

Nabati Foods Global Inc. (formerly 1279006 B.C. Ltd.)

MANAGEMENT DISCUSSION AND ANALYSIS
For the nine months ended September 30, 2021

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of Nabati Foods Global Inc. (formerly 1279006 B.C. Ltd.) ("Nabati" or the "Company") has been prepared by management as of November 29, 2021 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the period ended September 30, 2021 and the audited consolidated financial statement as at and for the year ended December 31, 2020 and notes thereto of Nabati Foods Inc., which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

This MD&A contains forward-looking information which reflects management's expectations regarding the Company's growth, results of operation, performance and business prospects and opportunities. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "outlook", "forecast" and similar expressions are intended to identify forward-looking statements.

The Company has based the forward-looking statements largely on the Company's current expectations, estimates, assumptions, and projections about future events and financial and other trends that the Company believes, as of the date of such statements, may affect its business, financial condition and results of operations. Such expectations, estimates, assumptions, and projections, many of which are beyond the Company's control, include, but are not limited to: management's expectations regarding the future business, objectives and operations of the Company; the Company's anticipated cash needs and the need for additional financing; the Company's ability to successfully complete future financings; the acceptance by the marketplace of new technologies and solutions; the Company's expectations regarding its competitive position; the Company's expectations regarding regulatory developments and the impact of the regulatory environment in which the Company operates; the Company's ability to attract and retain qualified management personnel and key employees; and anticipated trends and challenges in the Company's business and the markets in which it operates. Assumptions underlying the Company's working capital requirements are based on management's experience with other public companies. Forward-looking statements regarding treatment by governmental authorities assumes no material change in regulations, policies, or the application of the same by such authorities. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements with the risks set forth.

DESCRIPTION OF THE COMPANY

The Company was incorporated on December 10, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The Company was incorporated for the sole purpose of completing financings in anticipation of completing the acquisition of Nabati and applying for a listing on the Canadian Securities Exchange (the "CSE").

On January 19, 2021, as amended February 3, 2021 and March 3, 2021, the Company entered into a letter of intent ("LOI") with Nabati Foods Inc. ("Nabati Foods") whereby the Company will acquire all of the issued and outstanding ordinary shares in the capital of Nabati Foods (the "Transaction") by way of a reverse takeover ("RTO"). It is contemplated that the Transaction will take place whereby the Company will acquire all of the issued and outstanding securities of Nabati Foods in exchange for the issuance of 14,000,000 shares in the Company to former Nabati Foods Shareholders on a pro rata basis, which will result in Nabati Foods becoming a 100% wholly-owned subsidiary of the Company. The Transaction was completed on March 9, 2021. For accounting purposes, the acquisition was considered to be a reverse acquisition under IFRS 3 Business Combinations ("IFRS 3") as the shareholders of Nabati Foods Inc. obtained control of the Company.

Nabati Foods was incorporated on July 11, 2014, under the ABCA under the name “Yemira Trading Inc.”. On July 18, 2016, it changed its name to “Nabati Foods Inc.”.

Nabati is an emerging plant-based food technology company that designs, develops, produces, distributes and sells a variety of plant-based meat and other food alternatives. Nabati’s mission is to employ plant-based food technology to inspire those who value their health to indulge in real, clean, plant-based foods for a nourished, sustainable and compassionate life. See “Outlook”.

Nabati (USA), a wholly-owned subsidiary of Nabati, was formed on September 17, 2019, under the Washington Business Company’s Act under the name “Nabati Foods Inc.” See “Outlook”.

On October 4, 2021, the Company was listed for trading on the Canadian Securities Exchange (“CSE”) under the ticker symbol “MEAL”. The Company’s filing statement and related documents in connection with the Transaction are available under its profile on SEDAR at www.sedar.com.

OUTLOOK

During the 1st quarter ended March 31, 2021, the Company:

Started supplying Cobs Bread through its distribution partner Tree of Life, Nabati Cheeze™ to all its locations part of a limited time offer across Canada. In February 2021, Cobs Bread made the decision to continue offering its plant-based pizza using Nabati Cheeze™ on its menu as an everyday item making Nabati an official supplier to Cobs Bread.

In March 2021, Mucho Burrito, part of the MTY group, began discussing using Nabati Cheeze™ for a limited time offer launching in April 2021 nationally with Tree of Life. The Company geared all its production capacity of its pilot plant towards producing inventory for COBS Bread and Mucho Burrito while its new facility is being built out.

The Company during this period focused on the long-term benefits of supporting these two large branded deals, sacrificing revenue from its dairy free cheesecakes and plant-based meats which were just recently launched.

During the 2nd quarter ended June 30, 2021, the Company:

Commissioned its 7,403 square foot facility in Edmonton, AB (“Facility B”) and began production of its Nabati Cheeze™ and its plant-based meats at the new location. Within a few weeks, production ramped up to support the demand for retail and foodservice Nabati Cheeze™ in the market while many businesses entered prolonged shutdowns during the period.

Focused its resources on finalizing the development, filing of trademarks and patents, and sourcing all raw materials as well as equipment for its Nabati Plant Eggz™. An innovative product meant to disrupt the Canadian Market and driving growth in new markets. The Company finalized its co-packing agreement with WG Pro-Manufacturing Inc. to produce the product, with the aim of being one of the first to market. The Company commenced planning for the expansion of Facility B to relocate its pilot facility and to add a processing line for Nabati Plant Eggz™, to expand production for global expansion.

Dedicated resources laying the infrastructure for new business development in Canada, the US, and South Korea.

During the 3rd quarter ended September, the Company:

Signed on with Global Brand and Export Development (“Global Brand”) to further boost Nabati’s export footprint, with a particular focus on Nabati Foods’ growing presence in Asia. Global Brand is a domestic

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brokerage and international export sales company focused on natural, organic, ethnic, and specialty products. It has significant expertise assisting manufacturers, retailers, importers, and distributors and is a partner of KeHE.

Filed patents for its proprietary, plant-based egg product, Nabati Plant Eggz, in Canada, the United States, and Australia, and intends to file in Europe, and China, and launched Nabati Plant Eggz™ in the United States, on August 30, 2021.

Listed Nabati Plant Eggz™ in all 13 The Grocery Outlet locations across Ontario, Canada. The Grocery Outlet has supplied customers, retailers, and distributors for over 20 years with a wide range of high-quality, competitively priced products.

Transaction

On March 9, 2021, Nabati Foods Global Inc. acquired all of the issued and outstanding securities of the Company (the "Transaction") in exchange for the issuance of 14,000,000 Common Shares to former Nabati Foods Shareholders on a pro rata basis pursuant to a share exchange agreement dated January 19, 2021, as amended February 3, 2021 and March 3, 2021, among Nabati Foods, Nabati and the Nabati Shareholders (the "Securities Exchange Agreement"). Following the closing of the Transaction, Nabati became a wholly-owned subsidiary of Nabati Foods.

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021

Corporate Highlights:

During the nine months ended September 30, 2021, the Company incurred a net loss of \$12,554,718 as compared to a net loss of \$260,163 for the comparative nine months ended September 30, 2020, an increase of \$12,294,555.

The increase in net loss during the period was primarily a result of the Transaction which incurred listing expenses totalling \$7,084,984.

Operational Highlights:

Gross profit of \$39,783 (20.45%) was mainly due to increased logistical costs as the Company expanded its distribution networks compared to gross profit of \$49,605 (26.47%) in the same period last year.

Advertising and promotion of \$1,123,937 was incurred for the Company's branding, promotional videos, conferences and other investor awareness promotion of which \$875,000 relates to the 1,750,000 performance shares issued and valued at \$0.50 per share.

Professional fees of \$598,509 was incurred in relation to legal fees for the Transaction and patents and trademarks globally for Nabati Plant Eggz™.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of certain financial information concerning the Company for each of the last eight quarters:

Quarter ended	Revenue (\$)	Gross Margin (%)	Loss (\$)	Loss per share	
				Basic (\$)	Diluted (\$)
September 30, 2021	194,527	20.45	(2,427,321)	(0.09)	(0.05)
June 30, 2021	195,750	(122.92)	(1,034,295)	(1.61)	(0.31)
March 31, 2021	139,551	(5.04)	(9,152,523)	(3.85)	(0.31)
December 31, 2020	70,863	(35.92)	(244,175)	(2,378.60)	(2,378.60)
September 30, 2020	139,747	26.47	(161,811)	(719.16)	(719.16)
June 30, 2020	157,322	57.63	(58,018)	(257.86)	(257.86)
March 31, 2020	111,121	51.43	(71,180)	(316.36)	(316.36)
December 31, 2019	63,171	50.02	(141,122)	(627.21)	(627.21)

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2021, the Company reported working capital of \$809,549 as compared to working capital deficiency of \$266,098 at December 31, 2020, representing an increase of \$543,451.

Net cash and cash equivalents increased by \$656,621 from \$14,893 at December 31, 2020 to \$641,728 at September 30, 2021 as a result of cash generated by financing activities of \$7,504,663 mainly from issuance of special warrants from investors of \$7,741,650. The Company also used \$5,247,547 in operating activities consisting of general and administrative expenditures, trade receivables, purchase of inventory and payments of trade payables, and \$1,606,681 in investing activities for the purchase of property and equipment and lease payments.

Current assets excluding cash, as at September 30, 2021, consisted of restricted cash of \$6,400 (December 31, 2020 - \$nil), trade and other receivables of \$447,310 (December 31, 2020 - \$168,788) and inventory of \$1,688,109 (December 31, 2020 - \$103,160). Current liabilities increased by \$1,437,603 from \$552,939 at December 31, 2020 to \$1,927,546 at September 30, 2021.

Under its current business plans, the Company may be required to seek additional financing through the issuance of shares or the exercise of options and warrants to fund ongoing operations. Although the Company has been successful in raising funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements and safeguard its ability to continue as a going concern. The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the operation of the Company. To secure additional capital necessary to pursue these plans, the Company intends to raise additional funds through equity or debt financing.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RISKS AND UNCERTAINTIES

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial assets / liabilities	Classification
Cash	FVTPL
Restricted cash	FVTPL
Trade and other receivables	Amortized costs
Trade and other payables	Amortized costs
Loan payable	Amortized costs
Convertible debt – derivative liability	FVTPL

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. The risk for cash is mitigated by holding these instruments with highly rated Canadian financial institutions. Trade and other receivables primarily consist of trade receivables from sale of goods and sales tax recoverable from the Canadian Revenue Agency. The maximum credit risk exposure associated with cash and trade and others receivable is limited to the total carrying value.

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had a cash balance of \$656,621 (December 31, 2020 - \$14,893) and current liabilities of \$1,990,542 (December 31, 2020 - \$552,939). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(i) Interest rate risk

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The interest rate risk on bank deposits is insignificant as the deposits are short term. A 10% change in the LIBOR rates will result in an insignificant impact on the consolidated statements of loss and comprehensive loss. The loan payable and convertible note payable are subject to fixed interest rates; therefore, the Company is not exposed to interest rate risk on these financial liabilities.

(ii) Foreign currency risk

As at September 30, 2021 and December 31, 2020, the Company's expenditures are in Canadian dollars. Any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

The Company hold insignificant balances in foreign currencies which would give rise to exposure to foreign exchange rate risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels.

The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at September 30, 2021 and December 31, 2020, cash is assessed to be Level 1 instruments.

The fair value of trade and other receivables, trade and other payables, loan payable and convertible note payable is equal to its carrying value due to its short-term maturity.

TRANSACTIONS WITH RELATED PARTIES

Key management remuneration:

A Company director is a key management personnel who has the authority and responsibility for planning, directing and controlling the activities of the Company.

During the nine months period ended September 30, 2021, the remuneration of the key management personnel was as follows:

		September 30, 2021		September 30, 2020
Salaries	\$	86,731	\$	4,808

Other related party transactions and balances:

As at September 30, 2021, the Company owed \$21,689 (December 31, 2020 - \$290,545) to the CEO and director of the Company, the amount was non-interest bearing and payable upon demand.

On December 15, 2020, the Company repaid \$1,528,322 of due on demand loans to the CEO and shareholders of the Company by issuing convertible notes in exchange for the balance owing. Refer to Note 8 for details. As at September 30, 2021, the outstanding balance including accrued interest and principal was \$nil (December 31, 2020 - \$1,535,021).

On February 3, 2021, the Company issued 1,415,962 common shares and 709,781 warrants to the CEO of the Company for the conversion of note payable of \$486,603 plus interest accrual of \$8,984.

During the period ended September 30, 2021, the Company has revenues of \$nil (2020 - \$40,168) and costs of goods sold of \$nil (2020 - \$50) with a company controlled by the CEO.

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

There are no new accounting estimates and judgements for the period ended September 30, 2021 other than those previously disclosed in the annual financial statements for the year ended December 31, 2020.

OTHER REQUIREMENTS

Summary of Outstanding Share Data as at November 29, 2021:

Authorized:	Unlimited common shares without par value
Common shares:	45,816,897
Warrants:	10,897,768

Additional disclosures pertaining to the Company are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors,

"Ahmad Yehya"

Ahmad Yehya

Director & CEO