ELSE NUTRITION HOLDINGS INC.
(Formerly: ASB CAPITAL INC.)

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2019

(in Canadian Dollars in Thousands)

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Building a better working world

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INDEPENDENT AUDITORS' REPORT
To the Shareholders and Board of Directors of
ELSE NUTRITION HOLDINGS INC.
(formerly: ASB CAPITAL INC.)

Opinion

We have audited the consolidated financial statements of Else Nutrition Holdings Inc. (formerly: ASB Capital Inc.) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year 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 1d in the consolidated financial statements which indicates that as of December 31, 2019, the Group has an accumulated deficit of approximately $5.5 million, and that for the year ended December 31, 2019, the Group incurred total comprehensive loss of approximately $5.4 million and had negative cash flow from operations of approximately $3.1 million. As described in Note 1d, these conditions, together with other matters as set forth in Note 1d, 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.

Other Matter

The consolidated financial statements of the Group as of December 31, 2018, and for the period from May 25, 2018 (date of incorporation) to December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on May 17, 2019.

Other information included in The Group's 2019 Management's Discussion and Analysis

Other information consists of the information included in the 2019 Management's Discussion and Analysis, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Management's discussion and analysis

Our opinion on the consolidated financial statements does not cover the other information and we do 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. We obtained 2019 Management's Discussion & Analysis prior to the date of this auditor's report. 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.

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

Kost Forer Gabbay and Kasierer

Tel-Aviv, Israel
June 12, 2020

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Canadian dollars in thousands

	Note	December 31, 2019	December 31, 2018
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents		2,909	10
Restricted cash		106	-
Trade receivables	6	506	-
Other accounts receivables and prepaid expenses	7	266	-
Inventories	8	157	-
		3,944	10
NON-CURRENT ASSETS:			
Property, plant and equipment, net	9	51	-
Intangible assets, net	10	434	-
Right-of-use assets	11	100	
		585	-
Total assets		4,529	10
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables		301	137
Other account payables	12	359	-
Related parties	16	110	26
Current portion of lease liability	11	69	-
		839	163
NON-CURRENT LIABILITIES:			
Lease liability	11	32	-
		32	-
EQUITY:	15		
Share capital and premium		8,599	1
Subscription receivable		(9)	(1)
Other reserve		629	-
Accumulated other comprehensive income (loss)		(29)	1
Accumulated deficit		(5,532)	(154)
Total equity		3,658	(153)
Total liabilities and equity		4,529	10

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

June 12, 2020	Hamutal Yitzhak	
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE LOSS

Canadian dollars in thousands, except share and per share data

	Year ended December 31 2019	Period from May 25, 2018 *) to December 31, 2018
Revenues	554	-
Cost of sales (purchased products)	303	-
Gross profit	251	-
Operating expenses:		
Employee benefits expense	931	-
Research & development subcontractors	261	-
Share-based compensation	253	-
Consulting fees	435	-
Professional fees	500	169
Advertising	284	-
Depreciation and amortization	74	-
Investors relations	158	-
Office and miscellaneous	363	10
Total operating expenses	3,259	179
Loss before other income (expenses)	(3,008)	(179)
Other income (expenses):		
Listing expense (Note 4)	(2,356)	-
Unrealized loss on foreign exchange	(14)	-
Other income	-	25
Net loss	(5,378)	(154)
Other comprehensive income (loss):		
Amounts that will be classified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(30)	1
Total comprehensive loss for the period	(5,408)	(153)
Net loss per share attributable to equity holders of the Company (in Canadian dollars):		
Basic and diluted loss per common share	(0.11)	(0.01)
Weighted average number of shares outstanding – basic and diluted	50,395,813	29,400,019

*) Date of incorporation

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	**Amount**	**Subscription Receivable**	**Reserve - warrants**	**Reserve - options**	**Accumulated other comprehensive income (loss) **)**	**Accumulated deficit**	**Total shareholders' equity**
Balance as of May 23, 2018 *)	-	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	1	-	1
Net loss	-	-	-	-	-	-	(154)	(154)
Total comprehensive loss	-	-	-	-	-	1	(154)	(153)
Issue of share capital	29,400,019	1	(1)	-	-	-	-	-
Balance as of December 31, 2018	29,400,019	1	(1)	-	-	1	(154)	(153)
Other comprehensive loss	-	-	-	-	-	(30)	-	(30)
Net loss	-	-	-	-	-	-	(5,378)	(5,378)
Total comprehensive loss	-	-	-	-	-	(30)	(5,378)	(5,408)
Issuance of shares for reverse takeover transaction	3,538,666	885	1	-	-	-	-	886
Issuance of private placement shares, net of issuance expenses	30,000,000	6,639	-	-	-	-	-	6,639
Issuance of shares upon warrants exercise	82,160	24	(9)	(3)				12
Share issued for finder's fees	4,199,965	1,050	-	-	-	-	-	1,050
Issuance of warrants to brokers and advisers in connection with listing	-	-	-	379	-	-	-	379
Share-based compensation	-	-	-	153	100	-	-	253
Balance as of December 31, 2019	67,220,810	8,599	(9)	529	100	(29)	(5,532)	3,658

*) Date of incorporation
**) 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, 2019	Period from May 25, 2018 *) to December 31, 2018
Cash flows from operating activities:		
Net loss	(5,378)	(154)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	253	-
Financial expenses, net	2	3
Listing expense	2,315	-
Depreciation and amortization	74	-
	2,644	3
Changes in asset and liability items:		
Increase in trade receivables	(506)	-
Increase in other account receivables and prepaid expenses	(266)	-
Increase in inventories	(63)	-
Increase in trade payable	169	135
Increase (decrease) in related parties	(19)	26
Increase in other account payables	359	-
	(326)	161
Net cash provided by (used in) operating activities	(3,060)	10

*) Date of incorporation

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, 2019	Period from May 25, 2018 *) to December 31, 2018
Cash flows from investing activities:		
Purchase of property and equipment	(56)	-
Purchase of Golden Heart Ltd.'s business	(452)	-
Deposit for restricted cash	(106)	
Net cash used in investing activities	(614)	-
Cash flows from financing activities:		
Issue of Common shares, net of issue expenses	6,639	-
Lease payment	(38)	
Cash received for exercise of warrants	12	-
Net cash provided by financing activities	6,613	-
Exchange rate differences on balances of cash and cash equivalents	(40)	-
Increase in cash and cash equivalents	2,899	10
Cash and cash equivalents at the beginning of the period	10	-
Cash and cash equivalents at the end of the period	2,909	10
Non-cash transactions		
Right-of-use asset recognized with corresponding lease liability	135	-
Purchase of Golden Heart Ltd. business	100	-

*) Date of incorporation

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

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

NOTE 1: GENERAL

a. Else Nutrition Holdings Inc. (formerly: ASB Capital 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") (Note 4). 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". The Transaction represented the qualifying transaction of the Company under the policies of the Exchange.

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 markets.

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

d. 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, 2019, the Group has an accumulated deficit of $5,532. For the year ended December 31, 2019, the Group incurred total comprehensive loss of $5,408 and had negative cash flow from operations of $3,060. 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 1: GENERAL (Cont.)

e. Definitions:

In these financial statements:

Related parties	-	As defined in IAS 24.
Subsidiaries	-	Companies that are controlled by the Company (as defined in IFRS 10) and whose accounts are consolidated with those of the Company.
Group	-	The Company and its subsidiaries

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES

The 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. The consolidated financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

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

The Company has one operating cycle that does not exceed one year.

b. Consolidated financial statements:

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries). Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights are considered when assessing whether an entity has control. The consolidation of the financial statements commences on the date on which control is obtained and ends when such control ceases.

The financial statements of the Company and of its subsidiaries are prepared as of the same dates and periods. The consolidated financial statements are prepared using uniform accounting policies by all companies in the Group. Significant intragroup balances and transactions and gains or losses resulting from intragroup transactions are eliminated in full in the consolidated financial statements.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

c. Business combinations and goodwill:

Business combinations are accounted for by applying the acquisition method. The cost of the acquisition is measured at the fair value of the consideration transferred on the acquisition date with the addition of non-controlling interests in the acquiree. In each business combination, the Company chooses whether to measure the non-controlling interests in the acquiree based on their fair value on the acquisition date or at their proportionate share in the fair value of the acquiree's net identifiable assets.

Direct acquisition costs are carried to the statement of profit or loss as incurred.

Goodwill is initially measured at cost which represents the excess of the acquisition consideration and the amount of non-controlling interests over the net identifiable assets acquired and liabilities assumed. If the resulting amount is negative, the acquirer recognizes the resulting gain on the acquisition date.

d. 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”)

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).

2. Transactions, assets and liabilities in foreign currency:

Transactions denominated in foreign currency are recorded upon initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at each reporting date into the functional currency at the exchange rate at that date. Exchange rate differences, other than those capitalized to qualifying assets or accounted for as hedging transactions in equity, are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currency and measured at cost are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency and measured at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

e. Cash and cash equivalents:

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of investment or with a maturity of more than three months, but which are redeemable on demand without penalty and which form part of the Group's cash management.

f. 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.

g. 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.

Cost of inventories is determined as follows:

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

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

h. Property and equipment:

Property and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and any related investment grants and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the assets at annual rates as follows:

	%	Mainly %
Office furniture and equipment	7-33	33
Computers and peripheral equipment	33	33
Leasehold improvements	see below	

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease term (including the extension option held by the Group and intended to be exercised) and the useful life of the improvement.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The useful life, depreciation method and residual value of an asset are reviewed at least each year-end and any changes are accounted for prospectively as a change in accounting estimate. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

i. Intangible assets:

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with a finite useful life are amortized over their useful life and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Research and development expenditures:

Research expenditures are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Company's intention to complete the intangible asset and use or sell it; the ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the ability to measure reliably the respective expenditure asset during its development. As of December 31, 2019 the Group did not capitalize any research and development expenses.

The useful life of intangible assets is as follows:

	Customer relationship	**Order backlog**
Useful life	Definite (9.5-11.5 years)	Definite (5 years)
Amortization method	Straight-line	Straight-line

j. Impairment of non-financial assets:

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

The following criteria are applied in assessing impairment of goodwill:

The impairment test is performed annually, on December 31, or more frequently if events or changes in circumstances indicate that there is an impairment.

Goodwill is tested for impairment by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill has been allocated. An impairment loss is recognized if the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is less than the carrying amount of the cash-generating unit (or group of cash-generating units). Any impairment loss is allocated first to goodwill. Impairment losses recognized for goodwill cannot be reversed in subsequent periods.

k. 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).

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognizes revenue for the gross amount of the consideration. When the Company is an agent, it recognizes revenue for the net amount of the consideration, after deducting the amount due to the principal.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenue from the sale of goods:

Revenue from 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.

l. Taxes on income:

Current or deferred taxes are recognized in profit or loss, except to the extent that they relate to items which are recognized in other comprehensive income or equity.

1. Current taxes:

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

2. Deferred taxes:

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred taxes are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Deductible carryforward losses and temporary differences for which deferred tax assets had not been recognized are reviewed at each reporting date and a respective deferred tax asset is recognized to the extent that their utilization is probable.

m. Leases:

As described in 2t below regarding the initial application of IFRS 16, "Leases" ("the Standard"), the Company elected to adopt the provisions of the Standard using the modified retrospective method (without restatement of comparative data).

The accounting policy for leases applied effective from January 1, 2019, is as follows:

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

1. The Group as a lessee:

For leases in which the Company is the lessee, the Company recognizes on the commencement date of the lease a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term. In measuring the lease liability, the Company has elected to apply the practical expedient in the Standard and does not separate the lease components from the non-lease components (such as management and maintenance services, etc.) included in a single contract.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life or the lease term.

	Years	**Mainly**
Offices	2	2

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

2. Variable lease payments that depend on an index:

On the commencement date, the Company uses the index rate prevailing on the commencement date to calculate the future lease payments

For leases in which the Company is the lessee, the aggregate changes in future lease payments resulting from a change in the index are discounted (without a change in the discount rate applicable to the lease liability) and recorded as an adjustment of the lease liability and the right-of-use asset, only when there is a change in the cash flows resulting from the change in the index (that is, when the adjustment to the lease payments takes effect).

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

3. Lease extension:

A non-cancelable lease term includes both the periods covered by an option to extend the lease when it is reasonably certain that the extension option will be exercised and the periods covered by a lease termination option when it is reasonably certain that the termination option will not be exercised.

In the event of any change in the expected exercise of the lease extension option or in the expected non-exercise of the lease termination option, the Company remeasures the lease liability based on the revised lease term using a revised discount rate as of the date of the change in expectations. The total change is recognized in the carrying amount of the right-of-use asset until it is reduced to zero, and any further reductions are recognized in profit or loss.

4. Lease modifications:

If a lease modification does not reduce the scope of the lease and does not result in a separate lease, the Company remeasures the lease liability based on the modified lease terms using a revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

If a lease modification reduces the scope of the lease, the Company recognizes a gain or loss arising from the partial or full reduction of the carrying amount of the right-of-use asset and the lease liability. The Company subsequently remeasures the carrying amount of the lease liability according to the revised lease terms, at the revised discount rate as of the modification date and records the change in the lease liability as an adjustment to the right-of-use asset.

The accounting policy for leases applied before December 31, 2018, is as follows:

The criteria for classifying leases as finance or operating leases depend on the substance of the agreements and are made at the inception of the lease in accordance with the following principles as set out in IAS 17. Leases in which substantially all the risks and rewards of ownership of the leased asset are not transferred to the Group are classified as operating leases. Lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

n. Financial instruments:

1. Financial assets:

Financial assets are measured upon initial recognition at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets, except for financial assets measured at fair value through profit or loss in respect of which transaction costs are recorded in profit or loss.

The Company classifies and measures debt instruments in the financial statements based on the following criteria:

- The Company's business model for managing financial assets; and

- The contractual cash flow terms of the financial asset.

Debt instruments are measured at amortized cost when:

The Company's business model is to hold the financial assets in order to collect their contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. After initial recognition, the instruments in this category are measured according to their terms at amortized cost using the effective interest rate method, less any provision for impairment.

2. 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.

3. Derecognition of financial assets:

A financial asset is derecognized only when:

- The contractual rights to the cash flows from the financial asset has expired; or

- The Company has transferred substantially all the risks and rewards deriving from the contractual rights to receive cash flows from the financial asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset; or

- The Company has retained its contractual rights to receive cash flows from the financial asset but has assumed a contractual obligation to pay the cash flows in full without material delay to a third party.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

A transaction involving factoring of accounts receivable and credit card vouchers is derecognized when the abovementioned conditions are met.

4. Financial liabilities:

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.

5. Derecognition of financial liabilities:

A financial liability is derecognized only when it is extinguished, that is when the obligation specified in the contract is discharged or canceled or expires. A financial liability is extinguished when the debtor discharges the liability by paying in cash, other financial assets, goods or services; or is legally released from the liability.

6. Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. The right of set-off must be legally enforceable not only during the ordinary course of business of the parties to the contract but also in the event of bankruptcy or insolvency of one of the parties.

o. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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).

p. Provisions:

A provision in accordance with IAS 37 is recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense is recognized in the statement of profit or loss net of any reimbursement.

q. Employee benefit liabilities:

1. Short-term employee benefits:

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, paid sick leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus or a profit-sharing plan is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

2. Post-employment benefits:

The plans are normally financed by contributions to insurance companies and classified as defined contribution plans.

The Group has defined contribution plans pursuant to section 14 to the Severance Pay Law in Israel under which the Group pays fixed contributions and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient amounts to pay all employee benefits relating to employee service in the current and prior periods.

Contributions to the defined contribution plan in respect of severance or retirement pay are recognized as an expense when contributed concurrently with performance of the employee's services.

r. 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.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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.

s. Loss per share:

Loss per share are calculated by dividing the net loss attributable to equity holders of the Company by the weighted number of Common shares outstanding during the period.

Potential Common shares are included in the computation of diluted earnings per share when their conversion decreases earnings per share from continuing operations. Potential Common shares that are converted during the period are included in diluted earnings per share only until the conversion date and from that date in basic earnings per share. The

Company's share of earnings of investees is included based on its share of earnings per share of the investees multiplied by the number of shares held by the Company.

t. Changes in accounting policies - initial application of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

1. Initial application of IFRS 16, "Leases":

In January 2016, the IASB issued IFRS 16, "Leases" ("the Standard"), which provides guidance on the recognition, measurement, presentation and disclosure of leases and supersedes IAS 17, "Leases" ("the old Standard"), IFRIC 4, "Determining Whether an Arrangement Contains a Lease", and SIC-15, "Operating Leases - Incentives". According to the Standard, a lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

The Standard has been applied for the first time in these financial statements. As permitted by the Standard, the Company elected to adopt the provisions of the Standard using the modified retrospective method. The Company recognized lease liabilities on the initial application date of the Standard in respect of leases previously classified as operating leases according to IAS 17. The balance of the liability as of the date of initial application of the Standard is measured using the Company's incremental borrowing rate of interest on the date of initial application of the Standard whereby the carrying amount of the right-of-use assets is identical to the carrying amount of the lease liability.

According to this approach, comparative data have not been restated.

See details of the accounting policy applied from the date of initial application of the Standard in paragraph 2l above.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The initial adoption of IFRS 16 did not have a material effect on the consolidated financial statements.

4. IFRIC 23, "Uncertainty over Income Tax Treatments":

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments" ("the Interpretation"). The Interpretation clarifies the accounting for recognition and measurement of assets or liabilities in accordance with the provisions of IAS 12, "Income Taxes", in situations of uncertainty involving income taxes. The Interpretation provides guidance on considering whether some tax treatments should be considered collectively, examination by the tax authorities, measurement of the effects of uncertainty involving income taxes on the financial statements and accounting for changes in facts and circumstances in respect of the uncertainty.

The Interpretation has been initially applied in these financial statements. The initial application of the Interpretation did not have a material effect on the consolidated financial statements.

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

IFRS 3, "Business Combinations":

In October 2018, the IASB issued an amendment to the definition of a "business" in IFRS 3, "Business Combinations" ("the Amendment"). The Amendment is intended to assist entities in determining whether a transaction should be accounted for as a business combination or as an acquisition of an asset.

The Amendment consists of the following:

1. Clarification that to meet the definition of a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create output.

2. Removal of the reference to the assessment whether market participants are capable of acquiring the business and continuing to operate it and produce outputs by integrating the business with their own inputs and processes.

3. Introduction of additional guidance and examples to assist entities in assessing whether the acquired processes are substantive.

4. Narrowing the definitions of "outputs" and "business" by focusing on goods and services provided to customers.

5. Introducing an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTE 2:- SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Amendment is to be applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020, with earlier application permitted.

NOTE 3:- SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

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.

NOTE 4: REVERSE TAKEOVER TRANSACTION

In connection with the completion of the Transaction (see Note 1b), the Company consolidated its Common shares on a 5:1 basis, resulting in 3,538,666 post-consolidation shares ("post-consolidated shares") outstanding immediately prior to completion of the Transaction. The deemed value of the post-consolidation shares was $0.25 per share.

The Company issued 29,400,019 post-consolidated Common shares of the Company to the shareholders of Else GH pursuant to the share exchange between the Company and the shareholders of Else GH. All the issued and outstanding shares of Else GH immediately prior to the closing of the Transaction were exchanged at a ratio of 132.30022 post-consolidated shares for each 1.0 share of Else GH. As part of the Transaction, the Company also granted 31,165,462 share warrants to the founders of Else GH (see also Note 15).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 4: REVERSE TAKEOVER TRANSACTION (Cont.)

As part of the Transaction, the Company also completed a private placement resulting in the issuance of 30,000,000 post-consolidated Common shares of the Company at a purchase price of $0.25 per share for gross proceeds of $7,500 ("Private Placement"). The related cash issuance cost amounted to $861, and the net additions to shareholders equity amounted to $6,639.

In accordance with IFRS 3 "Business Combinations", since the shareholders of Else GH obtained control of the Company, the substance of the Transaction was a reverse takeover. The Transaction did not constitute a business combination since the Company did not meet the definition of a business under IFRS 3, as it was a non-operating company.

As a result, for accounting purposes, the Transaction is being accounted for as a reverse takeover asset acquisition with Else GH identified as the acquirer, the net assets of the Company being treated as the acquired assets and the share-based payment under IFRS 2 related to the acquisition of the public company listing. Accordingly, the consolidated financial statements are presented as a continuation of Else GH which has a financial year end of December 31. Consideration paid by the acquirer for the net assets of the Company, which was measured at the fair value of the equity issued to the shareholders of the Company, amounted to $885 (3,538,666 shares at $0.25 per share) with the excess amount paid above the fair value of the net assets acquired, treated as listing expense in the consolidated statement of loss.

In addition, finders' fees of 4,199,965 Common shares (including 3,999,965 Common shares, valued at $1,000 issued to shareholders of Else GH), valued at $1,050 and 3,237,760 warrants, valued at $379 (Note 15), have been recorded as listing expense in the consolidated statement of comprehensive loss.

The assets acquired and liabilities assumed at their fair value on the acquisition date are as follows:

	Fair value
Cash and cash equivalents	6,042
Other accounts receivables and prepaid expenses	29
Related parties	69
Trade payables	(3)
Subscription receivables	(6,179)
Net identified liabilities assumed	(42)
Fair value of 3,538,666 Common shares held by shareholders of the Company	(885)
200,000 Common shares issued to finders	(50)
Fair value of 3,999,965 shares issued at $0.25 to shareholders of Else GH as finders' fees	(1,000)
Fair value of 2,037,760 broker's share warrants exercisable at $0.25 (see also Note 15)	(79)
Fair value of 1,200,000 advisory share warrants exercisable at $0.0001 (see also Note 15)	(300)
Total listing expenses	(2,356)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 5:- BUSINESS COMBINATION

On February 14, 2019 Else GH signed an agreement the business and assets of Golden Heart Ltd., a company with CEO and shareholder in common, for a total consideration of $ 552 thousand, comprising a cash payment of approximately $ 452 thousand and a liability of $ 100 thousand, recorded as of December 31, 2019 under line item related party in the consolidated financial statements and payable in 2020.

The fair value of the identifiable assets on the acquisition date:

	Fair value
Inventories	94
Customer relations	243
Order backlog	168
Total net identifiable assets	505
Goodwill arising on acquisition	47
Total acquisition cost	552

The goodwill arising on acquisition was attributed to the expected benefits from the synergies of the combination of the activities of the Company and the acquiree.

NOTE 6:- TRADE RECEIVABLES

a. Trade receivables:

	December 31,	
	2019	**2018**
Open accounts	430	-
Checks receivable	76	-
	506	-
Less - allowance for doubtful accounts	-	-
Trade receivables	506	-

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Canadian dollars in thousands, except share and per share data

NOTE 7: OTHER ACCOUNTS RECEIVABLES AND PREPAID EXPENSES

	December 31,	
	2019	2018
Government authorities	49	-
Prepaid expenses	181	-
Advances to suppliers	36	-
	266	-

NOTE 8:- INVENTORIES

	December 31,	
	2019	2018
Raw materials	21	-
Finished goods	136	-
	157	-

NOTE 9: PROPERTY AND EQUIPMENT, NET

	December 31,	
	2019	2018
Cost:		
Computers, software and peripheral equipment	25	-
Office furniture and equipment	21	-
Leasehold improvements	10	-
	56	-
Accumulated depreciation:		
Computers, software and peripheral equipment	(3)	-
Office furniture and equipment	(1)	-
Leasehold improvements	(1)	-
	(5)	-
Net book value	51	-

Canadian dollars in thousands, except share and per share data

NOTE 10: INTANGIBLE ASSETS

a. Composition and movement:

2019:

	Customer relationship	Order backlog	Goodwill	Total
Cost:				
Balance at January 1, 2019	-	-	-	-
Additions during the year:				
Additions	243	168	47	458
Adjustments arising from translating financial statements of foreign operations	4	3	1	8
Balance at December 31, 2019	247	171	48	466
Accumulated amortization:				
Balance at January 1, 2019	-	-	-	-
Additions during the year: Amortization during the year	13	18	-	31
Adjustments arising from translating financial statements of foreign operations	1	(*	-	1
Balance at December 31, 2019	14	18	-	32
Net book value at December 31, 2019	233	153	48	434

NOTE 11:- OPERATING LEASES

The Group has entered into non-cancelable operating lease agreement of its offices that terminates in June 2021.

Many 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 11:- OPERATING LEASES (Cont.)

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

	Total right of use asset - Offices	Lease liability
As of 1 January, 2019	-	-
Additions	135	135
Depreciation	(37)	-
Payments	-	(38)
Interest	-	2
Adjustments arising from translating financial statements of foreign operations	2	2
As of 31 December, 2019	100	101

NOTE 12:- OTHER ACCOUNTS PAYABLE

	December 31, 2019	December 31, 2018
Accrued expenses	133	-
Employees and payroll accruals	226	-
	359	-

NOTE 13:- FINANCIAL INSTRUMENTS

a. 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.

b. 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 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.

NOTE 13:- FINANCIAL INSTRUMENTS (Cont.)

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. Historically, such losses have been within management's expectations.

2. 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.

NOTE 14:- TAXES ON INCOME

a. Tax rates applicable to the Group

   The Canadian corporate income tax rate was 26.5% in 2019 and 2018.

   The Israeli corporate income tax rate was 23% in 2019 and 2018.

b. Tax assessments:

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

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

   Carryforward operating tax losses and capital losses of the Group total approximately $3,691 as of December 31, 2019.

   Deferred tax assets relating to carryforward operating losses of approximately $920 and to other temporary differences of approximately $106 were not recognized because their utilization in the foreseeable future is not probable.

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

NOTE 15: EQUITY

Authorized share capital

Unlimited number of Common shares without par value.

Issuance of share capital

In connection with the Transaction (see Note 4), 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 (see also Note 4).

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.

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 a 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 a 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 15: 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.

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:

Dividend yield (%)	-
Expected volatility of the share prices (%)	31-40
Risk-free interest rate (%)	1.37-1.75
Expected life of share options (years)	3 – 5
Share price ($)	0.25-0.49

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

	2019	
	Number of options	**Weighted average exercise price**
Share options outstanding at beginning of year	-	$ -
Share options granted during the year	3,718,000	$ 0.26
Share options forfeited during the year	(153,125)	$ 0.25
Share options exercised during the year	-	$ -
Share options outstanding at end of year	3,564,875	$ 0.26
Share options exercisable at end of year	196,125	$ 0.27

The weighted average fair value for the share options granted during the year ended December 31, 2019 was $0.07.

The weighted average remaining contractual life for the share options outstanding as of December 31, 2019 was 4.40 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 15: EQUITY (Cont.)

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:

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 December 12, 2024 if the above exercise events have not occurred. As of December 31, 2019, no Key Person Warrants have vested. 31,165,462 of the Key Person Warrants are also exercisable, even if the Exercise Event has not occurred, in the following situations before Dec 2024: 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, 2019, an aggregate of 600,000 Else Key Person Additional Warrants have vested.

On June 12, 2019, the Company granted 1,200,000 advisor warrants (the "**Advisor Warrants**") as finders fee (see also Note 4). 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, 2019, an aggregate of 1,200,000 Advisor Warrants have vested.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 15: EQUITY (Cont.)

On June 12, 2019, the Company granted 2,037,760 warrants (the "**Broker Warrants**") as finders fee for the Transaction (see also Note 4). 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 an aggregate of 1,955,600 Broker Warrants have vested.

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, 2019, no Additional Advisor Warrants have vested.

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

	2019	
	Number of warrants	**Weighted average exercise price**
Share warrants outstanding at beginning of year	-	$ -
Share warrants granted during the year	40,639,249	$ 0.031
Share warrants forfeited during the year	-	$ -
Share warrants exercised during the year	(82,160)	$ 0.25
Share warrants outstanding at end of year	40,557,089	$ 0.031
Share warrants exercisable at end of year	3,755,600	$ 0.130

Of the 40,639, 249 share warrants granted in 2019, there were 31,165,462 share warrants granted to the Else shareholders as part of their exchange for their shares in Else (see also Note 4) 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.

The weighted average remaining contractual life for the share warrants outstanding as of December 31, 2019 was 4.24 years.

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

Dividend yield (%)	-
Expected volatility of the share prices (%)	31 - 37
Risk-free interest rate (%)	1.81 - 1.90
Expected life of share warrants (years)	2 - 6
Share price ($)	0.25

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

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,	
	2019	**2018**
Company controlled by director	3	-
Company with CEO and shareholder in common (see also Note 5)	107	26
Other accounts payable - Salaries	39	-
	149	26

b. Compensation and benefits to key management personnel:

	Year ended 31 December	Period from May 25, 2018 *) to December 31,
	2019	**2018**
Short-term employee benefits	599	
Consulting fees	88	-
Share-based compensation	238	-
	925	-

*) Date of incorporation

During the year ended December 31, 2019, the Company entered to an asset purchase agreement for a total consideration of $552 with Golden Heart Ltd., a company with CEO and shareholder in common (see also Note 5).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 2019	Period from May 25, 2018 *) to December 31, 2018
Revenue from dried food	242	-
Revenue from feeding accessories	312	-
	554	-

*) Date of incorporation

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

	Year ended 31 December 2019	Period from May 25, 2018 *) to December 31, 2018
Customer A	242	-
Customer B	125	-

*) Date of incorporation

Geographical information:

The revenues reported in the financial statements are attributed to Israel, based on the location of the customers.

All non-current assets are located in Israel.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

NOTE 18: SUBSEQUENT EVENTS

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

b. Since January 1, 2020 and until a date close to the date of approval of the consolidated financial statements, 1,024,912 of the share warrants outstanding on December 31, 2019 were exercised. Each warrant was exercised for one Common share of the Company at an exercise price of $0.25 per share. Subsequent to the exercise of these warrants and the issuance of the warrants described in c. below , 42,628,155 share warrants are outstanding.

c. On March 4, 2020, the Company closed financing of $8,000 through a private placement. Pursuant to the private placement, the Company will issue 12,383,900 units at a price of $0.646 per unit for gross proceeds of $8,000. 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.

d. In late 2019, a novel strain of COVID-19, also known as coronavirus, was reported in Wuhan, China. While initially the outbreak was largely concentrated in China, it has now spread to most other countries, including Canada and Israel. Infections and mortality have been reported globally. Many countries around the world, including in Canada and Israel, have significant governmental measures being implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. These measures have resulted in work stoppages and other disruptions. The extent to which the coronavirus impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration and severity of the outbreak, and the actions that may be required to contain the coronavirus or treat its impact. In particular, the continued spread of the coronavirus globally, could adversely impact our operations and workforce, including our product development, marketing and sales activities and ability to raise additional capital, which in turn could have an adverse impact on our business, financial condition and results of operation.