
ELSE NUTRITION HOLDINGS INC.
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2024
(in Canadian Dollars in Thousands)

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ELSE NUTRITION HOLDINGS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

November 14, 2024

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

Canadian dollars in thousands

	September 30, 2024	December 31, 2023	January 1 2023
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	375	2,931	14,564
Restricted cash	557	1,003	1,180
Short term bank deposit	-	1,994	817
Trade receivables	1,230	1,340	1,495
Other accounts receivables and prepaid expenses	523	601	823
Inventories	6,705	7,258	5,910
Total current assets	9,390	15,127	24,789
LONG-TERM ASSETS:			
Property, plant and equipment, net	430	427	533
Goodwill and intangible assets, net	157	193	263
Right-of-use assets	169	322	578
Total long-term assets	756	942	1,374
Total assets	10,146	16,069	26,163
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade payables	1,630	1,719	2,199
Other account payables	1,728	1,244	923
Related parties	11	11	9
Current portion of lease liability	167	194	238
Warrants liability	111	3,283 (*)	4,072 (*)
Current maturity of convertible loan	1,476	2,435 (*)	982 (*)
Total current liabilities	5,123	8,886	8,423
LONG-TERM LIABILITIES:			
Lease liability	-	109	320
Convertible loan	-	353	1,825
Total long-term liabilities	-	462	2,145
EQUITY:			
Share capital and premium	71,961	65,948	59,716
Reserve - options	5,005	4,909	4,572
Reserve - warrants	2,903	344	219
Accumulated other comprehensive income (loss)	327	(3)	(44)
Accumulated deficit	(75,173)	(64,477)	(48,868)
Total equity	5,023	6,721	15,595
Total liabilities and equity	10,146	16,069	26,163

(*) Reclassified – see Note 2.

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

November 14, 2024	"Hamutal Yitzhak"	"Sokhie Puar"
Date of approval of the financial statements	Hamutal Yitzhak CEO and Director	Sokhie Puar Director

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
COMPREHENSIVE LOSS (UNAUDITED)**
Canadian dollars in thousands, except share and per share data

	Nine months ended 30 September,		Three months ended 30 September,	
	2024	2023	2024	2023
Revenues	6,547	6,999	1,794	1,713
Cost of sales (purchased products)	6,259	6,992	1,953	1,926
Gross profit (loss)	288	7	(159)	(213)
Operating expenses:				
Employee benefits expense	2,932	3,784	939	1,084
Research and development subcontractors	957	2,093	110	295
Share-based compensation	210	192	20	100
Consulting fees	451	663	88	107
Professional fees	733	576	407	185
Advertising	3,664	3,339	1,333	1,015
Depreciation and amortization	252	392	75	123
Investors relations	459	246	55	124
Office and miscellaneous	1,445	1,306	530	470
Total operating expenses	11,103	12,591	3,557	3,503
Loss before other income (expenses)	(10,815)	(12,584)	(3,716)	(3,716)
Other income (expenses):				
Revaluation of warrants	2,479	3,647	2,047	4,504
Gain (loss) on foreign currency	133	(1,151)	(369)	(210)
Revaluation of convertible loan	(2,495)	(425)	(640)	456
Finance expenses	(37)	4	(7)	5
Finance income	39	-	4	-
Net income (loss)	(10,696)	(10,509)	(2,681)	1,039
Other comprehensive loss:				
Amounts that will be classified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	330	745	318	184
Total comprehensive loss for the period	(10,366)	(9,764)	(2,363)	1,223
Net loss per share attributable to equity holders of the Company (in Canadian dollars):				
Basic and diluted loss per common share	(0.07)	(0.09)	(0.07)	0.01
Weighted average number of shares outstanding – basic and diluted	152,291,943	113,621,318	167,865,509	115,069,081

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**Canadian dollars in thousands, except share and per share data**

	Common Shares		Reserve	Reserve	Accumulated	Accumulated	Total
	Number	Amount	- warrants	- options	other comprehensive income (loss) *)	deficit	shareholders' equity
Balance as of January 1, 2023	112,600,220	59,716	219	4,572	(44)	(48,868)	15,595
Other comprehensive income	-	-	-	-	41	-	41
Net loss	-	-	-	-	-	(15,609)	(15,609)
Total comprehensive profit (loss)	-	-	-	-	41	(15,609)	(15,568)
Issuance of public shares, net of issuance expenses	13,000,000	1,831	121	-	-	-	1,952
Issuance of share upon conversion of convertible Loan	10,318,939	4,344	-	-	-	-	4,344
Issuance of shares upon option exercise	175,000	57	-	(12)	-	-	45
Share-based compensation	-	-	4	349	-	-	353
Balance as of December 31, 2023	<u>136,094,159</u>	<u>65,948</u>	<u>344</u>	<u>4,909</u>	<u>(3)</u>	<u>(64,477)</u>	<u>6,721</u>
Foreign currency translation	-	-	-	-	330	-	330
Net loss	-	-	-	-	-	(10,696)	(10,696)
Total comprehensive profit (loss)	-	-	-	-	330	(10,696)	(10,366)
Warrants reclassification in connection with change in functional currency (Note 2)	-	-	1,443	-	-	-	1,443
Issuance of public shares, net	13,245,033	1,361	1,116	-	-	-	2,477
Issuance of share upon conversion of convertible Loan	29,733,929	4,357	-	-	-	-	4,357
Issuance of shares upon option exercise	595,000	295	-	(114)	-	-	181
Share based compensation	-	-	-	210	-	-	210
Balance as of September 30, 2024	<u>179,668,121</u>	<u>71,961</u>	<u>2,903</u>	<u>5,005</u>	<u>327</u>	<u>(75,173)</u>	<u>5,023</u>

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED) (Cont.)**Canadian dollars in thousands, except share and per share data**

	Common Shares		Reserve warrants	Reserve options	Accumulated other comprehensive income (loss) (*)	Accumulated deficit	Total shareholders' equity
	Number	Amount					
Balance as of January 1, 2023	112,600,220	59,716	219	4,572	(44)	(48,868)	15,595
Other comprehensive income	-	-	-	-	745	-	745
Net loss	-	-	-	-	-	(10,509)	(10,509)
Total comprehensive income (loss)	-	-	-	-	745	(10,509)	(9,764)
Issuance of public shares, net of issuance expenses	5,357,990	2,638	-	-	-	-	2,638
Issuance of shares upon warrants exercise	175,000	57	-	(12)	-	-	45
Share based compensation	-	-	4	188	-	-	192
Balance as of September 30, 2023	118,133,210	62,411	223	4,748	701	(59,377)	8,706

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**Canadian dollars in thousands**

	Nine months ended September 30,	
	2024	2023
<u>Cash flows from operating activities:</u>		
Net loss	<u>(10,696)</u>	<u>(10,509)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Adjustments to the profit or loss items:		
Share based compensation	210	192
Financial expenses, net	7	24
Revaluation of convertible loan	2,495	425
Revaluation of share warrants	(2,479)	(3,647)
Depreciation and amortization	<u>252</u>	<u>392</u>
	<u>485</u>	<u>(2,614)</u>
Changes in asset and liability items:		
Increase in trade receivables	(329)	(198)
Decrease (increase) in other account receivables and prepaid expenses	(130)	277
Decrease (increase) in inventories	450	(2,809)
(Decrease) in trade payables	(39)	(221)
Increase (decrease) in other account payables	<u>494</u>	<u>(30)</u>
	<u>446</u>	<u>(2,981)</u>
Net cash used in operating activities	<u>(9,765)</u>	<u>(16,104)</u>

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Cont.)

Canadian dollars in thousands

	Nine months ended September 30,	
	2024	2023
<u>Cash flows from investing activities:</u>		
Purchase of property and equipment	(62)	-
Change in short term deposit, net	2,044	753
Change in restricted cash, net	453	(50)
Net cash provided by investing activities	2,435	703
<u>Cash flows from financing activities:</u>		
Receipt of a convertible loan and issuance of warrants	1,299	3,231
Proceeds from shares and warrants, net	2,476	-
Lease payment	(105)	(315)
Cash received for exercise of share options	181	45
Net cash provided by financing activities	3,851	2,961
Exchange rate differences on balances of cash and cash equivalents	923	917
Decrease in cash and cash equivalents	(2,556)	(11,523)
Cash and cash equivalents at the beginning of the period	2,931	14,564
Cash and cash equivalents at the end of the period	375	3,041
<u>Non-cash financing transaction</u>		
Issuance of share capital upon conversion of convertible loan	4,357	2,638
Reclassification of Warrants liability to equity in connection with change in functional currency	1,443	-

The accompanying notes are an integral part of the interim condensed 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 common shares and part of its warrants are traded on the TSX under the trading symbol of 'BABY'. The Company's common shares are also listed for trading on the OTCQX® Best Market (symbol: "BABYF") and on the Frankfurt Stock Exchange (FSE) (symbol: '0YL').
- c. The Company focuses on research, development, manufacturing, marketing and sale of innovative plant-based food and nutrition products and feeding accessories products to infant, toddler and children's markets.

The head office is located at 6 Hanechoshet Street, Tel Aviv, Israel 6971070. 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 manufacturing, sales and marketing.
- e. On May 18, 2023, the Company filed and received a receipt for a preliminary base shelf prospectus with the securities commissions in each of the provinces of Canada, excluding Quebec. The Company filed a final base shelf prospectus on November 10, 2023, and received a final receipt on November 14, 2023. The final base shelf prospectus qualifies the distribution of up to \$75,000 in any combination of common shares, warrants, subscription receipts, units, and debt securities of the Company in one or more transactions within a 25-month period from the date of final receipt. The specific terms of any offering under the base shelf prospectus will be established in a prospectus supplement, which will be filed with the applicable Canadian securities regulatory authorities in connection with any such offering. On November 21, 2023, the Company utilized \$5,005 out of the \$75,000 through a public offering of common shares and share warrants. Additionally, on July 5, 2024, the Company closed a marketed public offering and utilized an additional US\$2,000 (approximately \$2,727) of the \$75,000. Each unit comprises one common share of the Company and one common share purchase warrant. See also Note 3.
- f. On January 25, 2022 the Company established a wholly owned subsidiary in Canada, Else Nutrition Canada, Inc., which is primarily engaged in sales and marketing. The registered office of the Company is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.
- g. On December 7, 2022 the Company established a wholly owned subsidiary in Australia, Else Nutrition Australia PTY Ltd., which is primarily engaged in sales and marketing. The registered office of the Company is located at Level 6, 140 William Street, Melbourne VIC 3000.
- h. On December 19, 2022, the Company signed a convertible loan agreement with Lind Global Found II LP (Lind) in the amount of up to US \$13,750 thousand (approximately \$18,700). The convertible loan bears an annual interest of 10% with a maturity of 36 months.

On December 22, 2022 the Company received the Initial Convertible loan in the amount of US\$4,250 thousand (approximately \$5,780). The Initial Convertible Security will have a 36-month maturity date and will be convertible into Common shares of the Company after completion of a 120 day lock-up period.

Canadian dollars in thousands, except share and per share data

NOTE 1: GENERAL (Cont.)

Lind will be able to convert 1/20th of the face value (principal and accrued interest) each month at a conversion price equal to 85% of the five-day volume weighted average price of the Common shares immediately prior to each

conversion, subject to a right to increase conversions in certain circumstances, all in accordance with the loan schedule.

The outstanding principal amount of the Initial Convertible Security, after 180 days, may be repaid in cash at the discretion of the Company, with a 5% premium (the "Buy-Back Right"). Should the Company exercise its Buy-Back Right, Lind would have the option to convert up to 33% of the face value of the Initial Convertible Security into Common shares.

Following the Initial Convertible Security issuance, the Company would have the right to draw a further US\$1,250 thousand (which may be increased to US\$3,000 thousand upon mutual agreement) (the "Second Draw"), subject to the terms of the formal agreements, and thereafter an optional follow-on investment of up to US\$6,500 thousand, (the "Third Draw"), upon mutual agreement, in exchange for the issuance of additional convertible notes. The Initial Convertible Security, and each of the additional convertible notes, if applicable, will include detached warrants (the "Warrants") to purchase Common Shares.

The Company and all of its subsidiaries have granted Lind a first lien on all of the company's assets and properties including the IP.

On July 10, 2023 the Company elected to exercise its right to increase the face value of its convertible security by US\$3,000 thousand under its previously announced convertible security funding agreement with Lind (Second Draw), for additional proceeds of US\$2,500 thousand (approximately \$3,231).

On May 7, 2024, the Company elected to exercise its right to increase the face value of its convertible security by US\$1,200 thousand under its previously announced convertible security funding agreement with Lind (Third Draw), for additional proceeds of US\$1,000 thousand (approximately \$1,299).

The convertible loan is accounted for at fair value through profit and loss. During the nine months and three months ended September 30, 2024, the Company recorded financial expenses in the amounts of \$2,495 and \$640 respectively, for the revaluation of the convertible loan. As of September 30, 2024, the convertible loan is classified as level 3, with a fair value of \$1,476.

As of June 30, 2024, the Company was in default of its covenant under the Convertible Loan Agreement (the "Agreement") to maintain a minimum net cash of \$3,000. As a result of this default, Lind has the right to notify the Company declaring all outstanding obligations under the agreement to be immediately due and payable by cash or share issuance at the Company's discretion. To date, the Company has not received any such notice from Lind.

As of September 30, 2024, the total outstanding Face Value of the convertible loan to Lind was US\$ 3,930. See also Note 5.

NOTE 1: GENERAL (Cont.)

- i. These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Group will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. To date, the Group has not achieved scalable commercialization of its products. As of September 30, 2024, the Group has an accumulated deficit of \$ 75,173. For the nine months ended September 30, 2024, the Group incurred total comprehensive loss of \$ 10,366 and had negative cash flow from operations of \$ 9,765.

To preserve liquidity, the Group has withheld portions of, and delayed, payments to certain suppliers. As of September 30, 2024, these deferred and delayed payments are reflected in current liabilities.

The Group has evaluated its financial condition and liquidity sources, including available funds, and has prepared projected future cash flows for the coming twelve months. Based on current cash reserves and liquidity projections, 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, raise additional equity or debt financing, and ultimately attain and maintain profitable operations. While the Group is striving to act on these initiatives, there is no assurance that these and other strategies will be successful or sufficient to permit the Group to continue as a going concern.

The above circumstances indicate that a material uncertainty exists that may cast significant doubt as to the Group's ability to continue as a going concern. These consolidated financial statements do not reflect adjustments to the carrying values of the Group's assets and liabilities, revenue and expenses, and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements, except as described below.

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".

Change in functional currency

Management of the Company has concluded that effective as of July 1, 2024, the functional currency of the parent company of the Group is the US Dollar, instead of the New Israel Shekel ("NIS"). The parent company is essentially an investment holding company raising funds for the Group from external sources and has minimal operating expenses.

Canadian dollars in thousands, except share and per share data

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The change in functional currency results from changes that have gradually evolved over a period of time in the economic environment of the Group in which the parent company raises funds mainly in US Dollars. In accordance with IAS 21, The Effects of Changes in Foreign Exchange

Rates, the effects of the change in the functional currency of the parent company are accounted for prospectively from July 1, 2024.

Prior to July 1, 2024, the parent company issued certain warrants to investors with an exercise price denominated in US Dollars. As the functional currency of the parent company was the NIS, these warrants were accounted for as a financial liability measured at fair value with changes in fair value recorded in profit or loss. Due to the change in functional currency, these warrants are now accounted for as equity instruments at their fixed amount as of July 1, 2024. Accordingly, on July 12, 2024, these warrants with a carrying amount of \$1,443 were reclassified from current liabilities to "Reserve – Warrants" in equity according to the functional currency change (see note 3).

Disclosure of new standards adopted during the year:

Amendment to IAS 1, "Presentation of Financial Statements":

In January 2020, which was further amended in October 2022, the IASB issued an amendment to IAS 1, Classification of Liabilities as Current or Non-Current to clarify the requirements for classifying liabilities as current or non-current. According to the amendment, the conversion option of a liability affects the classification of the entire liability as current or non-current unless the conversion component is an equity instrument. The new guidance is effective for annual periods starting on or after January 1, 2024 and must be applied retrospectively.

The Company has warrant liability and a portion of a convertible loan which can be immediately converted to common shares of the Company. Accordingly, as a result of the above amendment, warrants liability and convertible loan in the amount of \$3,283 and \$2,435 respectively as of December 31, 2023, and \$4,072 and \$982 respectively, as of January 1, 2023, were reclassified from long-term liabilities to current liabilities in the Company's consolidated statements of financial position.

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The Amendments are effective for annual reporting periods beginning on or after January 1, 2024.

The Amendments did not have a material impact on its consolidated financial statements.

IFRS 18, "Presentation and Disclosure in Financial Statements":

In April 2024, the International Accounting Standards Board ("the IASB") issued IFRS 18, "Presentation and Disclosure in Financial Statements" ("IFRS 18") which replaces IAS 1, "Presentation of Financial Statements".

IFRS 18 is aimed at improving comparability and transparency of communication in financial statements.

IFRS 18 retains certain existing requirements of IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information.

IFRS 18 does not modify the recognition and measurement provisions of items in the financial statements. However, since items within the statement of profit or loss must be classified into one of five categories (operating, investing, financing, taxes on income and discontinued operations), it may change the entity's operating profit. Moreover, the publication of IFRS 18 resulted in consequential narrow scope amendments to other accounting standards, including IAS 7, "Statement of Cash Flows", and IAS 34, "Interim Financial Reporting".

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, and is to be applied retrospectively. Early adoption is permitted but will need to be disclosed.

The Company is evaluating the effects of IFRS 18, including the effects of the consequential amendments to other accounting standards, on its consolidated financial statements.

NOTE 3: EQUITY

a. Issuance of share capital:

On January 3, 2024, the Company issued 2,464,634 common shares to Lind Global Fund II LP, as the eighth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$540 (US\$405 thousand).

On February 2, 2024, the Company issued 3,023,631 common shares to Lind Global Fund II LP, as the ninth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$542 (US\$405 thousand).

On March 8, 2024, the Company issued 2,568,734 common shares to Lind Global Fund II LP, as the tenth payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$545 (US\$405 thousand).

Canadian dollars in thousands, except share and per share data

NOTE 3: EQUITY (Cont.)

On June 3, 2024, the Company issued 3,069,643 common shares to Lind Global Fund II LP, as the eleventh payment of the convertible loan according to the loan schedule including

accrued interest. The number of common shares represents an amount of \$552 (US\$405 thousand).

On July 3, 2024, the Company issued 3,182,192 common shares to Lind Global Fund II LP, as the twelve payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$554 (US\$405 thousand).

On August 1, 2024, the Company issued 5,285,594 common shares to Lind Global Fund II LP, as the thirteen payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$559 (US\$405 thousand).

On September 3, 2024, the Company issued 10,139,501 common shares to Lind Global Fund II LP, as the fourteen payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$547 (US\$405 thousand).

On July 5, 2024, the Company closed a marketed public offering of 13,245,033 units at a price of US\$0.151 per unit for aggregate proceeds of US \$2,000 (approximately \$2,727). Each unit comprises one Common share of the Company and one Common share purchase warrant. The Company incurred issuance expenses amounted to \$251, including US\$140 thousand advisory fees to the broker and 927,125 broker warrants as underwriting fees. Each warrants entitling the holder to purchase one share at a price of US \$0.151 per share for a period of five years.

As a part of the Company closing financing round on July 5, 2024, the Company Board of Directors approved the amendment of the terms of 2,857,142 Warrants granted during June 2022 (see also note 3c) and 13,000,000 warrants granted during November 2023 to an exercise price of US\$0.151 per share and extension for a period of five years until July 5, 2029.

b. Stock Options:

On March 5, 2024, the Company issued an aggregate of 1,405,000 incentive stock options to the Company's employees, and directors. Each option is exercisable into one Common Share at a price of \$0.26 per share for a period of five years from the date of grant. The total stock options will follow two different vesting schedules of the total options granted: (A) 1,080,000 options granted will be subject to 36 months vesting schedule as follows: 1/3 of such options vest on the first-year anniversary, the remaining 2/3 of such options vest in equal amounts each month for the next 24 months. (B) 325,000 options granted are subject to 24 months vesting schedule as follows: 12.5% vest upon completion of each quarter (up to 100% in 24 months). The stock options with a fair value of \$232 as of March 5, 2024.

On April 18, 2024, the Company issued an aggregate of 330,000 incentive stock options to the Company's consultant. Each option is exercisable into one Common Share at a price of \$0.29 per share for a period of two years from the date of grant. The total stock options are fully vested from the date of the grant. The stock options with a fair value of \$70 as of April 18, 2024.

Canadian dollars in thousands, except share and per share data

NOTE 3: EQUITY (Cont.)

During the nine months ended September 30, 2024, 595,000 stock options were exercised. 265,000 of such options were exercised for one Common share of the Company at an exercise price of \$0.32 per share. 330,000 of such options were exercised for one Common share of the Company at an exercise price of \$0.29 per share.

The following table lists the inputs to the Black-Scholes option pricing model used for the fair value measurement of the above stock options that are not publicly traded (unaudited):

	Nine months ended September 30, 2024
Dividend yield (%)	-
Expected volatility of the share prices (%)	100.24-118.59
Risk-free interest rate (%)	2.12-3.92
Expected life of share warrants (years)	2-5
Share price (\$)	0.26

c. Share Warrants:

On May 8, 2024, the Company granted 4,159,886 Warrants as a part of the third drawdown in the convertible loan agreement. Each Warrant entitles the holder to acquire one Common Share of the Company at a nominal consideration of \$0.32019 per share for a period of three years following the date of grant. As of September 30, 2024, an aggregate of 4,159,886 Warrants have been vested and are outstanding. As the exercise price of the warrants is denominated in Canadian dollars, which is not the functional currency of the Company, the warrants are presented at fair value through profit or loss.

As a part of the Company closing financing round on November 21, 2023, the Company Board of Directors approved the amendment of the terms of 2,857,142 Warrants granted during June 2022 to exercise price of \$0.485 per share and extension for a period of five years until November 21, 2028, subject to obtaining final approval from the Toronto Stock Exchange, TSX. The approval was obtained in 2024. As a part of the Company closing financing round on July 5, 2024, (See also note 3a) the Company Board of Directors approved the amendment of the terms of 2,857,142 Warrants granted during June 2022 to an exercise price of US\$0.151 per share and extension for a period of five years until July 5, 2029.

During the nine and three months ended September 30, 2024, the Company recorded other income in the amount of \$1,246 and \$1,293, respectively, for the revaluation of liability Warrants from December 2022, July 2023, and May 2024, convertible loan. The Warrants with a fair value of \$48 as of September 30, 2024, are classified as level 3.

During the nine and three months ended September 30, 2024, the Company recorded other income in the amount of \$322 and \$181 respectively, for the revaluation of liability warrants from the October 2021 public offering. The public warrants with a fair value of \$60 as of September 30, 2024, are classified as level 1.

During the nine months and three months ended September 30, 2024, the Company recorded other income in the amount of \$404 and \$326 respectively, for the revaluation of liability warrants from the June 2022 offering. The warrants with a fair value of \$2 as of September 30, 2024, are classified as level 3.

Canadian dollars in thousands, except share and per share data

NOTE 3: EQUITY (Cont.)

During the nine months ended, September 30, 2024, 460,280 share Warrants expired.

The following table lists the inputs to the Black-Scholes option pricing model used for the fair value measurement of the above warrants that are not publicly traded (unaudited):

	<u>September 30, 2024</u>
Dividend yield (%)	-
Expected volatility of the share prices (%)	90.38-95.12
Risk-free interest rate (%)	2.79-2.89
Expected life of share warrants (years)	2.23-3.6
Share price (\$)	0.03

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

	<u>Number of warrants</u>	<u>Weighted average exercise price (in \$)</u>
Warrants outstanding as of December 31, 2023	68,802,931	0.58
Warrants granted during the period	18,332,051	0.23
Warrants expired during the period	<u>(460,280)</u>	<u>1.05</u>
Warrants outstanding as of September 30, 2024	<u>86,674,702</u>	<u>0.42</u>
Warrants exercisable as of September 30, 2024	<u>54,873,210</u>	<u>0.67</u>

Out of the 86,674,702 outstanding warrants, 62,480,819 are classified as equity instruments, and the remaining 24,193,883 are classified as liability instruments.

NOTE 4: - ADDITIONAL INFORMATION TO PROFIT OR LOSS ITEMS

Additional information on revenues:

	<u>Nine months ended September 30,</u>		<u>Three months ended September 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<u>Unaudited</u>			
Revenue from formula	5,905	6,260	1,581	1,463
Revenue from dried food snacks	290	307	109	121
Revenue from feeding accessories	<u>352</u>	<u>432</u>	<u>105</u>	<u>129</u>
	<u>6,547</u>	<u>6,999</u>	<u>1,795</u>	<u>1,713</u>

NOTE 5: SUBSEQUENT EVENTS

On October 1, 2024, the Company issued 22,145,461 common shares to Lind Global Fund II LP, as the fifteen payment of the convertible loan according to the loan schedule including accrued interest. The number of common shares represents an amount of \$629 (US\$465 thousand).

On October 21, 2024, the Company reached a settlement agreement and mutual file release with American Nutritional Corporation ("ANC") in which both parties waive their claims, and the Company will pay a total amount of USD 145,000 (approximately \$202). in three tranches of USD 48,333. The first tranche has already been paid upon execution, the second tranche is payable following 90 days and the third following 180 days (See also NOTE 18: CONTINGENT LIABILITIES in the December 31, 2023 annual consolidated Financial Statements).