

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

**AS OF JUNE 30, 2020**

**(in Canadian Dollars in Thousands)**

**INDEX**

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

-----

**ELSE NUTRITION HOLDINGS INC.**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

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

August 31, 2020

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	8,251	2,909
Restricted cash	179	106
Trade receivables	387	506
Other accounts receivables and prepaid expenses	230	266
Inventories	578	157
	<u>9,625</u>	<u>3,944</u>
<b>NON-CURRENT ASSETS:</b>		
Property, plant and equipment, net	80	51
Intangible assets, net	424	434
Right-of-use assets	154	100
	<u>658</u>	<u>585</u>
Total assets	<u>10,283</u>	<u>4,529</u>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Trade payables	291	301
Other account payables	606	359
Related parties	119	110
Current portion of lease liability	108	69
	<u>1,124</u>	<u>839</u>
<b>NON-CURRENT LIABILITIES:</b>		
Lease liability	47	32
Liability in respect of share warrants	3,757	-
	<u>3,804</u>	<u>32</u>
<b>EQUITY:</b>		
Share capital and premium	16,118	8,599
Subscription receivable	-	(9)
Other reserve	1,009	629
Accumulated other comprehensive loss	(94)	(29)
Accumulated deficit	(11,678)	(5,532)
<u>Total equity</u>	<u>5,355</u>	<u>3,658</u>
<u>Total liabilities and equity</u>	<u>10,283</u>	<u>4,529</u>

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

<u>August 31, 2020</u>	<u>“Hamutal Yitzhak” (s)</u>	<u>“Sokhie Puar” (s)</u>
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

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

Canadian dollars in thousands, except share and per share data

	Six months ended 30 June,		Three months ended 30 June,	
	2020	2019	2020	2019
	Unaudited			
Revenues	507	32	210	32
Cost of sales (purchased products)	359	13	128	13
Gross profit	148	19	82	19
Operating expenses:				
Employee benefits expense	965	115	493	115
Research and development subcontractors	344	66	78	32
Share-based compensation	93	140	40	140
Consulting fees	534	12	302	4
Professional fees	363	266	194	25
Advertising	179	-	8	-
Depreciation and amortization	89	5	47	5
Investors relations	152	-	79	-
Office and miscellaneous	228	23	108	23
Total operating expenses	2,947	627	1,349	344
Loss before other expenses	(2,799)	(608)	(1,267)	(325)
Other expenses:				
Loss on foreign exchange	10	1	227	-
Revaluation of share warrants	3,337	-	3,001	-
Listing expense	-	2,356	-	2,356
Net loss	(6,146)	(2,965)	(4,495)	(2,681)
Other comprehensive loss:				
Amounts that will be classified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(65)	(79)	(37)	(79)
Total comprehensive loss for the period	(6,211)	(3,044)	(4,532)	(2,760)
Net loss per share attributable to equity holders of the Company (in Canadian dollars):				
Basic and diluted loss per common share	(0.08)	(0.09)	(0.06)	(0.07)
Weighted average number of shares outstanding – basic and diluted	76,089,815	33,153,032	80,626,967	36,864,803

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Canadian dollars in thousands, except share and per share data

	Common Shares		Subscription Receivable	Reserve - warrants	Reserve - options	Accumulated other comprehensive income (loss) *)	Accumulated deficit	Total shareholders' equity
	Number	Amount						
Balance as of January 1, 2019	29,400,019	1	(1)	-	-	1	(154)	(153)
Other comprehensive loss	-	-	-	-	-	(30)	-	(30)
Net loss	-	-	-	-	-	-	(5,378)	(5,378)
Total comprehensive loss	-	-	-	-	-	(30)	(5,378)	(5,408)
Issuance of shares for reverse takeover transaction	3,538,666	885	1	-	-	-	-	886
Issuance of shares in private placement, net of issuance expenses	30,000,000	6,639	-	-	-	-	-	6,639
Issuance of shares upon warrants exercise	82,160	24	(9)	(3)	-	-	-	12
Share issued for finder's fees	4,199,965	1,050	-	-	-	-	-	1,050
Issuance of warrants to brokers and advisers in connection with listing	-	-	-	379	-	-	-	379
Share-based compensation	-	-	-	153	100	-	-	253
Balance as of December 31, 2019	<u>67,220,810</u>	<u>8,599</u>	<u>(9)</u>	<u>529</u>	<u>100</u>	<u>(29)</u>	<u>(5,532)</u>	<u>3,658</u>
Other comprehensive loss	-	-	-	-	-	(65)	-	(65)
Net loss	-	-	-	-	-	-	(6,146)	(6,146)
Total comprehensive loss	-	-	-	-	-	(65)	(6,146)	(6,211)
Issuance of shares in private placement, net of issuance expenses	12,383,900	7,223	-	327	-	-	-	7,550
Issuance of shares upon warrants exercise	1,028,162	296	9	(40)	-	-	-	265
Share-based compensation	-	-	-	3	90	-	-	93
Balance as of June 30, 2020 (unaudited)	<u>80,632,872</u>	<u>16,118</u>	<u>-</u>	<u>819</u>	<u>190</u>	<u>(94)</u>	<u>(11,678)</u>	<u>5,355</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****Canadian dollars in thousands, except share and per share data**

	<u>Common Shares</u>		<u>Subscription Receivable</u>	<u>Reserve warrants</u>	<u>Reserve options</u>	<u>Accumulated other comprehensive income (loss) *)</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
	<u>Number</u>	<u>Amount</u>						
Balance as of January 1, 2019	29,400,019	1	(1)	-	-	1	(154)	(153)
Other comprehensive loss	-	-	-	-	-	(79)	-	(79)
Net loss	-	-	-	-	-	-	(2,965)	(2,965)
Total comprehensive loss	-	-	-	-	-	(79)	(2,965)	(3,044)
Issuance of shares for reverse takeover transaction	3,538,666	885	1	-	-	-	-	886
Issuance of shares in private placement, net of issuance expenses	30,000,000	6,639	(100)	-	-	-	-	6,539
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	-	-	-	131	9	-	-	140
Balance as of June 30, 2019 (unaudited)	<u>67,138,650</u>	<u>8,575</u>	<u>(100)</u>	<u>510</u>	<u>9</u>	<u>(78)</u>	<u>(3,119)</u>	<u>5,797</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

Canadian dollars in thousands

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
<u>Cash flows from operating activities:</u>		
Net loss	(6,146)	(2,965)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	93	140
Financial expenses, net	3	-
Depreciation and amortization	88	5
Listing expense	-	2,315
Revaluation of share warrants	3,337	-
	<u>3,521</u>	<u>2,460</u>
Changes in asset and liability items:		
Decrease in trade receivables	141	-
Decrease (increase) in other account receivables and prepaid expenses	41	(174)
Increase in inventories	(412)	-
Decrease in trade payables	(24)	(118)
Increase in related parties	4	95
Increase in other account payables	228	732
	<u>(22)</u>	<u>535</u>
Net cash provided by (used in) operating activities	<u>(2,647)</u>	<u>30</u>

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

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

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>Unaudited</b>	
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(31)	-
Deposit for restricted cash	(67)	-
Net cash used in investing activities	(98)	-
<u>Cash flows from financing activities:</u>		
Issue of Common shares and warrants, net of issue expenses	7,979	6,539
Lease payment	(53)	-
Cash received for exercise of warrants	256	-
Net cash provided by financing activities	8,182	6,539
Exchange rate differences on balances of cash and cash equivalents	(95)	(82)
Increase in cash and cash equivalents	5,342	6,487
Cash and cash equivalents at the beginning of the period	2,909	10
Cash and cash equivalents at the end of the period	8,251	6,497
<u>Non-cash transactions</u>		
Right-of-use asset recognized with corresponding lease liability	96	133

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

## NOTE 1: GENERAL

- a. Else Nutrition Holdings Inc. (the “Company” or “Else”) was incorporated under the *Business Corporations Act* of British Columbia on July 18, 2011.
- b. The Company’s shares are traded on the TSX Venture Exchange as a Tier 2 ‘Technology’ company under the trading symbol “BABY”.  
Effective December 10, 2019, the Company’s shares were listed for trading on the OTCQB International Market under the trading symbol ‘BABYF’. The Company upgraded its OTCQB listing to the OTCQX Best Market as of July 24, 2020.  
On June 12, 2020, the Company’s shares were accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol ‘OYL’.

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

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

- d. On January 23, 2020, the Company established a wholly owned subsidiary in the U.S., Else Nutrition USA, Inc., which is primarily engaged in sales and marketing.
- e. These interim consolidated financial statements have been prepared on a going concern basis, which contemplates that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. As of June 30, 2020, the Group has an accumulated deficit of \$11,678. For the six-month period ended June 30, 2020, the Group incurred total comprehensive loss of \$6,211 and had negative cash flow from operations of \$2,647. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

 Canadian dollars in thousands, except share and per share data
 

---

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

- f. In late 2019, a novel strain of COVID-19, also known as coronavirus, was reported in Wuhan, China. While initially the outbreak was largely concentrated in China, it has now spread to most other countries, including Canada and Israel. Infections and mortality have been reported globally. Many countries around the world, including in Canada and Israel, have significant governmental measures being implemented to control the spread of the virus, including temporary closure of businesses, severe restrictions on travel and the movement of people, and other material limitations on the conduct of business. These measures have resulted in work stoppages and other disruptions. Through the date of approval of these financial statements the coronavirus has not had a material effect on the Company's business activities. 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.
- g. These interim consolidated financial statements have been prepared in a condensed format as of June 30, 2020 and for the six and three months then ended ("interim consolidated financial statements"). These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2019 and for the year then ended and the accompanying notes ("annual consolidated financial statements").
- h. Definitions:

In these financial statements:

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

---

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

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

Basis of presentation of the financial statements:

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

Issue of a unit of securities:

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

**NOTE 3: EQUITY**

- a. During the six months ended June 30, 2020, 1,028,162 of the share warrants were exercised, where each share warrant was exercised for one Common share of the Company at an exercise price of \$0.25 per share.
- b. On January 14, 2020, the Company granted 100,000 incentive stock options as consideration for the services of a consultant. Such options are exercisable into one Common share of the Company at an exercise price of \$0.48 per share for a period of 5 years from the date of grant. 2 months following the effective date of the consulting agreement with such employee, these options will vest equally on a monthly basis until November 2020.
- 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 \$8,005. 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 \$7,223 (after deduction of issuance expenses totaling \$362) and a liability in respect of share for warrants at the amount of \$420. The warrants are presented at fair value using the Black & Scholes option pricing model.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Canadian dollars in thousands, except share and per share data

## NOTE 3: EQUITY (Cont.)

During the six and three months ended June 30, 2020 the Company recorded other expenses at the amount of \$3,337 and \$3,001, respectively, for revaluation of these warrants from the date of the private placement. The warrants are classified as level 3 of the fair value hierarchy.

The following table lists the inputs to the Black and Scholes model used for the fair value measurement of the above warrants as of June 30, 2020 (unaudited):

Dividend yield (%)	-
Expected volatility of the share prices (%)	50.36
Risk-free interest rate (%)	0.29
Expected life of share warrants (years)	2.18
Share price (\$)	2.10

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

Additional information on revenues:

	Six months ended June 30,		Three months ended June 30,	
	2020	2019	2020	2019
	<u>Unaudited</u>			
Revenue from dried food snacks	221	23	99	23
Revenue from feeding accessories	286	9	112	9
	<u>507</u>	<u>32</u>	<u>211</u>	<u>32</u>

## NOTE 5: SUBSEQUENT EVENTS

- a. Subsequent to the six months ended June 30, 2020, 1,492,250 of share options were granted to employees, directors and services providers. 1,390,250 at an exercise price of \$2.19 per share, 72,000 at an exercise price of \$2.10 per share and 30,000 at an exercise price of \$1.84 per share.
- b. Subsequent to the six months ended June 30, 2020, 29,748 of the share warrants were exercised, where each share warrant was exercised for one Common share of the Company. 24,748 share warrants at an exercise price of \$0.969 per share and additional 5,000 share warrants at an exercise price of \$0.25 per share.

- - - - -