the five-day volume weighted average price of the Common shares immediately prior to each conversion, subject to a right to increase conversions in certain circumstances.

The outstanding principal amount of the Initial Convertible Security, after 180 days, may be repaid in cash at the discretion of the Company, with a 5% premium (the “Buy-Back Right”). Should the Company exercise its Buy-Back Right, Lind would have the option to convert up to 33% of the face value of the Initial Convertible Security into Common shares.
Following the Initial Convertible Security issuance, the Company would have the right to draw a further US$1,250 thousand (which may be increased to US$3,000 thousand upon mutual agreement) (the “Second Draw”), subject to the terms of the formal agreements, and thereafter an optional follow-on investment of up to US$6,500 thousand, (the “Third Draw”), upon mutual agreement, in exchange for the issuance of additional convertible notes. The Initial Convertible

**NOTE 12: - CONVERTIBLE LOAN (Cont.)**

Security, and each of the additional convertible notes, if applicable, will include detached warrants (the "Warrants") to purchase Common Shares.

In connection with the Initial Convertible Security, the Company issued 8,247,129 Warrants at an exercise price of $1.15 per share for a period of four years from the date of issuance. As the exercise price of the warrants is denominated in Canadian dollars with the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model. On the date of grant the Company recorded a liability with respect to the Warrant grant in the amount of $ 2,474.

The number of Warrants issued on the Second Draw and Third Draw will be calculated on 75% of the amount of the draw divided by the volume weighted average price per share during the twenty (20) consecutive trading days immediately before the closing date of the Second Draw and the Third Draw. The exercise price of Warrants issued on the Second Draw and the Third Draw will be equal to the greater of: (i) the volume weighted average price per share (in Canadian dollars) for the five (5) consecutive trading days immediately before the date of the Second Draw or Third Draw closing as applicable, and (ii) 130% of the volume weighted average price per share (in Canadian dollars) for the twenty (20) consecutive trading days immediately before the date of the Second Draw or Third Draw closing as applicable.

The signed agreement constitutes an event of Cash Balance default if the aggregate of the Company's net cash falls below US$3,000 thousand at any time.

On July 10, 2023, the Company elected to exercise its right to increase the face value of its convertible security by US$3,000 thousand under its previously announced convertible security funding agreement with Lind (Second Draw), for additional proceeds of US$2,500 thousand (approximately $3,231). As a result of the exercise of the increase right, the total face value (principal and accrued interest) of the convertible security was increased from US$4,590 thousand to US$7,590 thousand. The Company issued 3,591,776 Warrants at an exercise price of $0.9058 per share for a period of four years from the date of issuance. As the exercise price of the warrants is denominated in Canadian dollars with the functional currency of the Company the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model. On the date of grant, the Company recorded a liability with respect to the Warrant grant in the amount of $ 1,437.

The convertible loans are accounted for at fair value through profit and loss. During the year ended on December 31, 2023, the Company recorded financial expenses for the convertible loans in the amount of $2,531. The convertible loans with a fair value of $2,788 as of December 31, 2023, are classified as level 3.

**NOTE 13: - TAXES ON INCOME**

a. Tax rates applicable to the Group:

The Canadian corporate income tax rate was 26.5% in 2023 and 2022.

The Israeli corporate income tax rate was 23% in 2023 and 2022.

The USA corporate income tax rate was 21% in 2023 and 2022.

The Australian corporate income tax rate was 25% in 2023

**NOTE 13: - TAXES ON INCOME(Cont.)**

b. Carryforward losses for tax purposes and other temporary differences:

Carryforward operating tax losses and capital losses of the Group total approximately $56,574 as of December 31, 2023.

c. Tax assessments:

The Company and its subsidiaries have not received final tax assessments since their incorporation.

Deferred tax assets relating to carryforward operating losses of approximately $ 13,037 as of December 31,2023 and to other temporary differences of approximately $353 were not recognized because their utilization in the foreseeable future is not probable.

**NOTE 14: - EQUITY**

a. Authorized share capital:

Unlimited number of Common shares without par value.

b. Issuance of share capital:

In connection with the Transaction (see Note 1), the Company consolidated its Common shares on a 5:1 basis, resulting in 3,538,666 post-consolidation shares outstanding immediately prior to completion of the Transaction. As part of the Transaction, 29,400,019 Common shares were issued to the shareholders of Else GH at a ratio of 132.30022 new Common shares for each share of Else GH. The shareholders of Else were also granted.

31,165,462 Key Person Warrants (see “Share Warrants” below) as part of the exchange for their shares in Else. In addition, for services related to the Transaction 4,199,965 Common shares valued at $1,050 and 3,237,760 share warrants valued at $379 were issued.

On June 12, 2019, the Company closed a private placement for 30,000,000 Common shares at $0.25 per share for $7,500. In connection with the private placement, the Company paid $861 in finders’ fees.

On March 2, 2020, the Company closed financing of $8,005 through a private placement. Pursuant to the private placement, the Company issued 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 $7,212 (after deduction of issuance expenses totaling $373) and a liability in respect of warrants at the amount of $399 (after deduction of issuance expenses totaling $21). As the exercise price of the warrants is denominated in

**NOTE 14: - EQUITY (Cont.)**

Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

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. Concurrent with the above-mentioned public offering, the Company also issued 2,224,111 units on a private placement for aggregate proceeds of $5,004. Each unit comprises 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. At the time of closing the Company recorded an increase in equity in

respect of shares, totaling $18,393 (after deduction of issuance expenses totaling $5,556) and liability in respect of share for warrants at the amount of $1,344 (after deduction of issuance expenses totaling $406). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the private placement warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model, and the public warrants are measured based on market price.

The Company 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. The fair value of the broker Warrants on the date of grant was $283.

On October 21, 2021, the Company has closed a financing round of $17,308 through a public offering, The Company issued 8,050,000 units at a price of $2.15 per unit for gross proceeds of $17,308. Each unit consists of one common share and 0.5 share Warrant, with each whole Warrant entitling the holder to acquire one additional Common Share of the Company at an exercise price of $2.70 per share for a period of five years from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $14,076 (after deduction of issuance expenses totaling $1,461) and liability in respect of Warrants at the amount of $1,605 (after deduction of issuance expenses totaling $166). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

The Company issued 447,194 broker warrants as underwriting fees, 423,939 of the broker warrant entitling the holder to purchase one Common share at a price of $2.15 per share for a period of two years and the other 23,255 broker warrant entitling the holder to purchase one Common share at a price of $2.70 per share for a period of five years. The fair value of the broker Warrants on the date of grant was $185.

On June 29, 2022, the Company has closed a financing round of $7,354 through a public offering, The Company issued 7,004,000 units at a price of $1.05 per unit for gross proceeds of $7,354. Each unit consists of one common share and one share Warrant, with each whole Warrant entitling the holder to acquire one additional Common Share of the Company at an exercise price of $1.25 per share for a period of five years from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $4,450 (after deduction of issuance expenses totaling $453) and liability in respect

**NOTE 14: - EQUITY (Cont.)**

of Warrants in the amount of $2,225 (after deduction of issuance expenses totaling $226). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

The Company issued 460,280 broker warrants as underwriting fees, the broker Warrant entitling the holder to purchase one Common share at a price of $1.05 per share for a period of two years. The fair value of the broker Warrants on the date of grant was $68, classified as level 3 of the fair value hierarchy.

On May 1, 2023, the Company issued 547,004 common shares to Lind Global Fund II LP, as the first payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $399 (US$255 thousand).

On June 26, 2023, the Company issued 566,361 common shares to Lind Global Fund II LP, as the second payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $385 (US$255 thousand).

On July 28, 2023, the Company issued 896,894 common shares to Lind Global Fund II LP, as the third payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $601 (US$405 thousand).

On August 28, 2023, the Company issued 1,421,739 common shares to Lind Global Fund II LP, as the fourth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $647 (US$405 thousand).

On September 29, 2023, the Company issued 1,925,992 common shares to Lind Global Fund II LP, as the fifth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $606 (US$405 thousand).

On November 7, 2023, the Company issued 2,615,963 common shares to Lind Global Fund II LP, as the fifth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $955 (US$405 thousand).

On November 21, 2023, the Company has closed a financing round of $5,005 through a public offering, The Company issued 13,000,000 units at a price of $0.385 per unit for gross proceeds of $5,005 Each unit consists of one common share and one share Warrant, with each whole Warrant entitling the holder to acquire one additional Common Share of the Company at an exercise price of $0.485 per share for a period of five years from the closing date. At the time of closing the Company recorded an increase in equity in respect of shares, totaling $1,831 (after deduction of issuance expenses totaling $314) and liability

**NOTE 14: - EQUITY (Cont.)**

in respect of Warrants in the amount of $2,442 (after deduction of issuance expenses totaling $418). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

The Company issued 650,000 broker warrants as underwriting fees, the broker Warrant entitling the holder to purchase one Common share at a price of $0.485 per share for a period of three years. The fair value of the broker Warrants on the date of grant was $121, classified as level 3 of the fair value hierarchy.

On December 4, 2023, the Company issued 2,344,986 common shares to Lind Global Fund II LP, as the fifth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of $751 (US$405 thousand).

c. Stock options:

In February 2018 and September 2019, the Board of Directors of the Company adopted the Company's 2018 Stock Option Plan and 2019 Stock Option Plan, respectively (together "the Plan"). The Plan provides for the grant of options to purchase Common shares of the Company to employees, officers, directors and consultants of the Company. The Plan set the pool of the unallocated options to a total of 10% of the issued shares of the Company.

Options granted under the Plan expire 10 years from the date of grant.

On June 12, 2019, the Company issued an aggregate of 3,430,000 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 $0.25 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) 2,630,000 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) 800,000 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On September 26, 2019, the Company issued an aggregate of 144,000 incentive stock options as a consideration towards consulting agreement for the general capital markets, management and business development advisory services. Each option is exercisable into one Common share of the Company at a price of $0.49 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 December 18, 2019, the Company issued an aggregate of 72,000 incentive stock options as a consideration towards consulting agreement. Each option is exercisable into one Common share of the Company at a price of $0.38 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.

**NOTE 14: - EQUITY (Cont.)**

On December 19, 2019, the Company issued an aggregate of 72,000 incentive stock options as a consideration towards consulting agreement. Each option is exercisable into one Common share of the Company at a price of $0.38 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 January 14, 2020, the Company issued an aggregate of 100,000 incentive stock options as a consideration towards consulting agreements. Each option is exercisable into one common share of the Company at a price of $0.48 per share for a period of five years from the date of grant. Out of these options, one-fourth (1/4) will vest immediately, and rest will vest equally over a period of 10 months from the date of grant.

On July 20, 2020, the Company issued an aggregate of 1,390,250 incentive stock options to its officers, directors, employees, and consultants. Each option is exercisable into one Common share of the Company at a price of $2.19 for a period of five years.

The total stock options will follow six different vesting schedules. Of the total options granted: (A) 455,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the five years anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; (B) 350,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months); (C) 420,250 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 36 months vesting schedule as follows: 2.78% vest upon completion of each quarter (up to 100% in 36 months); (D) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted are subject to 12 months vesting schedule as follows: 8.33% vest upon completion of each month (up to 100% in 12 months); (E) 21,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options are fully vested on date of grant; (F) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $2.19 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first quarter, the remaining 2/3 of such options vest in equal amounts each month for the next 33 months.

On July 27, 2020, the Company issued an aggregate of 72,000 incentive stock options as consideration towards a consulting agreement. Each option is exercisable into one Common Share at a price of $2.10 per share for a period of five years from the date of grant. These options will vest equally over a period of thirty-six (36) months beginning from August 27, 2020.

**NOTE 14: - EQUITY (Cont.)**

On August 10, 2020, the Company issued an aggregate of 30,000 incentive stock options to the Company's employee as an employment agreement. Each option is exercisable into one Common Share of the Company at a price of $1.84 per share for a period of five years from the date of grant. These options will vest equally every month beginning from February 16, 2021.

On September 6, 2020, the Company issued an aggregate of 72,000 incentive stock options as consideration towards a consulting agreement Each option is exercisable into one Common Share at a price of $2.77 per share for a period of five years from the date of grant. These options are fully vested.

On October 20, 2020, the Company issued an aggregate of 175,000 incentive stock options to one of the directors of the Company. Each option is exercisable into one Common share of the Company at a price of $2.02 per share for a period of five years from the date of grant. Out of these options, one-third (1/3) options will vest on September 14, 2022, and rest of the options will vest equally over a period of next twenty-four (24) months.

On December 11, 2020, the Company issued an aggregate of 491,200 incentive stock options to various consultants of the Company. Each option is exercisable into one Common share of the Company at a price of $4.04 for a period of five years.
The total stock options will follow five different vesting schedules. Of the total options granted: (A) 130,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the five years anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months; (B) 246,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. options granted are subject to 36 months vesting schedule as follows: 0.8% vest upon completion of 7 months, the remaining 92% of such options vest in equal amounts each month for the next 29 months; (C) 72,000 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted are subject to 36 months vesting schedule as follows: 2.78% vest upon completion of each month (up to 100% in 36 months); (D) 19,200 incentive stock options, each option is exercisable into one Common share of the company at price of $4.04 per share for a period of five years from the date of grant. These options granted are subject to 12 months vesting schedule as follows: 8.33% vest upon completion of each month (up to 100% in 12 months) and (E) 24,000 incentive stock options, each option is exercisable into one Common share of the company at a price of $4.04 per share for a period of five years from the date of grant. These options granted will be subject to 12 months vesting schedule as follows: 25% of such options vest on the first quarter, the remaining 75% of such options vest in equal amounts each month for the next 9 months.

On December 21, 2020, the Company issued an aggregate of 157,000 incentive stock options to the Company's employees as employees' agreement. Each option is exercisable into one Common Share at a price of $3.42 per share for a period of five years from the date of grant. These options will vest equally every 36 months.

**NOTE 14: - EQUITY (Cont.)**

On January 20, 2021, the Company issued an aggregate of 375,000 incentive stock options to the Company's employees and director. Each option is exercisable into one Common Share at a price of $3.50 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 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. (B) 175,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On February 24, 2021, the Company issued an aggregate of 144,000 incentive stock options to the Company's advisor. Each option is exercisable into one Common Share at a price of $3.65 per share for a period of five years from the date of grant. These options will vest equally every 36 months.

On May 13, 2021, the Company issued an aggregate of 253,000 incentive stock options to the Company's employees and director. Each option is exercisable into one Common Share 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 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. (B) 75,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On June 28, 2021, the Company issued an aggregate of 205,000 incentive stock options to the Company's employees as an employment agreement. Each option is exercisable into one Common Share at a price of $2.59 per share for a period of five years from the date of grant. These options 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.

On November 11, 2021, the Company issued an aggregate of 962,475 incentive stock options to the Company's employees director, and consultant. Each option is exercisable into one Common Share at a price of $1.65 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) 787,475 These options will vest equally every 36 months. (B) 175,000 these options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months).

On December 7, 2021, the Company issued an aggregate of 1,089,010 incentive stock options to the Company's employees as an employment agreement. Each option is exercisable into one Common Share at a price of $1.43 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 133,200 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. (B) 595,810 these options

**Canadian dollars in thousands, except share and per share data**

**NOTE 14: - EQUITY (Cont.)**

will vest equally every 36 months. (C) 360,000 will be subject to 36 months vesting schedule as follows: 1/6 of such options will be vested on the 6 months anniversary and 5/6 of such options will vest over the next 30 months.

On August 2, 2022, the Company issued an aggregate of 1,690,000 incentive stock options to the Company's employees, and consultant. Each option is exercisable into one Common Share at a price of $0.67 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 360,000 options granted will vest equally every 36 months. (B) 200,000 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months). (c) 1,130,000 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.

On October 4, 2022, the Company issued an aggregate of 946,500 incentive stock options to the Company's employees, and consultant. Each option is exercisable into one Common Share at a price of $0.66 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 772,500 options granted will vest equally every 36 months. (B) 144,000 options granted are fully invested. (c) 30,000 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.

On December 14, 2022, the Company issued an aggregate of 563,500 incentive stock options to the Company's employees, and director. Each option is exercisable into one Common Share at a price of $0.5 per share for a period of five years from the date of grant. The total stock options will follow three different vesting schedules. Of the total options granted: (A) 346,000 options granted will vest equally every 36 months. (B) 87,500 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months). (c) 130,000 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.

On November 6, 2023, the Company issued an aggregate of 265,000 incentive stock to the Company's consultant. Each option is exercisable into one Common Share at a price of $0.32 per share for a period of one year and eleven months from the date of grant. The total stock options are fully vested from the date of grant.

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:

| | 2023 | 2022 |
|---|---|---|
| Dividend yield (%) | - | - |
| Expected volatility of the share prices (%) | 90.47 | 48.87-62.72 |
| Risk-free interest rate (%) | 0.043 | 0.029-0.037 |
| Expected life of share options (years) | 1.9 | 4.58-4.92 |
| Share price ($) average | 0.34 | 0.67 |

Canadian dollars in thousands, except share and per share data

**NOTE 14: - EQUITY (Cont.)**

The following table presents the changes in the number of share options and the weighted average exercise prices of share options:

| | Number of options | Weighted average exercise price (in $) |
|---|---|---|
| Stock options outstanding as of December 31, 2021 | 8,744,600 | 1.47 |
| Stock options granted during the year | 3,200,000 | 0.64 |
| Stock options forfeited during the year | (795,821) | 1.92 |
| Stock options exercised during the year | - | - |
| Stock options outstanding as of December 31, 2022 | 11,148,779 | 0.96 |
| Stock options granted during the year | 265,000 | 0.32 |
| Stock options forfeited during the year | (1,063,394) | 1.62 |
| Stock options exercised during the year | (175,000) | 0.25 |
| Stock options outstanding as of December 31, 2023 | 10,175,385 | 1.15 |
| Stock options exercisable as of December 31, 2023 | 8,614,369 | 1.21 |

The weighted average fair value for the share options granted during the year ended December 31, 2023, was $ 0.17 (December 31, 2022 - $0.64)

The weighted average remaining contractual life for the share options outstanding as of December 31, 202,3 was 2.02 years (December 31, 2022 – 3.12 years).

d. Share warrants:

On June 12, 2019, the Company granted 31,801,492 share warrants to key persons and founders (“Key Person Warrant”). Each Key Person Warrant entitles the holder to receive an additional Common share of the Company at nominal price of $0.0001 per Common share exercisable for a period of three years following the achievement of following exercise events:

Canadian dollars in thousands, except share and per share data

**NOTE 14: - EQUITY (Cont.)**

| Exercise event | Number of key person warrants |
|---|---|
| Else obtains (A) Food and Drug Administration ("FDA") or equivalent regulatory approval in the US or (B) any other equivalent regulatory approval in any other primary market (including any of the markets in European Union, UK, Canada, Japan or China) permitting a product based on the intellectual property pertaining to a plant-based, non-dairy formulation to be sold or marketed as an infant formula (up to 12 months of age) or baby formula(any such approval in any market). | 10,271,882 (32.3%) |
| The occurrence of the Group, on a consolidated basis, achieving $10,000 in top line revenue in any 12-month period. | 5,501,658 (17.3%) |
| The occurrence of the Group, on a consolidated basis, achieving $20,000 in top line revenue in any 12-month period. | 8,013,976 (25.2%) |
| The occurrence of the Group, on a consolidated basis, achieving $60,000 in top line revenue in any 12-month period. | 8,013,976 (25.2%) |

Any unvested Key Person Warrants automatically expire on June 12, 2025, if the above exercise events have not occurred. As of December 31, 2023, no Key Person Warrants have vested. 31,801,492 of the Key Person Warrants are also exercisable, even if the Exercise Event has not occurred, in the following situations before June 2025: Change of control of the Group, sale of substantially all of the assets of the Group and termination of employment of Key Persons for any reason.

On June 12, 2019, the Company granted 600,000 key person warrants (the “Else Key Person Additional Warrants”) with each Else Key Person Additional Warrant entitling the holder to receive an additional Common share of the Company for a nominal consideration of $0.0001 per share exercisable by the holder for a period of three years from the date of grant. 125,000 of such Else Key Person Additional Warrants are subject to the following vesting schedule: 25,000 Else Key Person Additional Warrants vest and become exercisable on each of June 30, 2019, July 31, 2019, August 31, 2019, September 30, 2019, and October 31, 2019. As of December 31, 2022, an aggregate of 600,000 Else Key Person Additional Warrants have been exercised.

On June 12, 2019, the Company granted 1,200,000 advisor warrants (the “Advisor Warrants”) as finders fee. Each Advisor Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.0001 per share for a period of three years following the date of grant. As of December 31, 2022, an aggregate of 1,200,000 Advisor Warrants have been exercised.

**NOTE 14: - EQUITY (Cont.)**

On June 12, 2019, the Company granted 2,037,760 warrants (the "Broker Warrants") as finders fee for the Transaction. Each Broker Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.25 per share for a period of two years following the date of grant. As of December 31, 2019, an aggregate of 82,160 Broker Warrants have been exercised. As of December 31, 2021, and 2020, an aggregate of 477,434 and 1,478,166, respectively, Broker Warrants have been exercised.

On June 12, 2019, the Company granted 5,000,000 warrants to certain advisors (the "Additional Advisor Warrants") in connection with consulting services related to capital markets and future financings. Each Additional Advisor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $0.15 per share for period of two years from the date of grant. As of December 31, 2021, and 2020, an aggregate of 130,000 and 2,000,000, respectively, Additional Advisory Warrants have been exercised and the remaining 2,870,000 Additional Advisory Warrants have expired.

On March 2, 2020, as part of March 2021 private placements the Company issued 3,095,975 liability warrants (the "Investors Warrants"). Each warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $0.969 per share for a period of two and a half years following the date of grant. As of December 31, 2021, and 2020, an aggregate of 3,750 and 33,498, respectively, warrants have been exercised. As of December 31, 2022, an aggregate of 3,058,727 warrants have expired.

On October 6, 2020, the Company granted 597,920 Warrants (the "Broker Warrants") as finders fee for the private placement. Each Broker Warrant entitles the holder to acquire one Common share of the Company at nominal consideration of $2.25 per share for a period of two years following the date of grant. As of December 31, 2021, and 2020, an aggregate of 298,021 and 38,562, respectively, Broker Warrants have been exercised. As of December 31, 2022, an aggregate of 261,337 Broker Warrants have expired.

On October 6, 2020, as part of the private placement the Company granted 1,287,057 liability Warrants to Investors (the "Investors Warrants") as their invested. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $3.25 per share for a period of two years following the date of grant. As of December 31, 2022, an aggregate of 3,111 Investors Warrants have been exercised and an aggregate of 1,283,946 Investors Warrants have expired.

On October 6, 2020, as part of the public offering, the Company granted 4,425,000 Warrants to Additional Investors (the "Additional Investors") as their invested. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $3.25 per share for a period of two years following the date of grant. These Warrants are traded on the stock exchange. As of December 31, 2022, and 2021, an aggregate of 90,400 and 4,450, respectively, Additional Investors Warrants have been exercised. As of December 31, 2022, an aggregate of 4,330,150 Additional Investors Warrants have expired.

**NOTE 14: - EQUITY (Cont.)**

On October 21, 2021, as part of a public offering Company granted 4,024,999 liability Warrants to Investors (the "Investors Warrants") as their investing. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $2.7 per share for a period of five years following the date of grant. As of December 31, 2023, the Investors Warrants have vested and are outstanding.

On October 21, 2021, the Company granted 447,194 Warrants (the "Broker Warrants") as finders fee for the public offering. 423,939 of the Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $2.15 per share for a period of two years and 23,255 of the Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $2.7 per share for a period of five years following the date of grant. As of December 31, 2023, an aggregate of 423,939 Broker Warrants have expired and an aggregate of 23,255 Warrants have vested and are outstanding.

On June 29, 2022, as part of a public offering Company granted 7,004,000 liability Warrants to Investors (the "Investors Warrants") as their investing. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $1.25 per share for a period of five years following the date of grant. As of December 31, 2023, the Investors Warrants have vested and are outstanding.

On June 29, 2022, the Company granted 460,280 Warrants (the "Broker Warrants") as finders fee for the public offering. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $1.05 per share for a period of two years following the date of grant. As of December 31, 2023, an aggregate of 460,280 Broker Warrants have vested and are outstanding.

On December 22, 2022, the Company granted 8,247,129 Warrants as finders fee for convertible loan agreement. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $1.15 per share for a period of four years following the date of grant. As of December 31, 2023, an aggregate of 8,247,129 Warrants have vested and are outstanding.

On July 7, 2023, the Company granted 3,591,776 Warrants as finders fee for convertible loan agreement. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $0.9058 per share for a period of four years following the date of grant. As of December 31, 2023, an aggregate of 3,591,776 Warrants have vested and are outstanding.

On November 21, 2023, as part of a public offering Company granted 13,000,000 liability Warrants to Investors (the "Investors Warrants") as their investing. Each Investor Warrant entitles the holder to receive an additional Common share of the Company at an exercise price of $0.485 per share for a period of five years following the date of grant. As of December 31, 2023, the Investors Warrants have vested and are outstanding.

Canadian dollars in thousands, except share and per share data

**NOTE 14: - EQUITY (Cont.)**

On November 21, 2023, the Company granted 650,000 Warrants (the "Broker Warrants") as finders fee for the public offering. The Warrant entitles the holder to acquire one Common Share of the Company at nominal consideration of $0.485 per share for a period of three years following the date of grant. As of December 31, 2023, an aggregate of 650,000 Broker Warrants have vested and are outstanding.

The following table presents the changes in the number and the weighted average exercise prices of share warrants:

| | Number of options | Weighted average exercise price (in $) |
|---|---|---|
| Share warrants outstanding as of December 31, 2021 (1) | 46,607,845 | 0.48 |
| Share warrants granted during the year (2) | 15,711,409 | 1.19 |
| Share warrants forfeited during the year | - | |
| Share warrants expired during the year | (8,934,160) | 2.44 |
| Share warrants exercised during the year | (1,400,000) | 0.0001 |
| Share warrants outstanding as of December 31, 2022 | 51,985,094 | 0.59 |
| Share warrants granted during the year (3) | 17,241,776 | 0.573 |
| Share warrants forfeited during the year | - | |
| Share warrants expired during the year | (423,939) | 2.15 |
| Share warrants exercised during the year | - | |
| Share warrants outstanding as of December 31, 2023 (4) | 68,802,931 | 0.58 |
| Share warrants exercisable as of December 31, 2023 | 37,001,439 | 1.07 |

(1) Of the 46,607,845 share warrants outstanding in 2021, there were 31,165,462 share warrants granted to the Else shareholders as part of their exchange for their shares in Else and therefore are accounted for in the Transaction directly in equity as part of the recapitalization of the Company. The fair value on the date of grant of the balance of the share warrants granted amounted to $0.27.

(2). The 15,711,409 Share Warrants granted during 2022 are a part of the June 2022 public offering and, the convertible loan agreement signed on December 22, 2022. 15,251,129 are recorded as a liability as of December 31, 2023, in the consolidated statement of financial position. The 7,004,000 public Warrants with a fair value of $665 as of December 31, 2023, are classified as level 1. The 8,247,129 convertible loan Warrants with a fair value of $330 as of December 31, 2023, are classified as level 3.

Canadian dollars in thousands, except share and per share data

**NOTE 14: - EQUITY (Cont.)**

(3) The 17,241,776 Share Warrants granted during 2023 are a part of the November 2023 public offering and, the convertible loan agreement signed on December 22, 2022. 16,591,776 are recorded as a liability as of December 31, 2023, in the consolidated statement of financial position. The 13,000,000 public Warrants with a fair value of $1,690 as of December 31, 2023, are classified as level 1. The 3,591,776 convertible loan Warrants with a fair value of $215 as of December 31, 2023 are classified as level 3.

(4). Includes 4,024,999 Share Warrants granted during 2021 with a fair value of $383 as of December 31, 2023, are classified as level 1.

The weighted average remaining contractual life for the share warrants outstanding as of December 31, 2022 was 2.88 years and as of December 31, 2023 was 2.69 years.

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 publicly traded:

| | 2023 | 2022 |
|---|---|---|
| Dividend yield (%) | - | - |
| Expected volatility of the share prices (%) | 84.14-92.55 | 64.96-66.7 |
| Risk-free interest rate (%) | 0.032-0.0368 | 0.0314-0.0394 |
| Expected life of share warrants (years) | 2.98-4.89 | 1.5-4.5 |
| Share price ($) | 0.22 | 0.55 |

**NOTE 15:- NET LOSS PER SHARE**

a. Details of the number of shares and loss used in the computation of net loss per share:

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | **Weighted number of shares *)** | **Net loss attributable to equity holders of the Company** | **Weighted number of shares *)** | **Net loss attributable to equity holders of the Company** |
| Number of shares and loss for the computation of basic net loss | 116,778,704 | $ (15,609) | 108,684,822 | $ (17,614) |
| Effect of potential dilutive warrants | 13,000,000 | (752) | - | - |
| Number of shares and loss for the computation of diluted net loss | 129,778,704 | $ (16,361) | 108,684,822 | $ (17,614) |

Canadian dollars in thousands, except share and per share data

**NOTE 15:- NET LOSS PER SHARE**

b. To compute diluted net loss per share, convertible securities (dilutive potential Common shares), detailed below, have not been taken into account since their conversion decreases the loss from continuing operations (anti-dilutive effect):

For the year ended December 31, 2023:
55,802,931 warrants
10,175,385 options to employees under share-based payment plans

For the year ended December 31, 2022:
51,985,054 warrants
11,148,779 options to employees under share-based payment plans

**NOTE 16: - RELATED PARTY TRANSACTIONS**

The amounts due to and from related parties are due to the directors and officers of the Company. The balances are unsecured, non-interest bearing and have no specific terms for repayment. These transactions are in the normal course of operations and have been valued in these Financial Statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a. Related party payable balances:

| | December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Company controlled by a director | 11 | 9 |
| Other accounts payable - salaries | 67 | 63 |
| | 78 | 72 |

b. Compensation and benefits to key management personnel:

| | Year ended December 31, | |
|---|---|---|
| | **2023** | **2022** |
| Short-term employee benefits | 826 | 940 |
| Consulting fees | 126 | 108 |
| Share-based compensation | 203 | 384 |
| | 1,155 | 1,432 |

Canadian dollars in thousands, except share and per share data

## NOTE 17: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

Additional information on revenues:

| | Year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Revenue from formula | 8,327 | 7,426 |
| Revenue from dried food | 406 | 645 |
| Revenue from feeding accessories | 628 | 456 |
| | 9,361 | 8,527 |

Revenues from major customers which each account for 10% or more of total revenues reported in the financial:

| | Year ended. December 31, | |
|---|---|---|
| | 2023 | 2022 |
| Customer A | 1,100 | 885 |
| Customer B | 1,005 | 252 |
| Customer C | 1,169 | - |
| | 3,274 | 1,137 |

*Geographical information:*

The following table shows the breakdown of revenues for the periods indicated by geographic location based on the geographic location of the Company's customers:

| | Year ended December 31, | |
|---|---|---|
| | 2023 | 2022 |
| North America | 8,327 | 7,426 |
| Israel | 1,034 | 1,101 |
| | 9,361 | 8,527 |

All non-current assets are located in Israel.

## NOTE 18: CONTINGENT LIABILITIES

During 2022, Else Nutrition USA, Inc. (hereinafter, "**Else**") received notice of a lawsuit pending in the federal district court for the District of Nevada (hereinafter "**the Action**"), by *American Nutritional Corporation, Inc. v. Else Nutrition USA, Inc.* - Case No. 22-cv-01286-APG-EJY.

The Action arises from a dispute between plaintiff ANC and Else about ANC's packaging of Else's Toddler organic powder. ANC has filed claims against Else alleging breach of contract and unjust enrichment, and Else has filed counterclaims against ANC for breach of contract and breach of implied warranty.

In the Action, Else asserts that ANC allowed Else's Toddler organic powder to become contaminated with unacceptable animal proteins, and asserts that the contamination caused damages to Else of at least US$383 thousand. ANC denies that assertion, and alleges that Else owes ANC at least US$253 thousand in fees.

In a lawsuit like this Action, where many critical facts are disputed, it is not possible to estimate the outcome, however, the disputed invoices were recorded in the financial statements. Else believes that its evidence and its case is strong, and is preparing its defense in case the parties go to trial. However, Else and ANC are also exploring alternative dispute resolution, and hope that the matter can be settled without trial.

## NOTE 19: SUBSEQUENT EVENTS

a. On January 3, 2024, the Company issued 2,464,634 common shares to Lind Global Fund II LP, as the eighth payment of the convertible loan according to the loan schedule. The number of common shares represents an amount US$405 thousand.

b. As a part of the Company closing financing round on November 21, 2023, the Company Board of Directors approved the amendment of the terms of 2,857,142 broker Warrants granted during June 2022 to exercise price of $0.485 per share and extension for a period of five years until November 21, 2028, subject to obtaining final approval from the Toronto Stock Exchange, TSX. The approval was accepted on January 22, 2024.

c. On January 24, 2024, 265,000 options were exercised for one common share of the Company at an exercise price of $0.32 per share.

d. On February 2, 2024, the Company issued 3,023,631 common shares to Lind Global Fund II LP, as the ninth payment of the convertible loan according to the loan schedule. The number of common shares represents an amount US$405 thousand.

e. On March 5, 2024, the Company issued an aggregate of 1,405,000 incentive stock options to employees and Directors of the Company. Each option is exercisable into one Common share of the Company at a price of $0.26 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) 1,080,000 options granted will be subject to 36 months vesting schedule as follows: These options will vest equally over a period of 36 months from the date, and (B) 325,000 options 12.5% vest upon completion of each quarter (up to 100% in 24 months).

**NOTE 19: SUBSEQUENT EVENTS (Cont.)**

f. On March 8, 2024, the Company issued 2,568,734 common shares to Lind Global Fund II LP, as the tenth payment of the convertible loan according to the loan schedule. The number of common shares represents an amount US$405 thousand.