

## H1 2022 REPORT

### Building momentum in key markets through leading retail partnerships

#### H1 FY22 HIGHLIGHTS

- Overall revenue of US\$1.39 million, up 16% compared with previous six months (US\$1.2 million); down 25% on pcp (H1 FY21: US\$1.8 million) due to inventory shortages in the first four months of 2022 and timing of an initial order from Italy
  - Revenue from sales of Healthy Heights® products of US\$1.39 million up 5% compared to H1 FY21 excluding Italy (US\$1.32 million) despite stock shortages during the first month of the quarter, which have now been resolved
- Sales commenced on major e-commerce platforms in the United States, including Walmart.com, Kroger.com, Smiths.com, Ralphs.com and RangeMe.com
- New Zealand manufactured product completed with sell through commencing in Asia Pacific
- Reformulated, rebranded and relaunched KidzShake as Healthy Heights® KidzProtein including a vegan formulation
- Significant post-balance date achievements
  - Launched into Walmart retail stores in the US and transitioned entire Healthy Heights® portfolio of products to Walmart owned (1P) fulfillment centres for enhanced and accelerated service to Walmart online shoppers
  - Launched into 20 natural foods stores in the US Southeast and Midwest states owned by leading natural food store operator The Healthy Edge Group Inc.
  - Expanded its retail presence in the US, signing a distribution deal with wholesale distributor, United Natural Foods Inc. (NYSE: UNFI)
  - Launch the Healthy Heights® product line in South Korea
  - Successful A\$3.48 million capital raise to accelerate US and international expansion;

30 August 2022 – Nutritional Growth Solutions Ltd. (**ASX:NGS**) (“**NGS**” or “**Company**”) a global provider of scientifically formulated and clinically studied paediatric nutritional products is pleased to provide a business update for the half year ended 30 June 2022 (**H1 FY22**), along with its Appendix 4D.

Commenting on the Company’s progress, Nutritional Growth Solutions CEO and Managing Director Liron Fendell said:

“We have advanced significantly in key markets throughout the first half of 2022, with ecommerce agreements in place with some of the world’s most well-known retailers including Walmart.com, Kroger.com, Smiths.com, Ralphs.com and RangeMe.com. We also expanded our retail presence in the US with a distribution deal with wholesale distributor, United Natural Foods. These contracts are a

milestone in our expansion strategy that's on track to see Healthy Heights® stocked in over 400 Walmart retail stores throughout the US and 20 Healthy Edge network natural foods stores across four US states in September 2022. We are confident our patented product range will have long-term success through both online and off-line channels as the demand for nutritional, safe and clinically proven products continues to increase worldwide.

"Our New Zealand manufacturing facility is fully operational and servicing the Asia Pacific region with sales in China growing 958% Q2 compared to Q1 2022, indicating a consumer need and significant opportunity to grow Healthy Heights® into a leader for premium children's nutrition in the region. We expanded our distribution footprint in the region through the launch of the Healthy Heights® product line in South Korea following a supply agreement with South Korea's largest online retailer, Coupang.

"We also appointed highly experienced industry leaders to drive Healthy Heights® into its next stage of growth, including David Fenlon as Non-executive Chairman, Peter Osborne as a strategic advisor for China and Southeast Asia, and Yossi Nizhar as Chief Financial Officer."

### **Financial overview**

NGS generated revenue of US\$1.39 million for the six months ended 30 June 2022, up 16% compared with previous six months (US\$1.2 million); down 25% on prior corresponding period (pcp) (H1 FY21: US\$1.8 million) due to inventory shortages in the first four months of 2022 and timing of an initial order from Italy

NGS incurred a loss of US\$2.2 million for H1 FY22 (H1 FY21: US\$2.3 million), which reflects the continued investment in research, marketing and distribution to ensure the business is positioned to continue to grow and build further scale.

Post-balance date, NGS raised A\$3.48 million before costs via a strongly supported share Placement to new institutional and sophisticated investors as well as existing shareholders. Under the Placement, NGS will be issuing 29,000,000 ordinary shares at \$0.12 per share, which includes 1 free option for every 2 shares subscribed.

This significantly strengthens NGS's balance sheet, with funds raised to be used mainly to fund future purchase orders with Walmart, marketing campaigns, and to accelerate sales with other key retailers.

### **Operational overview**

#### **Expansion into US retail market launches across the nation's largest platforms**

In January, Nutritional Growth Solutions launched the full Healthy Heights® range on e-commerce platforms Walmart.com and RangeMe.com. Walmart.com is one of the largest retail platforms in the US, receiving 100 million unique visitors each month, and RangeMe.com's platform features over 10,000 retailers including the nation's largest retailers.

In June 2022, sales of Healthy Heights® commenced on Kroger.com - the United States' largest supermarket chain by revenue and its e-commerce subsidiaries Ralphs.com and Smiths.com.

### **Production and distribution of New Zealand product throughout Asia Pacific**

In April, NGS dispatched its first batch of Healthy Heights® to distribution partners across the Asia Pacific with sell-through commencing on leading e-commerce platforms including, JD.com, Lazada, Shopee, TikTok, Koala, and popular e-commerce platform Little Red Book.

### **New senior appointments**

In February, NGS appointed David Fenlon as Independent Non-Executive Chairman. Previously, David was Managing Director & CEO of ASX listed wellness business BWX Limited (ASX:BWV) and prior to that Managing Director – Australia & NZ for Blackmores Limited (ASX: BKL).

Mark Sargent commenced in May as a strategic advisor for Australia. Mark brings over 20 years' experience in consumer health, including 18 years at global pharmaceuticals company Bayer (ETR: BAYN). Mark has also served on the board of the Australia industry association (Consumer Health Product Australia), including roles as both Chair & Vice Chair.

Peter Osborne also commenced in May as a strategic advisor for China & Southeast Asia, bringing more than 20 years' industry experience to the role, previously working as Managing Director Asia for Blackmores Limited (ASX:BKL), and has served as Australian Senior Trade Commissioner in Beijing, Shanghai, Hong Kong and Taiwan. Currently, Peter is a Strategic Advisor in Asia for ASX listed retail and consumer goods companies, Ecofibre Limited (ASX:EOF) and BWX Limited (ASX:BWV).

In July, Yossi Nizhar was appointed Chief Financial Officer (CFO). Yossi joins NGS with more than 20 years' accounting experience in the biotech and international pharmaceutical industries, including approximately 10 years as Chief Financial Officer, Israel, for AstraZeneca, one of the largest global pharmaceutical companies.

### **Healthy Heights® KidzProtein to launch in Walmart retail stores**

Post reporting period, NGS strengthened its relationship with Walmart to include two SKUs of the Healthy Heights® KidzProtein range in 403 retail stores across the United States. Walmart will move the entire Healthy Heights® portfolio to 1P fulfillment centres in addition to onboarding the Healthy Heights range to "fulfilled by Walmart" on Walmart.com. The deal begins immediately with products to start selling in Walmart stores by 18 September 2022.

### **Healthy Heights® products stocked through the Healthy Edge natural food store network**

Also after the reporting period, NGS is further expanding its physical retail presence in the US through a distribution agreement with leading natural food store operator The Healthy Edge Group Inc. The distribution agreement will see three SKU's from the Healthy Heights® range stocked on shelf through Healthy Edge's 20 natural foods stores in the US Southeast and Midwest states including Akins, Chamberlain's and Earth Origins Market from September 2022.

### **UNFI distribution deal in the US**

In July NGS entered into a distribution agreement with the largest natural products wholesale distributor in the US, United Natural Foods Inc. (NYSE: UNFI). The non-exclusive agreement, will see the entire 22 product Healthy Heights® range available for wholesale via UNFI's marketplace platform or select physical distribution centres, to its network of reputable natural product superstores, independent retailers, conventional supermarket chains and ecommerce retailers.

### **South Korea expansion**

In August the Company launched its Healthy Heights® product line in South Korea following a supply agreement with South Korea's largest online retailer, Coupang. The non-exclusive agreement will see Healthy Heights® children's protein formulas, including Grow Daily 3+, Grow Daily 10+, KidzProtein and KidzProtein Vegan lines, stocked through the popular online retailer that currently has 18 million active customers.

### **Outlook**

"As NGS continues to grow in key markets, we will continue to focus on our retail expansion in the United States which is tracking ahead of schedule with Healthy Heights® to be available in over 420 stores by September. Most recently, we expanded our relationship with Walmart both in-store and online.

"Our two manufacturing facilities in New Zealand and Utah, are fully equipped to ensure adequate stock levels of all Healthy Heights® products for our global distributors for the remainder of 2022, due to the sourcing of a large quantity of high-quality whey protein from Fonterra.

"To maintain our growth trajectory, we are finalising several clinical trials that have been in progress for the last 12 months and we expect to launch additional products to the Healthy Heights® range that are clinically proven to support child growth development.

"Lastly, we will continue to grow in line with our three-pillar growth strategy, with the aim of growing Healthy Heights® into a global household name in child nutrition."

This announcement has been authorised for release by the Board of Nutritional Growth Solutions Ltd.

For more information:

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**About Nutritional Growth Solutions Ltd**

Nutritional Growth Solutions was established at Schneider Children's Medical Center of Israel by a professional team that focuses research on the interaction between nutrition and growth. Pediatricians at Schneider have over 20,000 patient visits every year from children living around the globe with issues relating to growth. This has spurred these world-renowned scientists, doctors, and researchers to focus on nutritional growth retardation in children and adolescents. Schneider's experts use this wealth of practical and clinical knowledge to develop evidence-based clinically tested nutritional solutions for children. [ngsolutions.co](http://ngsolutions.co)

# APPENDIX 4D

## For the half year ended 30 June 2022

### 1. Company information

Name of entity: Nutritional Growth Solutions Ltd.

ABN: 642 861 774

Reporting period: For the half year ended 30 June 2022

Previous period: For the half year ended 30 June 2021

(All amounts in the following appendix are stated in US dollars, unless stated otherwise)

### 2. Results for announcement to the market

		30 June 2022 US\$'000	% Change from half year ended 30 June 2021	30 June 2021 US\$'000
Revenue from ordinary activities	down	1,386	25%	1,840
Loss from ordinary activities after tax	down	(2,195)	4%	(2,296)

### Operating and financial review

Nutritional Growth Solutions achieved half yearly revenue of US\$1.39 million, down 25% on the prior corresponding period (pcp), attributed to inventory shortages in the first four months of 2022 and timing of an initial order from Italy

incurred a loss of US\$2.2 million for H1 FY22 (H1 FY21: US\$2.3 million), which reflects the continued investment in research, marketing and distribution to ensure the business is positioned to continue to grow and build further scale.

Key operational achievements for Nutritional Growth Solutions over the half-year ended 30 June 2022 include:

- Sales commenced on major e-commerce platforms in the United States, including Walmart.com, Kroger.com, Smiths.com, Ralphs.com and RangeMe.com
- New Zealand manufactured product completed with sell through commencing in Asia Pacific
- Reformulated, rebranded and relaunched KidzShake as Healthy Heights® KidzProtein including a vegan formulation

### Commentary

The loss for the consolidated entity after providing for income tax amounted to US\$2.2 million including a non-cash finance expenses of US\$205k in connection of non-cash share-based payments.

No dividend has been proposed or declared for the reporting period, and it is not proposed to pay a dividend for the reporting period.

### 3. Net Tangible Asset Per Security

	30 June 2022 cents	30 June 2021 cents
Net tangible assets per security (cents)	(0.01)	(0.03)

### 4. Details of entities over which control has been gained or lost during the period

None

### 5. Dividend information

# APPENDIX 4D

**For the half year ended 30 June 2022**

No dividend or distribution has been proposed or declared for the reporting period, and it is not proposed to pay a dividend or distribution for the reporting period.

## **6. Details of dividend reinvestment plans**

There is no dividend or distribution reinvestment plan in operation.

## **7. Details of associates and joint venture entities**

None

## **8. Foreign entities**

The Parent Company of the group was established under the corporate law in Israel and has a fully owned US subsidiary incorporated under the corporate law of Delaware. The financial statements of the Group are prepared in its functional currency, the US-Dollar, and are prepared with IFRS Accounting Standards.

## **9. Independent Audit Review**

The Condensed Interim Consolidated Financial Statements contain an Audit Review by BDO Ziv Haft. The Audit Review is not subject to a modified opinion, emphasis of matter or other matter.

**NUTRITIONAL GROWTH SOLUTIONS LTD.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2022**

**UNAUDITED**



## **NUTRITIONAL GROWTH SOLUTIONS LTD.**

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**Review report on interim financial information**  
**to the shareholders of**  
**NUTRITIONAL GROWTH SOLUTIONS LTD.**

**Introduction**

We have reviewed the accompanying condensed interim consolidated statement of financial position of Nutritional Growth Solutions Ltd. (the "Company") as of June 30, 2022 and the related condensed interim consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with International standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of Interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022, and of its financial performance and its consolidated cash flows for the six month period then ended in accordance International Accounting Standard 34.

Lior Shahar

Tel-Aviv, Israel

August 30, 2022

Ziv haft

Certified Public Accountants (Isr.)

BDO Member Firm

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(US Dollar in thousands)**

	<b>Note</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
		<b>Unaudited</b>	
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents		1,421	4,142
Trade receivables, net		129	35
Inventories		948	315
Other accounts receivable		<u>60</u>	<u>108</u>
<b>Total current assets</b>		<u>2,558</u>	<u>4,600</u>
<b>Non-Current Assets:</b>			
Intangible assets		50	60
Right of asset use, net		54	73
Property, plant and equipment, net		<u>8</u>	<u>7</u>
<b>Total non-current assets</b>		<u>112</u>	<u>140</u>
<b>Total Assets</b>		<u>2,670</u>	<u>4,740</u>

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

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(US Dollar in thousands)**

	<u>Note</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>
		<u>Unaudited</u>	
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities:</b>			
Trade payables		192	213
Lease liability		36	36
Derivative financial liability		40	127
Other accounts payable		477	452
<b>Total current liabilities</b>		<u>745</u>	<u>828</u>
<b>None-Current Liabilities</b>			
Long term lease liability		<u>19</u>	<u>37</u>
<b>Equity:</b>			
	3		
Share capital and premium		11,234	11,061
Share based payment reserve		1,841	1,788
Retained losses		(11,169)	(8,974)
<b>Total equity</b>		<u>1,906</u>	<u>3,875</u>
<b>Total liabilities and shareholders' equity</b>		<u><u>2,670</u></u>	<u><u>4,740</u></u>

<u>Liron Fendell</u> Chief Executive Officer	<u>Dave Fenlon</u> Chairman	<u>Yossi Nizhar</u> Chief Financial Officer	<u>August 30, 2022</u> Date of approval of financial statements
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**The accompanying notes are an integral part of the financial statements.**

**NUTRITIONAL GROWTH SOLUTIONS LTD.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(US Dollar in thousands)**

	<b>Six-month period ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	
Revenue	1,386	1,840
Cost of revenue	807	1,039
<b>Gross profit</b>	579	801
Research and development expenses	199	459
General and administrative expenses	787	1,088
Selling and marketing expenses	1,888	1,525
<b>Operating loss</b>	2,295	2,271
Finance expense (income)	(100)	25
<b>Total comprehensive loss for the period</b>	2,195	2,296
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)

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

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(US Dollar in thousands)**

**For the six-month period ended June 30, 2022 (Unaudited):**

	<u>Share capital and premium</u>	<u>Share based payment reserve</u>	<u>Retained losses</u>	<u>Total</u>
<b>Balance at January 01, 2022</b>	11,061	1,788	(8,974)	3,875
<b>Changes during the period:</b>				
Total comprehensive loss	-	-	(2,195)	(2,195)
Issuance of shares, net	173	(173)		-
Share based payment	<u>-</u>	<u>226</u>	<u>-</u>	<u>226</u>
<b>Balance at June 30, 2022</b>	<u><u>11,234</u></u>	<u><u>1,841</u></u>	<u><u>(11,169)</u></u>	<u><u>1,906</u></u>

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

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(US Dollar in thousands)**

**For the six month period ended June 30, 2021 (Unaudited):**

	<u>Share capital and premium</u>	<u>Share based payment reserve</u>	<u>Retained losses</u>	<u>Total</u>
<b>Balance at January 01, 2021</b>	7,781	735	(4,194)	4,322
<b>Changes during the period:</b>				
Total comprehensive loss	-	-	(2,296)	(2,296)
Share based payment	-	550	-	550
<b>Balance at June 30, 2021</b>	<u>7,781</u>	<u>1,285</u>	<u>(6,490)</u>	<u>2,576</u>

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

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**UNAUDITED CONDENSED INTERIM CONSOLIDATED OF CASH FLOWS**  
**(US Dollar in thousands)**

	<b>Six-month period ended June 30,</b>	
	<b>2022</b>	<b>2021</b>
	<b>Unaudited</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss for the period	(2,195)	(2,296)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	21	5
Amortization of intangible assets	10	80
Change in fair value of derivative-warrants	(87)	
Increase in trade receivables, net	(94)	(220)
Decrease (increase) in other accounts receivable	48	215
Increase in inventories	(633)	(155)
Increase (decrease) in trade payables	(21)	28
Increase (decrease) in other accounts payable	(107)	(75)
Share based payment	226	550
<b>Net cash used in operating activities</b>	<b>(2,832)</b>	<b>(1,868)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property assets	(3)	-
Purchase of intangible assets	-	(75)
<b>Net cash provided by (used in) investing activities</b>	<b>(3)</b>	<b>(75)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Lease payments	(18)	-
Grant from the Innovation Authority	132	-
<b>Net cash provided by (used in) financing activities</b>	<b>114</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,721)</b>	<b>(1,943)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>4,142</b>	<b>4,630</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,421</b>	<b>2,687</b>

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



**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 1 - GENERAL:**

- A. Nutritional Growth Solutions Ltd. (the "Company") was incorporated on November 24, 2013 in Israel and commenced its operations on May 1, 2014. The Company has a wholly - owned subsidiary in the United States, NG Solutions INC., which was incorporated in August 2017. The Company and its subsidiary (together, the "Group") develops, produces (outsourcing manufacturing) and sells clinically tested protein supplements for children – commercializing the intellectual property generated by years of medical research into pediatric nutrition.
- B. The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests (e.g. suppliers and customers, investments and lenders). The illustrative financial statements included in this publication do not contemplate the financial reporting implications of this matter.
- C. The Russian Federation's invasion of Ukraine and the subsequent global response to those military actions may have significant financial effects on many entities. These include entities with physical operations in Ukraine, Russia and Belarus, as well as indirect interests (e.g. suppliers and customers, investments and lenders). The illustrative financial statements included in this publication do not contemplate the financial reporting implications of this matter.

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of preparation**

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual financial statements.

**Significant accounting policies**

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2021 annual financial statements.

**Liability for royalties payable**

The Group measured its governmental liabilities on grants received, each period, based on discounted cash flows derived from Group's future anticipated revenues. The discount rate reflects the market rate at the date of receiving the grant. A change in the estimate within a reasonable range will not result a material change of the liability.

## **NUTRITIONAL GROWTH SOLUTIONS LTD.**

### **NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**(US Dollar in thousands)**

#### **NOTE 3- SHAREHOLDERS' EQUITY:**

##### **Share based payment:**

1. On February 28, 2022 the the Group granted to Dave Fenlon, Non-Executive Chairman of the Company, subject to the Company's shareholders approval, 5,000,000 options exercisable into 5,000,000 ordinary shares of the Company, NIS 0.01 par value each (the "grant"). The options are exercisable at a price of AUD 0.27 per share and are subject to the following vesting schedule – 1,000,000 on the grant date, 2,000,000 on the first-year anniversary of the grant and 2,000,000 on the second anniversary of the grant. The option value as of grant date is USD 0.04 per option. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 60%.
- The dividend growth rate 0%.
- Expected term - 5 years.

2. On March 30, 2022 the Group granted to 5 employees and to 2 subcontractors 1,050,000 options exercisable into 1,050,000 ordinary shares of the Company, NIS 0.01 par value each. The options are exercisable at a price of AUD 0.17 per share and will vest equally each quarter over a period of 3 years commencing on the Vesting Commencement Date (Usually the commencement date of the employee or subcontractor) with a 1-year cliff from the Vesting Commencement Date. Contractual life of the options is 10 years. The option value as of grant date is USD 0.07 per option. The fair value of share options was estimated by using a Black and Scholes model approach, which was aimed to model the value of the Company's assets over time.

The simulation approach was designed to take into account the terms and conditions of the share options, as well as the capital structure of the Group and the volatility of its assets, on the date of grant based on certain assumptions. Those conditions are, among others:

- The expected volatility is 60%.
- The dividend growth rate 0%.
- Expected term - 10 years.

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 3- SHAREHOLDERS' EQUITY (CONT.):**

**Share based payment (cont.):**

The options to officers and consultants outstanding as of June 30, 2022 and 2021 are comprised, as follows:

	<b>Six-month period ended June 30, 2022</b>	
	<b>Unaudited</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price</b>
Outstanding at beginning of year	12,469,052	\$ 0.024
Exercised	1,000,000	-
Granted	6,050,000	\$ 0.18
Outstanding at end of period	17,519,052	\$ 0.02
Exercisable options	9,802,450	\$ 0.04

  

	<b>Six-month period ended June 30, 2021</b>	
	<b>Unaudited</b>	
	<b>Number of options</b>	<b>Weighted average Exercise price</b>
Outstanding at beginning of year	12,300,002	\$ 0.02
Granted	1,000,000	\$ 0.21
Outstanding at end of period	13,300,002	\$ 0.03
Exercisable options	3,192,408	\$ 0.06

**NOTE 4: LIABILITY FOR ROYALTIES PAYABLE:**

The Company is committed to pay royalties to the Israeli government (Ministry of economy) on proceeds from the increase of product sales to the U.S. market and from January 2022, also to China. Under the terms of the Israeli government funding program, the Company will pay royalties of 3% of the increase in sales during a period of 5 years to the U.S. market commencing December 31, 2017 and to China commencing December 31, 2021. Royalties' payment shall not exceed 100% of the grant received, as of December 31 2021 and as of June 30, 2022 the total grant amount received for the program related to the US market is 142 and the total grant amount received for the program related to China is 132.

**NUTRITIONAL GROWTH SOLUTIONS LTD.**  
**NOTES TO THE UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**(US Dollar in thousands)**

**NOTE 5 - SUBSEQUENT EVENTS:**

On August 2022, the Company completed a capital raise in ASX upon which the Company raised gross AUD 3.48 million (approximately gross 2,406, approximately net 2,261 after issuance expenses). Issuance expenses amounted to 182 which were recorded in the equity. Each new shareholder received 2 new ordinary shares plus 1 stock option (traded option, ASX: NGSO) against AUD 0.12. The stock options are vested upon issuance and exercisable at A\$0.27 cents per share with an expiry of 19 November 2023 commencing issuance date (the “term”) and will expire upon the elapse of the term. As of August 30, 2022 the stock options are not yet issued and subject to shareholder approval. The option market value as of capital raise date is 0.01 USD per option.