Management's Discussion and Analysis of Financial Condition
And Results of Operations of

ELSE NUTRITION HOLDINGS INC.

For the nine-months ended September 30, 2024

(Expressed in Canadian Dollars in Thousands)

November 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("**MD&A**") is a review of the results of operations, current financial position and outlook of Else Nutrition Holdings Inc. (referred to herein as the "Company", "**Else**", "**we**", "**us**" or "**our**"). Unless otherwise noted, reference to the Company includes its subsidiaries. This MD&A should be read in conjunction with the Company's unaudited consolidated interim financial statements and accompanying notes for the nine-months ended September 30, 2024 (the "**Interim Financial Statements**"), as well as our audited annual consolidated financial statements and accompanying notes for the year ended December 31, 2023 and the related annual MD&A.

The financial information contained in this MD&A and in our Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. Unless otherwise noted, all dollar amounts are expressed in thousands of Canadian dollars except with respect to share amounts.

See "*Forward-Looking Statements*" and "*Risk Factors*" for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those indicated or underlying forward-looking information as a result of various factors, including those referred to under the heading "Risk Factors" and elsewhere in this MD&A.

Additional information relating to our Company, including our most recent annual information form is available on SEDAR+ at www.sedarplus.com or the Company's website at www.elsenutrition.com.

DESCRIPTION OF BUSINESS

The Company was incorporated on July 18, 2011 under the *Business Corporations Act* (British Columbia) under the name ASB Capital Inc. and was classified as a Capital Pool Company, as such term is defined in Policy 2.4 - *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange ("**TSX-V**"). The Company's head office is located at 6 Hanechoshet St., Tel Aviv, Israel, 6971070, and its registered and records office is located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. The Company also maintains an office in British Columbia at 1048 165th Street, Surrey, British Columbia, V4A 9A2. The Company's website is www.elsenutrition.com. Information contained on the Company's website is not incorporated into this MD&A.

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

Prior to the Transaction, the Company was classified as a Capital Pool Company as defined in the TSX-V Policy 2.4 with its shares listed on the NEX trading board of the TSX-V. Upon completion of the Transaction, the Company's shares began trading on the TSX-V 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 TSX-V.

Effective December 10, 2019, the Company's common shares were listed for trading on the OTCQB International Market under the trading symbol 'BABYF'. The OTCQB International Market is a venture market operated by the OTC Markets Group and designed for early-stage and developing U.S. and international companies. The Company upgraded its OTCQB listing to the OTCQX® Best Market as of July 24, 2020.

On June 12, 2020, the Company's common shares were also accepted for listing on the Frankfurt Stock Exchange (FSE) under the trading symbol '0YL'.

On January 25, 2022, the Company's common shares and warrants commenced trading on the Toronto Stock Exchange ("**TSX**") under the trading symbols of 'BABY', 'BABY.WT' and 'BABY.WT.A'. In connection with the TSX listing, the Company's common shares and warrants were concurrently delisted from the TSX-V. The warrants listed for trading under the symbol 'BABY.WT' expired on October 6, 2022.

The Company is a developer of innovative food products and formula nutrition for infants, toddlers, kids, and adults. It currently has seven product lines that are either commercialized or in development. Five of these product lines are the proprietary 100% plant-based non-dairy and non-soy nutrition products (collectively, "**Else Formula**"): (i) plant-based baby formula products for the 'infant formula' market (between 0 to 1 year old); (ii) plant-based formula products for the 'toddler nutrition' market (between 1 to 3 years old); (iii) the 'kids nutrition' market (3-12 years old); (iv) the 'adult nutrition' market; and (v) complementary food products for babies (6 months and older). These five products lines are intended to be 100% plant-based, clean-label, non-GMO, natural, and gluten, dairy, and soy free alternatives to baby, toddler, kids, and adult nutrition and foods. Most of the products are organic.

The Company also operates and generates revenue from two product lines which were acquired by the Company from Golden Heart F.M.C.G. Ltd. and are comprised of the following:

1) 'baby snacks' – vegan-friendly snack products for the baby and toddler food market; and

2) 'baby feeding accessories' – baby feeding bottles and teats (sterile and non-sterile).

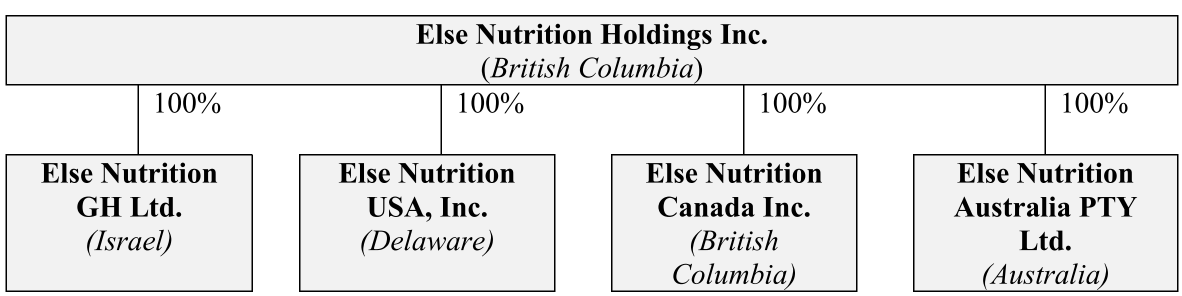
See the heading "*Overall Performance*" below for additional information with respect to each product line.

On January 23, 2020, Else Nutrition USA, Inc. ("**Else Nutrition USA**"), a private company, was incorporated in the State of Delaware. Else Nutrition USA is a wholly-owned subsidiary of the Company.

On January 25, 2022, Else Nutrition Canada Inc., a private company, was incorporated in the Province of British Columbia. Else Nutrition Canada Inc. is a wholly-owned subsidiary of the Company.

On December 7, 2022, Else Nutrition Australia PTY Ltd., a private company, was incorporated in Australia. Else Nutrition Australia PTY Ltd. is a wholly-owned subsidiary of the Company.

The chart below sets out the intercorporate relationship between the Company, Else Nutrition GH, Else Nutrition USA, Else Nutrition Canada Inc., and Else Nutrition Australia PTY Ltd.:



Commercial Highlights

International Patents Portfolio and Regulatory Assessments

As of the date of this MD&A, through its subsidiary, Else GH, the Company holds international patent applications under the Patent Cooperation Treaty WO/2014/125485 non-dairy formulae and WO/2021/234715 - nut and non-dairy components having reduced trace element content, compositions comprising them and processes for their production, and WO/2023/152741 non-dairy formulae for use in improving growth and tolerance in a subject in need thereof.

Under WO/2014/125485, the Company obtained intellectual property protection for its product composition through 27 (the number is reduced as we decided to abandon few countries of Euarasia granted patents in 14 countries (including Australia, Eurasia [two jurisdictions], Israel, Korea, Japan, Mexico, Ukraine, the United States, South Africa, India, Chile, New Zealand and Canada) with additional 44 patent applications pending in 44 countries (including, Australia, Brazil, Canada, China, Hong Kong, Europe [will be designated in all 37 European countries], Korea, Mexico, and the United States). The patents are valid through 2034, and cover non-dairy almond-based formulas used for the preparation of infant or toddler formula and other types of supplemental or functional food for other age groups, involving a composition comprising almond and at least one non-dairy component comprising all essential amino acids for use in the nutrition of an infant and/or a toddler and for use in whole balance nutrition of a subject, whether an infant, toddler, child, adolescent, adult, elderly person at any health or physical condition. The WO/2021/234715 patent application is directed to plant-based components, having reduced trace element contents, food products and nutritional compositions comprising them and methods for their preparation. This patent application is pending for examination in 18 countries. The WO/2023/152741 patent application covers different uses and benefits supported in our studies. This patent application is pending for examination in 4 countries.

For additional information on the scope of the patents, please refer to: (i) the heading "*Intellectual Property and Proprietary Protection*" in the Company's filing statement dated May 14, 2019 prepared in connection with the RTO (the "**Filing Statement**"); and (ii) the heading "*Intellectual Property*" in the Company's annual information form for the year ended December 31, 2023, dated as of April 1, 2024 (the "**AIF**"). The Filing Statement and AIF may be accessed on the Company's SEDAR+ profile at www.sedarplus.com.

Below is a description of the Company's intellectual property and regulatory developments during the interim period ended September 30, 2024.

Trademarks

The Company holds a registered "ELSE" trademark in 64 countries (including Albania, Armenia, Australia, Azerbaijan, Bosnia and Herzegovina, Brazil, Bhutan, Belarus, Canada, Switzerland, Colombia, Cuba, European Union [27 countries], UK, Iceland, India, Israel, Japan, Korea, Liechtenstein, Mexico, Monaco, Moldova, Montenegro, Republic of North Macedonia, Mongolia, Malaysia, Norway, New Zealand, Philippines, Serbia, Russian Federation, Singapore, San Marino, Turkey, Turkmenistan, Ukraine, United States).

The Company holds a registered trademark for "ELSE NUTRITION" in the U.S. and Turkey.

Strategic Marketing and Distribution Partnerships

Throughout July, August, and September 2024, the Company continued its product expansion in Canada and the United States and provided the following updates:

- The Company's full range of products are now available through Navy Exchange Service Command (NEXCOM), a retail store chain owned and operated by the United States Navy. NEXCOM offers a variety of goods and services to active military personnel, retirees, and certain civilians on Navy installations in the United States, overseas Navy bases, and aboard Navy ships.
- Walmart.ca (online in Canada) is now offering the Company's products.
- Bristol Farms, a Southern California grocery store, now carries the Company's ready-to-drink kids shakes in chocolate and vanilla flavors at all 19 locations.

OVERALL PERFORMANCE

The Company continues to generate revenue from its baby snacks and baby accessories product lines. Since the third fiscal quarter in 2020, the Company has been generating revenue from its Else Nutrition Toddler Formula line. See "*Else Formula – Toddlers*". During the second quarter of 2021, the Company launched its protein shake under the Else Formula Kids nutrition product line. See "*Else Formula – Kids*". Since its third fiscal quarter in 2020, the Company has entered into distribution agreements with various brick-and-mortar and online retailers to increase its sales flow and customer base. See the heading "*Strategic Marketing and Distribution Partnerships*" for more information.

Currently, consumers may purchase Else Nutrition formula products online or in-person at various brick-and-mortar retail chains located across the U.S and Canada. See the headings "*Strategic Marketing and Distribution Partnerships*" and "*Overall Performance – Toddlers*" for a description of these channels. On October 8, 2021, the Company announced that it received a U.S. notice of allowance on the composition of its proprietary formulation, for use in functional food.

The Company plans to continue expanding its marketing and sales endeavors in the Canadian, United States, European, Australian, and Israeli markets. The Company launched sales in Canada on Amazon.ca and in natural food, grocery, and drug retail stores during the third quarter of 2022. The Company launched its own Canadian online e-store in the second quarter of 2023. In the near future, the Company also intends to expand its customer base beyond the North American market by partnering with local distributors in other jurisdictions as well as international online e-commerce platforms. With respect to the European marketplace, the Company launched the sale of its toddler product in the fourth quarter of 2023 in the United Kingdom and plans to expand to additional markets such as Germany, France, Italy, Spain, the Netherlands, and Sweden. In the United Kingdom the Company has products available for sale in dozens of natural food stores and plans to start selling on Amazon and in Grocery and Drug retailers. The Company also entered the Australian market in the first quarter of 2024. The initial launch was via Amazon and the healthylife.com.au e-store (part of the Woolworths Retail Group), to be followed by other online retailers, independent stores and later also in drug and grocery chains. The Australian market may also be a gateway to the Chinese market following a successful launch and branding. The Company decided to pause its efforts to penetrate the Chinese market via e-commerce due to the current financial market situation, and the high-cost estimation for market penetration via e-commerce in the upcoming years. Launching in new markets are mainly relating to the Company's ability to raise additional funds.

The Company intends to maintain responsibility for the designs of the product packaging for its branded line of products. Product packaging design will be localized by the geographic market and the local language. The design, size and availability of the respective products may differ between various markets.

The Company has funded its operations with proceeds from revenue as well as equity financings, and it expects to seek additional funding through equity or debt financings and partnership collaborations to finance its product development, the Else Formula product portfolio, and corporate growth. However, if the Company's product development and commercial activities do not show positive progress, or if the capital markets generally or with respect to the food tech and "better for you" sectors or development stage companies are unfavorable, the Company's ability to obtain additional funding may be adversely affected.

The Company has experienced delays in certain research and development milestones throughout 2023 and 2024. During the years ended 2022 and 2023 the continuous infant formula shortage crisis in the U.S. (in which multiple recall events of leading infant nutrition brands occurred) posed another delay in the Company's ability to start the clinical growth study. This was a result of the Company's inability to source a control formula for the study's comparator arm and the overload of work that the U.S. Food and Drug Administration (the "**FDA**") faces with the enforcement discretion to allow infant formula brands from outside the U.S. to be marketed in the U.S. as part of the crisis management. Therefore, the Company expects and faces ongoing delays in FDA reviewing process and long waiting times for input and responses required to execute next steps bringing the infant formula to market. Since the first quarter of 2023, the Company has been in continuous discussion with the FDA regarding study protocols, pre-clinical studies and the composition of the Company's product formula. Unfortunately, until the date of this MD&A, two years from the preclinical study report submission, the Company did not receive confirmation from the FDA on its preclinical study, though all requested information was provided. Moreover, the FDA has not yet responded to pivotal questions regarding the preclinical study, which is a limiting step toward the initiation of the clinical safety study, and the FDA has been unwilling to review the clinical study protocol and further communicate on this matter with the Company. This delay in FDA communication causes major limitations in progressing with the infant formula development. Since the FDA's decision to discontinue additional reviews, leaving unanswered questions and unclarity on a novel regulatory pathway creates a major obstacle in the Company's infant formula development. The Company started a lobbying process which will also include legal involvement to reverse this decision and hopes to obtain an explanation from the FDA, along with clarity and full transparency regarding the FDA's expectations from an innovative infant formula.

Recently, the FDA itself assigned two projects to the National Academies of Sciences, Engineering, and Medicine, looking at challenges in supply, market competition, and regulation of infant formula in the United States. Those projects aim to compare the US regulation for infant formula with regulations in other countries, such as Europe, Canada and Australia/New Zealand, including a deep examination of the science regarding methodologies for assessing the biological quality of protein (preclinical study) and for assessing the ability of an infant formula to support normal physical growth (clinical study).

The Company experienced transportation delays and cost increases due to the global supply chain crisis. Both delays and cost increases impacted the Company's sales and gross profit margin.

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions.

Else Formula

The Company successfully launched its toddler (12-36 months old) product in August 2020 and continues to undertake efforts towards successfully commercializing the Else product lines geared towards the infant (0-12 months old) market segment. Under its kids nutrition product line (2 years+) the Company successfully launched two products in June 2021. In March 2022 the Company launched its new Toddler Omega product line and in April 2022 the Company launched its Super Cereal line of products for babies over the age of 6 months. In November 2023, the Company launched a ready-to-drink liquid version of the Else Formula kids products for both U.S. and Canadian markets.

As of the date of this MD&A, management intends to expand the intended market segment to include adult nutrition. The Company plans to develop, on the base of the Else IP, a series of plant-based, clean-label, whole-balanced meal products in different food categories, and to commercialize a line of ready-to-drink adult products in the U.S. and Canada in 2025.

Toddlers

The Company has executed its strategy to implement a number of e-commerce and brick-and-mortar distribution channels in the U.S., Canada, United Kingdom and Australia. The Else Formula toddler nutrition product line began generating revenue during the second quarter of 2020 and was first launched in the United States and Canadian markets in August 2020.
During the third quarter of 2023, the Company launched in the United Kingdom, and during the first quarter of 2024 in Australia, both via online channels. To date, the Company did not record any material revenue in those markets and the ability to achieve significant market share is mainly related to the Company's ability to support marketing activities in these markets which is directly dependent in the company’s ability to raise additional funds.
The company is engaged with local distributors in several South American and other smaller markets for distribution of its products.

Toddler Omega

Following the success of the strong market response to its Organic Plant-Based Complete Nutrition for Toddlers, the Company formulated Else™ Toddler Omega, its first Else toddler product to have added Omega 3 and Omega 6 fatty acids that support brain and eye development, designed to optimize essential fatty acids, making it complete and balanced. The product was launched on Amazon.com in March 2022, and on the Company’s e-store in May 2022, followed by retail distribution in select retail outlets. This product has been offered by several online and brick-and-mortar U.S. retailers since 2023.

With essential Omega 3 and Omega 6 fatty acids for brain development, high-quality plant-based protein from almonds, buckwheat and supplemented with additional free amino acids and over 20+ vitamins and minerals, Else™ Toddler Omega is a complete and balanced plant-based, clean-label, non-GMO, soy-free, gluten-free, non-organic nutritional drink for toddlers aged 12-36 months. It is designed to support a toddler’s growth and development, as well as promote natural digestion, through its combination of whole food ingredients: almond, buckwheat, and tapioca.

As some of its ingredients are non-organic, the product is also priced to attract a wider audience and is already selling very strongly.

The company works to introduce a premium version of the Toddler Omega product that is produced in Europe.

Infants

The Else Formula offered in the ‘infant formula’ product category, refers to a manufactured substitute for breast milk for feeding babies under 12 months. Currently, the infant formula has been commercially produced, however it is still in the research and development stage in terms of regulatory approval. The “pilot stage” where, among other things, a pilot batch manufactured for testing the product’s sensory and physical characteristics and for production efficiency has been completed and further improvements were evaluated. Developments and improvements of the infant formula ingredients were made in lab and pilot. scale. On October 13, 2021, the Company announced that it completed the first commercial trial run of its infant formula for infants between the ages of 0-12 months.

As of the date of this MD&A, the Company is working to obtain GRAS (Generally Recognized as Safe) status for its ingredients and has conducted two preclinical safety studies that demonstrated proper growth, similar to dairy-based infant formula, in a neonatal preclinical model, as well as the quality of the infant formula protein. The first preclinical study examined proper growth, similar to dairy-based infant formula, in a neonatal preclinical model, which is a key first step on the approval path with the FDA, as well as with other regulatory authorities, to demonstrate safety and nutrient bioavailability of the infant formula and its ingredients. The results of the study have been presented in two key scientific meetings focused on pediatric nutrition and were also recently published in scientific peer-reviewed journals. To our consultants' understanding, the third study demonstrated the quality of the infant formula protein in a preclinical model as part of the FDA requirements for new infant formula to be marketed in the U.S.

The Company prepared for the clinical study and received approval from the Institutional Review Board (the ethical committee) for the infant growth study protocol testing of the Else Infant Formula. The Company is seeking FDA regulatory approval for the Else Formula product for infants in the United States. In February 2023, the Company announced that as a final step before initiating the study, the Company submitted the preclinical studies results as well as the infant growth study protocol to the FDA for review and is in discussion with the FDA for the infant formula optimization prior to the clinical study initiation. Unfortunately, up to the date of this MD&A, being two years from the preclinical study report submission, the Company has not received confirmation from the FDA regarding its preclinical study, though all requested information was provided. Moreover, the FDA has not yet responded to pivotal questions regarding the preclinical study, which is a limiting step toward the initiation of the clinical safety study, and the FDA has been unwilling to review the clinical study protocol and further communicate on this matter with the Company. This delay in FDA communication causes major limitations with the infant formula development.

Since the FDA’s decision to discontinue additional reviews, this leaves unanswered questions and ambiguity on a novel regulatory pathway which creates a major obstacle in the Company’s infant formula development. The Company started a lobbying process which will also include legal involvement to reverse this decision and hopes to obtain an explanation from the FDA, along with clarity and full transparency regarding the FDA’s expectations from an innovative infant formula.

Recently, the FDA itself assigned two projects to the National Academies of Sciences, Engineering, and Medicine, looking at challenges in supply, market competition, and regulation of infant formula in the United States. Those projects aim to compare the US regulation for infant formula with regulations in other countries, such as Europe, Canada and Australia/New Zealand, including a deep examination of the science regarding methodologies for assessing biological quality of protein (preclinical study) and for assessing the ability of an infant formula to support normal physical growth (clinical study).

In addition, the Company is seeking to approve the suitability of its ingredients as protein sources for infant and follow-on formulas in different countries, such as European countries. The Company plans to use the data generated in current processes for regulatory approval in additional territories in the future.

Complementary Nutrition for Babies – Super Cereal

The Company has launched a line of Super Cereal products in four (4) flavors for use by babies from 6 months and older as complementary nutrition under the baby food regulation. This Super Cereal product line is the first U.S. baby cereal line to receive the clean label purity award certification, which ascertains it is safe of heavy metals, contaminants, and pesticides. As expected, this new line of products was launched in the U.S. during the third quarter of 2022 on amazon.com and on Else's own website, and already in many stores around the U.S. This product is also available for purchase in Canada, online and in-stores.

Kids

The research and development and commercial scale-up of the Else Formula powdered product line for kids ages 2-12 years old was completed in the first quarter of 2021. This product features nutrition shakes for kids based on a composition which is used for the Else Formula.

On June 17, 2021, the Company launched the first two plant protein-based shakes for kids which can be used as a milk alternative, meal replacement, or served alongside meals, mixed into recipes such as smoothies, pancakes and muffins, among others. The shakes based on plant proteins come in two flavors, vanilla and chocolate and are packaged in 16 oz powder cans.

Else e-store and Amazon.com are selling Else Kids products in the U.S. since June 2021, iHerb started to sell Else's Kids products in the U.S. and internationally in October 2021. All other online platforms also started selling Else's Kids products during the fourth quarter of 2021 or early 2022.

On September 21, 2021, the Company announced that it launched two additional new flavors of its complete nutrition shakes for kids, banana chia and mango chia, giving parents even more sustainable, clean-label, whole-food-based options.

On August 2021, the Company announced it has completed its first full-scale commercial trial manufacturing run of its ready-to-drink liquid version of the Else Formula kids product line.

The Company launched a ready-to-drink liquid version of the Else Formula kids products in two flavours, vanilla and chocolate, in the fourth quarter of 2023, in both the U.S. and Canada. The products are available through Amazon, on the Company's e-stores, on Walmart.com, Costco.ca, and in multiple grocery chains in North America such as HEB, Meijers, Wegman's, Loblaws etc. The company will announce additional listings with leading companies in the coming months.

The company released this summer a non-organic version of its Kids Shakes (in powder form), with improved taste and a better value.

Baby Snacks Products

The baby snacks products are currently marketed and sold exclusively in Israel under the HEART brand in many retails' grocery and drugs stores and/or on their respective online websites. This product line represented about 6% of the Company's revenue in the third quarter of 2024.

The Company's management maintains customer relationships with major grocery and drug retailers through its distributor in Israel. The Company expects to continue to manufacture the baby snacks product line in Israel for the foreseeable future.

The Company will continue its present sales and distribution practices in Israel. In the long-term, the Company may offer the baby snacks products in other markets using major offline and online retail channels, both directly and/or via distributors.

Baby Feeding Accessories Products

The baby feeding accessories product line includes sterile and non-sterile baby feeding bottles and disposable sterile nipples (teats). This product line represented about 6% of the Company's revenue in the third quarter 2024. Else's baby feeding accessories are tailored to the needs of Israeli institutional customers, particularly maternities. Accordingly, the baby feeding accessories are sold to hospitals, maternities and other institutional clients located in Israel. Distribution of the baby feeding accessories is conducted using third-party warehouse facilities and independent freight service providers. Ordinarily, this product line is manufactured through third-party facilities located in India, United Kingdom and Bulgaria.

SELECTED FINANCIAL INFORMATION

The following tables show selected financial information for the nine-months ended September 2024, the nine-months ended September 2023, and the most recently completed financial year ended December 31, 2023. The selected financial information set out below may not be indicative of the Company's future performance. The information contained in each table should be read in conjunction with the Interim Financial Statements.

(expressed in thousands of Canadian dollars)	**Nine-months ended September 30, 2024 $**	**Nine-months ended September 30, 2023 $**	**Year ended December 31 2023 $**
Total revenue	6,547	6,999	9,361
Net loss for the period	(10,696)	(10,509)	(15,609)
Profit (loss) per share, basic and fully diluted[(1)]	(0.10)	(0.09)	(0.13)
Total current assets	9,390	14,982	15,127
Total non-current assets	756	1,023	942
Total current liabilities	3,536	2,898	3,168
Total non-current liabilities	1,587	4,401	6,180
Total equity	5,023	8,706	6,721
Distributions or cash dividends declared per share	-	-	-

Notes:

(1) Diluted income (loss) per common share is equivalent to the basic income (loss) per common share as the effects of outstanding warrants and options disclosed are anti-dilutive for all periods presented.

RESULTS OF OPERATIONS

The Company recorded a net loss of $10,696 for the nine-months ended September 2024 and a net loss of $10,509 for the nine-months ended September 2023. The net loss remained at the same level.

The table below provides a more detailed break-down of the Company's financial results for the nine-months ended September 2024 compared to the nine-months ended September 2023:

(expressed in thousands of Canadian dollars)	**Nine-months ended September 30**	
	2024	**2023**
	$	**$**
Revenue	6,547	6,999
Cost of sales (purchased products)	6,259	6,992
Gross profit	**288**	**7**
Gross profit percentage	4%	0%
Operating Expenses		
Employee benefits expense	2,932	3,784
Research & development subcontractors	957	2,093
Share-based compensation	210	192
Consulting fees	451	663
Professional fees	733	576
Advertising	3,664	3,339
Depreciation and amortization	252	392
Investors relations	459	246
Office and miscellaneous	1,445	1,306
Total operating expenses	**11,103**	**12,591**
Loss before other expenses	**(10,815)**	**(12,584)**
Other income (expenses):		
Profit (Loss) on foreign exchange	133	(1,151)
Revaluation of share warrants	2,479	3,647
Revaluation of convertible loan	(2,495)	(425)
Financial expenses	(37)	-
Finance income	39	4
Net loss	**(10,696)**	**(10,509)**
Exchange differences on translation of foreign operations	330	745
Comprehensive loss for the year	**(10,366)**	**(9,764)**
EBITDA	**(10,563)**	**(12,192)**

<u>Nine-month period ended September 30, 2024, compared to September 30, 2023</u>

Revenues

During the nine-months ended September 2024, the Company generated a total revenue of $6,547 (nine-months ended September 2023 - $6,999), a decrease of $452 mainly relating to onboarding national distributors during the first quarter in 2023.

Cost of sales of $6,259 (nine-months ended September 2023 - $6,992) consists of expenses relating to the manufacturing and distribution of goods sold by the Company, namely the baby snacks and baby feeding accessories, and mainly the formula. The decrease in the cost of sale is primarily due to a decrease in the total revenues and powder manufacturing cost reduction.

Gross Profit

During the nine-months ended September 2024, the Company generated a gross profit percentage of 4% (nine-months ended September 2023 – 0%). During the nine-months ended September 2024, the Company increased its gross profitability due to the optimization and reduction of powder production costs by contracting with a new manufacturer which reduced costs materially and continuing to improve the manufacturing efficiency.

Operating Expenses

Operating expenses of $11,103 (nine-months ended September 2023 - $12,591). The decrease is mainly related to the decrease of research & development subcontractors as in 2023 the company recorded high raw materials and scale-up expenses in order to onboard new powder manufacturers and packing facilities.

Employee benefits expense of $2,932 (nine-months ended September 2023- $3,784) decreased because of reducing the number of employees to be more efficient and reduce the expenses mainly relating to long-term activities such as marketing to health care professionals.

Share-based compensation of $210 (nine-months ended September 2023 - $192) consists of the stock options and warrants vested during the period in accordance with the Black and Scholes formula. See the heading "*Outstanding Share Data*" for further details. The expenses remained at the same level.

Consulting fees of $451 (nine-months ended September 2023 - $663) consist of expenses relating to the consulting fees paid to financial, branding, and other strategic advisors of the Company. The Company has reduced these expenses for cost-saving considerations while focusing on increasing the revenues.

Professional fees of $733 (nine-months ended September 2023 - $576) consist of expenses relating to the fees paid to the Company's accountants and lawyers in Canada, Israel, and the United States for ongoing regulatory advice. The Company increased the expenses mainly due to tax and audit related expenses.

Advertising expenses of $3,664 (nine-months ended September 2023 - $3,339) consist of expenses relating to the marketing, branding, and promotion activities of the Company and its products. Now that the Company has resolved any previous issues with inventory, and as part of the long-term strategy to increase sales, the Company is able to invest in advertising which generates brand awareness. All the Company's product lines are available for sale in stores and online, and the Company expects to implement a marketing program that it believes will aid in gaining additional traction and recognition within the industry. While reducing the operating expenses the company strategy is to maintain the sales and marketing efforts.

Depreciation and amortization of $252 (nine-months ended September 2023 - $392) refer to the amortization of intangibles and depreciation of the Company's property, plant, and equipment.

Investor relations costs of $459 (nine-months ended September 2023 - $246) consist of expenses related to the engagement of investor relations agencies. The increase is related to an IR service provider paid by equity.

Office and miscellaneous costs of $1,445 (nine-months ended September 2023 - $1,306) consist of expenses paid with respect to the office maintenance, transfer agent, filing fees, travel, IT expenses, and donations.

Research and Development

The Company had research and development and related subcontractors' expenses of $957 in the nine-months ended September 2024 (nine-months ended September 2023 - $2,093).

The following table summarizes the Company's research and development expenses for the Else Formula in the nine-month period ended September 30, 2024, compared to the nine-month period ended September 30, 2023:

(expressed in thousands of Canadian dollars)	**For the nine-month period ended September 30**	
	2024	**2023**
	$	**$**
Patents and Intellectual Property Protection	78	92
Consulting Fees	376	364
Raw Materials and Scale up	503	1,637
Total	**957**	**2,093**

The raw materials and scale-up expenses are mainly related to onboarding new powder and liquid manufacturing, onboarding new powder packers, improving manufacturing efficiencies and product development.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected financial data in respect of the eight most recently completed quarters of the Company. The data is derived from the Financial Statements and the interim financial statements of the Company filed on SEDAR+ for the respective fiscal periods.

For the period ended *(expressed in thousands of Canadian dollars)*	**Revenue** $	**Comprehensive Profit (Loss) for the quarter** $	**Basic and diluted Profit (Loss) per share** $
December 31, 2022	2,392	(4,895)	(0.05)
March 31, 2023	2,914	(7,773)	(0.07)
June 30, 2023	2,372	(3,214)	(0.03)
September 30, 2023	1,713	1,223	0.01
December 31, 2023	2,362	(5,804)	(0.04)
March 31, 2024	2,123	(5,497)	(0.04)
June 30, 2024	2,630	(2,506)	(0.02)
September 30, 2024	1,794	(2,363)	(0.07)

The comprehensive loss for the quarter ended September 30, 2024, has decreased by $143 and remained at the same level.

The comprehensive loss for the quarter ended June 30, 2024, has decreased by $2,991 mainly due to the revaluation of the investors' warrants liability.

The comprehensive loss for the quarter ended March 31, 2024, decreased by $307 due to continuity of reducing expenses in office, and miscellaneous and professional fees.

The comprehensive loss for the quarter ended December 31, 2023, increased by $7,027 primarily because of the revaluation of warrants and revaluation of the convertible loan. During the three-month period ended on December 31, 2023, the Company recorded a profit of $1,020 and a loss of $2,106, respectively, compared to the quarter that ended on September 30, 2023, the Company recorded finance income of $3,484, and $2,562, respectively.

The comprehensive income for the quarter ended September 30, 2023, increased by $4,437 due to three main reasons comparing to the quarter ended September 2023. A decrease of $454 in advertising expenses, an increase in profit of $893 due to revaluation of the convertible loan, and an increase in profit due to revaluation of warrants of $2,783 due to the decrease in the Company stock price.

The comprehensive loss for the quarter ended June 30, 2023 decreased by $4,559 primarily as a result of the revaluation of warrants. During quarter ended June 30, 2023 the Company stock price decreased and as a result, the Company recorded $1,721 profit comparing to the three-month period ended in March 31, 2023, the Company recorded $2,578 loss for revaluating the liability of the warrants.

The decrease in the comprehensive loss for the quarter ended March 31, 2023 is primarily due to revaluation of warrants. During the quarter ended in March 31, 2023, the Company's share price increased therefore the Company recorded $2,578 expenses at the revaluate of the warrants.

The increase in the comprehensive loss for the quarter ended December 31, 2022 is primarily due to an increase in foreign currency exchange expenses.

For further explanation and analysis of quarterly results, please refer to the Company's Management Discussion and Analysis for each of the respective quarterly periods which are filed on SEDAR+ and available at www.sedarplus.com.

Use of Proceeds

The following table outlines the use of proceeds from each of the following offerings as of September 30, 2024: (i) September 2019 private placement completed in connection with the RTO; (ii) March 2020 private placement; (iii) October 2020 prospectus offering; (iv) October 2021 Unit Offering; (v) September 2022 Unit Offering; (vi) December 2022 convertible loan and July 2023 convertible loan; (vii) November 2023 Unit Offering; (viii) May 2024 convertible loan; and (ix) July 2024 Unit Offering.

	Proposed Use of Net Proceeds of Company Financings										
	Total	**July-24**	**May-24**	**Nov-23**	**Jul-23**	**Dec-22**	**Jun-22**	**Oct-21**	**Oct-20**	**Mar-20**	**Jun-19**
Marketing/ Advertising(1)	12,900	1,000	-	2,000	-	-	2,400	1,500	6,000	-	-
Research and development(2)	9,710	210	-	500	-	-	2,000	3,000	4,000	-	-
Distribution	1,500	-	-	-	-	-	-	-	1,500	-	-
Inventory(3)	3,800	500	-	1,000	-	-	1,300	-	1,000	-	-
Production capacity	10,500	-	-	-	-	-		7,500	3,000	-	-
Other working capital and general corporate purposes(4)	14,601	100	-	1,066	-	-	1,043	4,013	8,379	-	-
Additional funds raised(5)	24,310	-	1,299	-	3,112	5,281	-	-	-	7,979	6,639
Total(6)	**77,321**	**1,810**	**1,299**	**4,566**	**3,112**	**5,281**	**6,743**	**16,013**	**23,879**	**7,979**	**6,639**

Notes:

(1) Presented according to Advertising expenses included in the FS.
(2) Research and development including Research & development subcontractors and employee benefits expense related to R&D.
(3) Presented according to inventory increase.
(4) Presented as a plug number to the total use of proceeds.
(5) Additional funds raised are related to the following:
(i) September 2019 $7,500 (RTO) - the net proceeds of $6,639 were proposed mainly to cover outstanding payables, R&D, and commercialization of products, marketing, salaries, and other general and administrative expenses such as auditors, legal, office maintenance and investor relations expenses). See also the Filing Statement.
(ii) March 2020 $7,979 (Private Placement) – According to the share purchase agreement the use of proceeds was proposed mainly to cover sales and marketing, manufacturing and clinical tests, and general working capital (amounts were not stated).
(iii) December 2022, July 2023 and May 2024 net proceeds from convertible loan.
(6) Total use of proceeds is presented according to the net cash used in operating activities.

The following table outlines the use of proceeds from each of the Company's offerings as of September 30, 2024, and as of each of the previous three quarters, and the four years ended December 2023, 2022, 2021 and December 2020:

Use of Net Proceeds from								
	Total	**Q3 2024**	**Q2 2024**	**Q1 2024**	**2023**	**2022**	**2021**	**2020[(6)]**
Marketing/Advertising[(1)]	21,696	1,333	1,259	1,072	4,378	5,955	6,462	1,237
Research and development[(2)]	12,014	331	323	868	3,527	3,579	2,769	617
Distribution	-	-	-	-	-	-	-	-
Inventory[(3)]	5,591	(604)	68	17	1,423	1,364	2,122	1,201
Production capacity (see below)[(4)]	-	-	-	-	-	-	-	-
Other working capital and general corporate purposes[(5)]	29,435	3,121	1,414	563	8,983	10,024	4,410	920
Total[(6)]	**68,736**	**4,181**	**3,064**	**2,520**	**18,311**	**20,922**	**15,763**	**3,975**

Notes:

(1) Presented according to advertising expenses included in the Financial Statements.

(2) Research and development including Research and development subcontractors expenses and employees benefits expenses related to R&D.

(3) Presented according to inventory increase.

(4) Since RTO date on September 12, 2019, The Company investigated the option to partner with an existing manufacturer to build its own manufacturing line within their operations. The Company received detailed pricing offers and identified a partner, but the scope of the project was unexpectedly increased to be over US$20,000 (due to many price increases that occurred in 2022) which, given the fast-declining financial environment, was judged to be too risky at that point.
In parallel, the Company identified a manufacturer that with a smaller investment can satisfy much of its manufacturing needs in the next 2-3 years for a very competitive manufacturing cost.

(5) Calculated as a plug number to the total use of proceeds and representing expenses related to salaries, consulting fees, accounting and legal fees, investor relation fees, IT, insurance, traveling and office maintenance.

(6) Total use of proceeds is presented according to the net cash used in operating activities included in the Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

The Company's approach to managing its liquidity is to ensure that it has sufficient resources to meet its liabilities as they come due and have sufficient working capital to fund operations for the ensuing fiscal year. As of the date of this MD&A, the Company's financing of operations has been achieved from its sales of baby snacks, baby accessories, the Else Toddler Nutrition product line, and by equity financing, including the issuance and subsequent exercise of share purchase warrants as described in further detail under the heading "*Outstanding Share Data*" below. The Company anticipates that it will require significant funds to support its operations. Management intends to support such operations through the continued sales of its product lines and financings in the form of equity and/or debt.

Cash Flows

The fluctuations in the Company's use of cash for the nine-month period ended September 30, 2024, and the nine-month period ended September 30, 2023, are categorized by operating, investing, and financing activities, reflected in the following table:

(expressed in thousands of Canadian dollars)	**Nine-month period ended September 30**	
	2024 $	**2023 $**
Cash used in operating activities	(9,765)	(16,104)
Cash provided by investing activities	2,435	703
Cash provided by financing activities	3,851	2,961
Exchange rate difference on balance of cash and cash equivalent	923	917
Net decrease in cash and cash equivalents	(2,556)	(11,523)

In the nine-months ended September 2024, cash used in operating activities was ($9,765) compared to cash used for operating activities in the amount of ($16,104) in the nine-months ended September 2023. The Company reduced the burn materially for cost-saving purposes and for achieving the required level of inventory which was a challenge in the beginning of 2023.

In the nine-months ended September 2024, cash provided by investing activities was $2,435 compared to cash provided in investing activities in the amount of $703 during nine-months ended September 2023. The increase is mainly related to the release of short-term deposits and reducing the restricted cash.

In the nine-months ended September 2024, cash provided by financing activities was $3,851 compared to $2,961 nine-months ended September 2023. The increase is related to the third draw of the Convertible Loan on May 2024 and the financing round on July 2024.

By the end of the third quarter of 2024, the Company has not yet achieved profitable operations and has an accumulated deficit of $75,173. Whether, and when, the Company can attain profitability and positive cash flows from its operations remains uncertain. While the Company has been successful in obtaining financing to date, there can be no assurance that it will be able to do so in the future on terms favorable to the Company.

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions. Any quoted market for the Company's shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating new revenues, cash flows, or earnings.

Payments Due by Period

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Bank Debt	-	-	-	-	-
Operating Leases[1]	167	37	130	-	-
Other Obligations	-	-	-	-	-
Total Contractual Obligations	**167**	**37**	**130**	**-**	**-**

Notes:

(1) The Company has entered into a non-cancelable operating lease agreement for its offices until July 2025. The Company's car leasing, and lab agreements terminated between November 2022 and August 2023.

OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company has 201,813,582issued and fully paid common shares, 10,178,515 outstanding incentive stock options, 86,674,702 warrants issued and outstanding, and US$3,465,000 of outstanding convertible debt. As of the date of this MD&A, the Company does not have any preferred shares issued and outstanding.

Number Outstanding as of:	November 14, 2024	September 30, 2024
Common shares issued and outstanding	201,813,582	179,668,121
Incentive stock option pool[1]	30,272,037	26,950,218
Founder and key person warrants - 2019 QT[2]	31,801,492	31,801,492
Investor Warrants - October 2021 Unit Offering[3]	4,024,999	4,024,999
Underwriter Warrants - October 2021 Unit Offering[3]	23,255	23,255
Investor Warrants – September 2022 Unit Offering[4]	7,004,000	7,004,000
Underwriter Warrants – September 2022 Unit Offering[4]	-	-
Investor Warrants – November 2023 Unit Offering[5]	13,000,000	13,000,000
Agent Warrants – November 2023 Unit Offering[5]	650,000	650,000
Convertible Security Funding Agreement Warrants – December 2022 Convertible Loan[6]	8,247,129	8,247,129
Amended Convertible Security Funding Agreement Warrants – July 2023 Convertible Loan[6]	3,591,776	3,591,776
Convertible Security Funding Agreement Warrants – May 2024 Convertible Loan[6]	4,159,866	4,159,866
Investor Warrants – July 2024 Unit Offering[7]	13,245,033	13,245,033
Agent Warrants – July 2024 Unit Offering[7]	927,152	927,152
TOTAL	**318,760,321**	**293,293,041**

Notes:

(1) Represents the entire stock option pool, including allocated and unallocated stock options. The total number of issued and outstanding stock options that have been granted from the stock option pool is 10,178,515 as of November 14, 2024. See "*Incentive Stock Options*".

(2) The previously disclosed warrants were issued on September 12, 2019 in connection with the RTO. See the Company's MD&A for the year ended December 31, 2019 and the Filing Statement for further details.
(3) See "*October 2021 Unit Offering*".
(4) See "*September 2022 Unit Offering*". The underwriter warrants issued pursuant to the September 2022 Unit Offering expired on September 29, 2024.
(5) See "*November 2023 Unit Offering*".
(6) See "*December 2022, July 2023 and May 2024 Convertible Loan*".
(7) See "*July 2024 Unit Offering*".

Incentive Stock Options

The Company has granted no stock options during the third quarter of 2024. As of the date of this MD&A, an aggregate of 9,336,926 stock options have vested.

The following table presents the changes in the number of stock options and the weighted average exercise prices of the incentive stock options.

For the nine-month period ended September 30	2024		2023	
	Number of Options	Weighted average exercise price ($)	Number of Options	Weighted average exercise price ($)
Stock options outstanding at beginning of the period	10,175,386	1.5	11,148,780	0.96
Stock options granted during the period	1,735,000	0.26	-	-
Stock options forfeited during the period	1,074,273	1.74	650,993	1.91
Stock options exercised during the period	595,000	0.3	175,000	0.25
Stock options outstanding at end of the period	10,241,113	1	10,322,787	0.93
Stock options exercisable at end of the period	9,003,802	1.7	8,191,075	1.26

Warrants

The following table presents the changes in the number of share purchase warrants and the weighted average exercise prices of the aforementioned share purchase warrants. As of the date of this MD&A, an aggregate of 54,873,210 share purchase warrants have vested.

For the nine-month period ended September 30	2024		2023	
	Number of Warrants	Weighted average exercise price ($)	Number of Warrants	Weighted average exercise price ($)
Share warrants outstanding at beginning of the period	68,802,931	0.58	51,985,094	0.59
Share warrants granted during the period	18,332,051	0.23	3,591,776	0.9058
Share warrants expired during the period	460,280	1.05	-	-
Share warrants exercised during the period	-	-	-	-
Share warrants forfeited during the period	-	-	-	-
Share warrants outstanding at end of the period	86,674,702	0.42	55,576,870	0.609
Share warrants exercisable at end of the period	54,873,210	0.67	23,775,378	1.422

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

Warrant Measurements	Fair Value
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

October 2021 Unit Offering

On October 20, 2021, the Company closed a marketed public offering of units (the "**October 2021 Unit Offering**") for aggregate gross proceeds of approximately $17,300, including the exercise of the over-allotment option in full. The Company issued 8,050,000 units at a price of $2.15 per unit, each unit consisting of one common share and one-half of one common share purchase warrant. Each full warrant is exercisable into one common share at a price of $2.70 per Common Share until October 20, 2026. The warrants are listed and posted for trading on the TSX under the ticker symbol 'BABY.WT.A'.

The October 2021 Unit Offering was conducted through a syndicate of underwriters led by Stifel Nicolaus Canada Inc. and Canaccord Genuity Corp., as co-lead underwriters and co-bookrunners. On closing, the Company issued an aggregate of 423,940 broker warrants, each warrant entitled the holder to purchase one Common Share at a price of $2.15 per Common Share until October 20, 2023. In addition, the Company issued 23,255 warrants exercisable at a price of $2.70 per Common Share until October 20, 2026 to a finder in connection with a portion of the offering.

At the time of closing the Company recorded an increase in equity in respect of its common shares, totaling $14,076 (after deduction of issuance expenses totaling $1,461) and liability in respect of warrants at the amount of $1,605 (after deduction of issuance expenses totaling $166). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

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.

June 2022 Unit Offering

On June 29, 2022, the Company closed a marketed public offering of units (the "**June 2022 Unit Offering**") for aggregate gross proceeds of approximately $7,354, including the partial exercise of an over-allotment option. The Company issued 7,004,000 units at a price of $1.05 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $1.25 per common share until June 29, 2027.

The June 2022 Unit Offering was conducted through a syndicate of underwriters led by Stifel Nicolaus Canada Inc. On closing, the Company issued an aggregate of 460,280 broker warrants, each warrant entitled the holder to purchase one common share at a price of $1.05 per Common Share until June 29, 2024.

At the time of closing the Company recorded an increase in equity in respect of its common shares, totaling $4,449 (after deduction of issuance expenses totaling $453) and liability in respect of warrants at the amount of $2,225 (after deduction of issuance expenses totaling $226). As the exercise price of the warrants is denominated in Canadian dollars while the functional currency of the Company is the NIS the warrants are presented at fair value through profit or loss using the Black & Scholes option pricing model.

Effective as of July 12, 2024, an aggregate of 2,857,142 warrants issued pursuant to the June 2022 Unit Offering were amended such that these warrants are now exercisable at US$0.151 per share until July 5, 2029.

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.

November 2023 Unit Offering

On November 21, 2023, the Company closed a public offering of units (the "**November 2023 Unit Offering**") for gross proceeds of $5,005. The Company issued 13,000,000 units at a price of $0.385 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one common share at a price of $0.485 per common share until November 21, 2028.

A.G.P. Canada Investments ULC acted as the sole agent and bookrunner in connection with the November 2023 Unit Offering and received a cash commission equal to 7% of the proceeds raised and 650,000 common share purchase warrants exercisable at $0.485 per share until November 21, 2026.

At the time of closing the Company recorded an increase in equity in respect of its common shares, totaling $1,831 (after deduction of issuance expenses totaling $314) and liability in respect of warrants at the amount of $2,422 (after deduction of issuance expenses totaling $418). 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 using the Black & Scholes option pricing model.

Effective as of July 12, 2024, the 13,000,000 warrants issued pursuant to the November 2023 Unit Offering were amended such that these warrants are now exercisable at US$0.151 per share until July 5, 2029.

December 2022, July 2023, and May 2024 Convertible Loan

On December 19, 2022, the Company entered into a convertible security funding agreement with Lind Global Fund II LP, an entity managed by The Lind Partners, LLC, a New York-based institutional fund manager (together, "**Lind**"). Pursuant to the agreement, Lind agreed to invest up to an aggregate of US$13,750,000 in the Company.

On December 22, 2022, the Company completed the first tranche closing for net proceeds of US$4,133,125, after deduction of the original issue discount and closing fee (the "**First Tranche**"). Pursuant to the First Tranche, the Company issued: (i) a convertible security (the "**Initial Convertible Security**") with a two-year term and a face value of US$5,100,000; and (ii) 8,247,129 common share purchase warrants exercisable into common shares of the Company for a period of 48 months from the date of issuance at an exercise price of $1.15 per share.

On July 7, 2023, the Company and Lind entered into an amending agreement pursuant to which: (i) the amount of the Initial Convertible Security was increased by US$3,000,000 for net proceeds of US$2,420,012; and (ii) the Company issued to Lind an additional 3,591,776 common share purchase warrants exercisable into common shares of the Company for a period of 48 months from the date of issuance at an exercise price of $0.9058 per common share. As a result of the increase, the total face value of the Initial Convertible Security was increased from US$5,100,000 to US$8,100,000.

On May 7, 2024, the Company completed a thired tranche closing, pursuant to an amending agreement with Lind, for net proceeds of US$950,000, after deduction of the original issue discount and closing fee (the "**Third Tranche**"). Pursuant to the thired Tranche, the Company issued: (i) a convertible security (the "**Third Convertible Security**") with a two-year term and a face value of US$1,200,000; and (ii) 4,159,866 common share purchase warrants exercisable into common shares of the Company for a period of 48 months from the date of issuance at an exercise price of $0.32019 per share.

The Initial Convertible Security and the Third Convertible Security each have a 36-month maturity date. Lind can convert 1/20th of the face value each month at a conversion price equal to 85% of the five-day volume weighted average price of the common shares immediately prior to each conversion, subject to a right to increase conversions in certain circumstances. The outstanding face value of the Initial Convertible Security and the Third 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 33.3% of the face value of the Initial Convertible Security and/or the Third Convertible Security, as applicable, into common shares.

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.

July 2024 Unit Offering

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 $2,000 thousand. Each unit comprises one Common share of the Company and one Common share purchase warrant. The Company incurred issuance expenses amounted to US$ 240 thousand, 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.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTION

To the best of management's knowledge, there are no off-balance sheet arrangements or proposed transactions that have or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company other than as disclosed in this MD&A.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the ordinary course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Repayment terms, if any, are determined at the time of the advance.

Key management compensation

Key management includes members of the board of directors and executive officers of the Company. Overall compensation awarded to key management during the nine-month period ended September 30, 2024 and the nine-month period ended September 30, 2023 is provided below.

(expressed in thousands of Canadian dollars)	**Nine-months ended**	
	September 30, 2024	**September 30, 2023**
Management, wages and related, General Administration	803	600
Share-based compensation	92	37

Share based compensation for the nine-month period ended September 30, 2024 and the nine-month period ended September 30, 2023 for the directors and officers of the Company consisted of the following:

(expressed in thousands of Canadian dollars)	**Nine-months ended**	
	September 30, 2024	**September 30, 2023**
Hamutal Yitzhak - CEO and Director	7	6
Uriel Kesler - COO and Director	7	6
Michael Azar - CTO	7	6
Sokhie Puar - Director	7	5

(expressed in thousands of Canadian dollars)	**Nine-months ended**	
	September 30, 2024	**September 30, 2023**
Reuben Halevi - VP Sales Operation	5	7
Shay Shamir - CFO and Corporate Secretary	5	7
Satwinder Mann - Director	13	-
Eli Ronen - Director	11	-
Yaki Luski - Director	30	-
Total	**92**	**37**

Other related party transactions and balances

(expressed in thousands of Canadian dollars)	**Nine-months ended**	
	September 30, 2024 $	**September 30, 2023 $**
Company controlled by a director[(1)]	11	10
Salaries payable	89	67

Notes:

(1) Paid to Sokhie Puar, a director of the Company, for monthly consulting fees of C$10,500 per month including GST related to Canadian regulatory and capital markets advisory services.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The Interim Financial Statements are impacted by the significant accounting policies used, and the estimates and assumptions made by management during their preparation. The Company's accounting policies are described in note 2 of the Interim Financial Statements.

CHANGES IN ACCOUNTING POLICIES

From September 30, 2024, to the date of this MD&A, there have been no changes in the Company's accounting policies.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial assets consist of cash, taxes and accounts receivable, inventory and prepaid. The estimated fair values of cash, accounts receivable, and due from related parties approximate their respective carrying values due to the short period to maturity.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - inputs that are not based on observable market data.

For the third quarter ended September 30, 2024 and the third quarter ended September 30, 2023, the Company's cash, accounts receivable, restricted cash and accounts payable are classified as level 1.

The publicly traded warrants are classified as level 1 and all other warrants and broker warrants with a fair value are classified as level 3 of the fair value hierarchy.

The Company is exposed to a variety of financial instrument-related risks. The Company's board of directors approve and monitor the risk management processes, inclusive of counterparty limits, controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided below.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company currently has limited cash available and as a result the Interim Financial Statements include a going concern note. The Company'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, none of which are guaranteed. The Company is seeking to raise additional capital to ensure, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates. The Company has no significant interest rate risk.

Credit Risk

Credit risk is the risk of a loss in a counterparty to a financial instrument when it fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality financial institutions.

Share Price Risk

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

FORWARD-LOOKING STATEMENTS

This MD&A, including any information incorporated by reference, contains statements that, to the extent that they are not historical fact, may constitute "forward-looking statements" within the meaning of applicable securities legislation.

Forward-looking statements may include, but are not limited to, statements with respect to:

- financial and other projections, future plans, objectives, performance, revenues, growth, profits or operating expenses;
- the use of available funds and/or net proceeds from the offerings described herein;
- the performance of the Company's business and operations, including expectations regarding its anticipated future gross revenues, profit margins and expenses to be incurred in its operations;
- plans to research, develop, implement, adopt, market and sell new technology or products, including continued research, development and commercialization regarding the Company's products and proposed products;
- estimates and projections regarding the industry in which the Company operates or will operate, including the global baby and toddler food market, infant formula market, nutritional drinks market, and baby feeding accessories market, kids and adult nutritional food and drinks market and expectations relating to trends and the adoption of new products;
- requirements for additional capital and future financing options;
- plans to launch new products, obtain new customers or expand the customer base, and enter into new markets;
- expansion and acceptance of the Company's products in markets across different jurisdictions;
- manufacturing and distribution partnerships and agreements;
- plans related to marketing, distribution and production capacity;
- the timing and possible outcome of regulatory and legislative matters, including, without limitation, the Food and Drug Administration ("**FDA**"), European Medicines Agency ("**EMA**") and other regulatory approval processes;
- the Company's business objectives, milestones and the anticipated timing of execution; and
- other expectations of the Company.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "project", "estimates", "forecasts", "budget", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Such forward-looking statements, made as of the date hereof, reflect the Company's current views with respect to future events and are based on information currently available to the Company and are subject to and involve certain known and unknown risks, uncertainties, assumptions and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed in or implied by such forward-looking statements, including but not limited to those described below and referred to under the heading "*Risk Factors*" and those discussed under the "*Risk Factors*" section of our most recent annual information form.

In making the forward-looking statements included in this MD&A, the Company has made various material assumptions, including, but not limited to:

- the general business, economic, financial market, regulatory and political conditions in which the Company operates will remain positive;

- the Company will continue to be in compliance with regulatory requirements;
- the tax treatment of the Company and its subsidiaries will remain constant and the Company will not become subject to any material legal proceedings;
- the Company will have sufficient working capital and be able to secure additional funding necessary for the continued operation and development of the Company; and
- key personnel will continue their employment with the Company and the Company will be able to obtain and retain additional qualified personnel, as needed, in a timely and cost-efficient manner.

These risks, uncertainties, assumptions, and other factors should be considered carefully, and prospective investors and readers should not place undue reliance on the forward-looking statements. In addition, the Company has attempted to identify important risks and other factors that could cause actual actions or results to differ materially from those described in this forward-looking information, although there may be other risks or factors that cause actions or results not be as anticipated, estimated or intended.

These risks, uncertainties and other factors include, but are not limited to: the risks and factors set out below under the heading "*Risk Factors*"; risks posed by the economic and political environments in which the Company operates and intends to operate; changes in the laws and regulatory requirements with respect to the Company's product lines; contamination or adulteration of the Company's products; the potential for losses arising from the expansion of operations into new markets; increased competition; assumptions regarding market trends and the expected demand and desires for the Company's products and proposed products; reliance on industry manufacturers, suppliers and others; the failure to adequately protect intellectual property; a failure to adequately manage future growth and product development; adverse market conditions; expansion of business into emerging markets; the Company's ability to access and purchase raw materials; and failure to satisfy ongoing regulatory requirements.

Investors are cautioned that the above list of cautionary statements is not exhaustive. Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement or information or statements to reflect information, events, results, circumstances or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law including securities laws.

RISK FACTORS

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investments. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position, including risks described in this MD&A.

For other risk factors applicable to the Company, please refer to the Filing Statement under the heading "*Else Nutrition/Resulting Issuer Risk Factors*" and the AIF under the heading "*Risk Factors*", all of which are currently available and may be accessed on the Company's SEDAR+ profile at www.sedarplus.com.

INTERNAL CONTROLS OVER FINANCIAL REPORTING (“ICFR”)

The management of the Company is responsible for establishing and maintaining adequate internal controls over financial reporting. Internal controls over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company’s financial reporting for external purposes in accordance with IFRS. Internal controls over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect the Company’s transactions and dispositions of the assets of the Company; providing reasonable assurance that transactions are recorded as necessary for preparation of the Company’s consolidated financial statements in accordance with IFRS; providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of management and the directors of the Company; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Company’s assets that could have a material effect on the Company’s consolidated financial statements would be prevented or detected on a timely basis. Our management and the board of directors do not expect that our disclosure controls and procedures or internal controls over financial reporting will prevent all errors or all instances of fraud. A control system, no matter how well designed and operated, can provide only reasonable (not absolute) assurance that the control system’s objectives will be met. Further, the design, maintenance and testing of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs.

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control gaps and instances of fraud have been detected. These inherent limitations include the reality that judgment in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design, maintenance and testing of any system of controls is based in part upon certain assumptions about the likelihood of future events, and any control system may not succeed in achieving its stated goals under all potential future conditions.

Management conducted an evaluation of the effectiveness of the Company’s internal controls over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) (‘COSO’). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation.

Based on this evaluation, management concluded that as of December 31, 2023, the Company’s internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer’s Annual and Interim Filings, are effective to achieve the purpose for which they have been designed, except for a material weakness arising out of the lack of an independent whistleblower process available to staff, customers and suppliers. An independent whistleblower process is an essential component of the organization’s control environment and is also considered a key anti-fraud control. The absence of such a control and supporting process during the year ended December 31, 2023 constitutes a material weakness in internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

INVESTOR RELATIONS

The Company appreciates your continued support in our vision to create the first infant and toddler dairy-free, soy-free, plant-based nutrition for babies and toddlers. To find out more about the Company, please visit our website at www.elsenutrition.com.

ADDITIONAL INFORMATION

For more information, please contact the following officers and directors of the Company:

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On behalf of the Board of Directors

"Hamutal Yitzhak"
Hamutal Yitzhak
CEO and Director
November 14, 2024