

CANNIBBLE FOOD-TECH LTD.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

CANNIBBLE FOOD-TECH LTD.

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditors' Report to the Shareholders of CANNIBBLE FOOD-TECH LTD.

Opinion

We have audited the consolidated financial statements of CANNIBBLE FOOD-TECH LTD. and its subsidiaries ("the Corporation"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of comprehensive loss, changes in shareholder's equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1b of the consolidated financial statements, which indicates that the Company's ability to consummate its plans in connection with increasing the volume of current activity and continue the development of its products, is dependent on its ability to continue to finance its activities by raising additional funds. As stated in Note 1b, these conditions, along with other matters as set for in Note 1b, indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

Key audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Those matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis for the year ended December 31, 2022.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Omer Margalit.

Tel-Aviv, Israel

1 May 2023

/s/ Ziv Haft
 Certified Public Accountants (Isr)
 BDO Member Firm

CANNIBBLE FOOD-TECH LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands of US Dollars)

	Note	December 31,	
		2022	2021
		US\$ in thousands	
CURRENT ASSETS:			
Cash and cash equivalents	4	267	694
Net Trade accounts receivable		86	13
Prepays and other receivables	5	40	209
Restricted cash	6	35	39
Inventory	7	73	-
Total current assets		501	955
NON-CURRENT ASSETS:			
Equipment	8	22	26
		22	26
TOTAL ASSETS		523	981
CURRENT LIABILITIES:			
Trade accounts payable		80	56
Other accounts payable	9a	187	106
Warrants	12f,12j	287	24
Total current liabilities		554	186
NON-CURRENT LIABILITIES:			
Other accounts payable	9b	1,683	952
Total non-current liabilities		1,683	952
Total liabilities		2,237	1,138
SHAREHOLDERS' EQUITY (DEFICIENCY):			
Share capital	12	63	61
Additional paid in capital		3,642	3,283
Warrants		19	-
Reserve from share-based payment transactions		60	45
Accumulated deficit		(5,498)	(3,546)
Total shareholders' equity (deficiency)		(1,714)	(157)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		523	981

May 1, 2023

Date of approval of the
financial statements

Yoav Bar Yosef
Chief Executive officer
And chief of directors

Elad Barkan
director

Uri Ben-Or
Chief Financial officer

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

CANNIBBLE FOOD-TECH LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(In thousands of US Dollars except share and per share data)

	Note	For The Year Ended	
		December 31,	December 31,
		2022	2021
		US\$ in thousands	
Revenues from consulting services		15	107
Revenues from sale of goods		82	114
Total Revenues		97	221
Cost of Revenues – consulting services		34	26
Cost of Revenues - sale of goods		56	160
Total Cost of revenues		(90)	(186)
Gross Profit		7	35
Operating expenses:			
Selling and marketing expenses	13	739	632
Research and development expenses	14	392	300
General and administrative expenses	15	912	826
Total operating expenses		(2,043)	(1,758)
Operating loss		(2,036)	(1,723)
Financial expenses	16a	(58)	(457)
Financial income	16b	142	19
Total Finance expenses		84	(438)
Net loss and comprehensive loss for the year		(1,952)	(2,161)
Basic and diluted loss per share (*)		(0.085)	(0.12)
Weighted average number of shares outstanding used to compute basic and diluted loss per share (*)		23,080,755	18,777,159

(*) After giving effect to the Bonus shares (See Note 12d).

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

CANNIBBLE FOOD-TECH LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(In thousands of US Dollars)

	Number of Shares	Ordinary share capital amount	Additional paid in capital	Reserve from share-based payment transactions	Warrants	Accumulated deficit	Total
Balance at January 1, 2021	<u>18,677,024</u>	<u>13</u>	<u>1,176</u>	<u>-</u>	<u>-</u>	<u>(1,385)</u>	<u>(196)</u>
Changes during 2021:							
Share-based payments	-	-	-	38	-	-	38
Share bonus	-	38	(38)	-	-	-	-
Issuance of shares to Amuka	26,882	(*)	13	7	-	-	20
Issuance of shares via Front funder	160,936	(*)	80	-	-	-	80
Issuance of shares to related parties	234,886	(*)	216	-	-	-	216
Issuance of shares to Amuka	26,882	(*)	19	-	-	-	20
Issuance of common shares from conversion of convertible loan	2,594,789	8	1,818	-	-	-	1,826
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,161)</u>	<u>(2,161)</u>
Balance at December 31, 2021	<u>21,721,399</u>	<u>61</u>	<u>3,283</u>	<u>45</u>	<u>-</u>	<u>(3,546)</u>	<u>(157)</u>
Changes during 2022:							
Payment upon shares	-	-	43	15	-	-	58
Issuance of shares	1,798,197	2	316	-	-	-	318
Issuance of warrants	-	-	-	-	19	-	19
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,952)</u>	<u>(1,952)</u>
Balance at December 31, 2022	<u>23,519,596</u>	<u>63</u>	<u>3,642</u>	<u>60</u>	<u>19</u>	<u>(5,498)</u>	<u>(1,714)</u>

(*) Represent amount lower than 1 US Dollar.

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

CANNIBBLE FOODTECH LTD.
CONSOLIDATED STATEMENTS
OF CASH FLOWS

(In thousands of US Dollars)

	For The year ended December 31, 2022	For The year ended December 31, 2021
	<u>US\$ in thousands</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss and comprehensive loss for the period	(1,952)	(2,161)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	6	1
Change in fair value of convertible loan	-	392
Change in fair value of Warrants	56	-
Share based payment	19	45
Increase in trade and other accounts receivable	97	(125)
Decrease (increase) in inventory	(73)	99
Increase in trade accounts payable	24	9
Increase (decrease) in other accounts payable	801	752
Net cash used in operating activities	<u>(1,022)</u>	<u>(988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Equipment	(3)	(27)
Deposit to restricted cash	4	(23)
Net cash provided by (used in) investing activities	<u>1</u>	<u>(50)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of units, net	601	88
Payment upon shares	58	-
Convertible loan	-	1,286
Net cash provided by financing activities	<u>659</u>	<u>1,374</u>
Effects of exchange rate changes on cash and cash equivalents	(65)	54
Net Increase (decrease) in cash and cash equivalents	(427)	390
Cash and cash equivalents at the beginning of the period	694	304
Cash and cash equivalents at the end of the period	<u>267</u>	<u>694</u>
APPENDIX A – NON-CASH ACTIVITIES:		
Issuance of common shares units against restricted cash	-	40
Convertible loan conversion to shares.	-	1,826

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

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 1: NATURE OF BUSINESS, AND GOING CONCERN

a. Nature of business

Cannibble Food-Tech Ltd. (the “Corporation”, the “Group”, or “Cannibble”) was incorporated as a private limited liability Corporation under the Israeli Companies Law, on August 14, 2018 and commenced operations in May 2018. Cannibble’s corporate headquarters and registered address are located at P.O. Box 4250 Rosh Haayin Israel. On March 25, 2021, the Corporation increased the amount of the convertible notes and raised an additional amount of approximately \$1,607 CAD (approximately \$1,286) through the issuance of a convertible note. On December 31, 2021, the Corporation issued 2,594,789 shares as a result of a conversion of the principal and 8% interest on the Notes. On March 3, 2022 the ordinary shares of the Corporation were listed for trading on the Canadian Securities Exchange (the “CSE”) under the symbol ‘PLCN’. the Corporation has 23,519,596 ordinary shares issued and outstanding.

Cannibble is an Israeli-based food tech Corporation that develops and manufactures powder food and drink mix products that it markets under the brand name “the Pelicann”, that are subsequently enhanced variously with hemp seeds and hemp protein, where legal to do so.

Cannibble has developed over 100 product SKUs and has offered 40 products for sale. SKU is a unique number for each product, typically assigned by a retailer or manufacturer. It is used to track the product and typically associated with a product's barcode. The Corporation has an online store at www.thepelicann.com and it has a store on Amazon.com (The Pelicann) and on Walmart.com where it sells its hemp seed-based products.

The Corporation ’s registered address and principal place of business is 40th Carmel Street, Roash ha'ayin, Israel.

The Corporation has one wholly-owned subsidiary, EAZY Tech Inc., a limited liability Corporation organized under the laws of the state of Delaware. EAZY Tech Inc sales the Corporation ’s products through Cannibble’s web site.

The accompanying consolidated financial statements include the accounts of Cannibble and its wholly-owned subsidiary, EAZY Tech Inc ("EAZY"). All intercompany transactions between the Corporation and its subsidiary have been eliminated upon consolidation.

EAZY was incorporated on May 23, 2019 under the laws of the State of Delaware and has been the marketing and distribution branch of the Corporation in the U.S. edibles and cannabis market since June 2020.

The financial statements were approved by the Board of Directors on April 30, 2023.

b. Going concern

During the year ended December 31, 2022, the Corporation incurred a loss of \$1,952 thousand and negative cash flows from operating activities of \$1,022 thousand and as of December 31, 2022 has an accumulated deficit of \$5,498 thousand.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 1: NATURE OF BUSINESS, AND GOING CONCERN (CONT)

The Corporation's ability to consummate its plans in connection with increasing the volume of current activity and to continue the development of its products, is dependent upon its ability to continue to finance its activities by raising additional funds. As a result, there is material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern.

These consolidated financial statements were prepared on a going concern basis, which assumes that the Corporation will be able to obtain the necessary financing as needed to realize its assets and discharge its liabilities in the normal course of business. If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of the assets and liabilities.

c. listing in the Canadian Securities Exchange (the "CSE").

On February 10th, 2022 the Corporation announced that it received the conditional approval from the Canadian Securities Exchange (the "**Exchange**") for the listing of its ordinary shares (the "**Listing**"). The Listing was subject to the Corporation fulfilling all the listing requirements of the Exchange.

On March 3rd, 2022 the corporation announced that the Corporation's ordinary shares (the "**Shares**") have received final approval for listing from the Canadian Securities Exchange (the "**CSE**"). The ordinary shares of started trading on March 3rd on the Canadian Securities Exchange under the symbol PLCN.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently in the financial statements for all periods presented, unless otherwise stated.

a. Basis of presentation of the financial statements:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board ("IASB"). The financial statements have been prepared under the historical cost convention, except for financial instruments which are measured at fair value through profit or loss.

The Corporation has elected to present profit or loss items using the "function of expense" method.

In addition, these consolidated financial statements are presented in US dollars and all currency amounts have been recorded to the nearest thousand, unless otherwise indicated.

b. Foreign currency

The financial statements are prepared and presented in U.S. Dollars, the Corporation's functional currency.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Transactions and balances in foreign currencies are converted into U.S. Dollars in accordance with the principles set forth by International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

Transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the statements of the financial position date.
- Expense items – at exchange rates applicable as of the date of recognition of those items.
-
- Non-monetary items are converted at the rate of exchange used to convert the related statements of financial position items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognized in the statement of comprehensive income.

c. Cash and cash equivalents

Cash equivalents are considered as highly liquid investments, including unrestricted short-term bank deposits with an original maturity of three months or less from the date of acquisition.

d. Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily interchangeable items. A provision is made to reduce excess and obsolete inventories to net realizable value.

e. Research and development expenses, net of participations:

Research and development expenses are recognized in profit or loss when incurred. An intangible asset arising from a development project or from the development phase of an internal project is recognized if the Corporation can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; the Corporation's intention to complete the intangible asset and use or sell it; the Corporation's ability to use or sell the intangible asset; how the intangible asset will generate future economic benefits; the availability of adequate technical, financial and other resources to complete the intangible asset; and the Corporation's ability to measure reliably the expenditure attributable to the intangible asset during its development. Since the Corporation's research and development projects are often subject to regulatory approval procedures and other uncertainties, the conditions for the capitalization of costs incurred before receipt of approvals are not normally satisfied and, therefore, development expenditures are recognized in profit or loss when incurred.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

f. Revenue recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenues from the sale of goods are recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the product.

Revenues from services are recognized at the point in time when control of the asset is transferred to the customer, generally upon the provision of the service.

All of the Corporation's customers are from the US.

Major customers over 10% of the Corporation's revenues:

	For the year ended December 31 2022	For the year ended December 31 2021
Customer A	15%	48%
Customer B	54%	52%
Customer C	31%	-

g. Financial instruments

Financial assets

The Corporation classifies its financial assets based upon the business model for managing the financial asset and its contractual cash flow characteristics.

The Corporation 's financial assets are all classified as amortized cost as they arise principally from the provision of goods and services to customers (e.g. trade accounts receivable) or where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

As of December 31, 2022, and December 31, 2021, ECL for trade and other account receivables are not material, and as such are not disclosed, in accordance IFRS 9.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Financial Liabilities

The Corporation classifies its financial liabilities, including trade accounts payable and other accounts payable, which are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method. The warrants (see also Note 12f) are measured at fair value through profit or loss.

De-recognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

Impairment of financial assets

The Corporation assesses at the end of each reporting period whether there is any objective evidence of impairment of financial assets carried at amortized cost. The Corporation recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For trade accounts receivable, the Corporation applies a simplified approach in calculating ECLs. Therefore, the Corporation does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. As of the reporting date, no provision has been made for doubtful debts

Write-off policy

The Corporation writes off its financial assets if any of the following occur:

- Inability to locate the debtor.
- Discharge of the debt in a bankruptcy.
- It is determined that the efforts to collect the debt are no longer cost effective given the size of receivable.

The collections department must comply with the collection efforts outlined in the policy to collect on delinquent customer accounts before any write-offs are made.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (Cont.)

h. Loss per share:

Loss per share is calculated by dividing the net loss attributable to owners of the Corporation by the weighted number of ordinary shares outstanding during the period. Basic loss per share only includes shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee options) are only included in the computation of diluted loss per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in the diluted loss per share only until the conversion date, and since that date they are included in the basic loss per share.

i. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Corporation.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When there are no quoted prices in active markets for identical assets or liabilities, the Corporation uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Classification by fair value hierarchy

Assets and liabilities measured in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

- | | |
|---------|--|
| Level 1 | - Quoted prices (unadjusted) in active markets for identical assets or liabilities. |
| Level 2 | - Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. |
| Level 3 | - Inputs that are not based on observable market data (valuation techniques that use inputs that are not based on observable market data). |

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 3: SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUPMTIONS USED IN THE PREPARATION OF THE FINANCIAL STATEMENTS

The areas requiring the use of estimates and critical judgments that may potentially have a significant impact on the Corporation 's earnings and financial position is Warrants valuation.

NOTE 4: - CASH AND CASH EQUIVALENTS

	December 31,	
	2022	2021
	US\$ in thousands	
Cash	267	65
Short term deposits	-	629
Total	<u>267</u>	<u>694</u>

NOTE 5: - PREPAIDS AND OTHER RECEIVABLES

	December 31,	
	2022	2021
	US\$ in thousands	
Government authorities	27	4
Prepaid expenses and other	<u>13</u>	<u>205</u>
Total	<u>40</u>	<u>209</u>

NOTE 6: RESTRICTED CASH

The Corporation 's restricted cash is mainly a guarantee to the credit cards liability in the banks in total sum of \$35 for December 31,2022 and \$39 for December 31, 2021.

NOTE 7: INVENTORY

	December 31,	
	2022	2021
	US\$ in thousands	
Finished goods	73	-
Raw materials	<u>-</u>	<u>-</u>
Total	<u>73</u>	<u>-</u>

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 8: - EQUIPMENT, NET

December 31, 2022:

	<u>Equipment</u>	<u>Computers</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	25	2	27
Additions	-	3	3
Balance at December 31, 2022	<u>25</u>	<u>5</u>	<u>30</u>
Accumulated depreciation:			
Balance at January 1, 2022	(1)	*	(1)
depreciation	<u>(5)</u>	<u>(2)</u>	<u>(7)</u>
Balance at December 31, 2022	<u>(6)</u>	<u>(2)</u>	<u>(8)</u>
Depreciated cost at December 31, 2022	<u>19</u>	<u>3</u>	<u>22</u>

(*) Represent amount lower than 1 US Dollar.

NOTE 9: OTHER ACCOUNTS PAYABLES

a. OTHER ACCOUNTS PAYABLES – short term

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>US\$ in thousands</u>	
Accrued expenses (*)	187	97
Other	<u>-</u>	<u>9</u>
Total	<u>187</u>	<u>106</u>

b. OTHER ACCOUNTS PAYABLES – long term

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>US\$ in thousands</u>	
Accrued expenses (*)	1,683	952

(*) See also note 18.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 10: COMMITMENTS AND CONTINGENCIES

On November 2020, Asaf Porat, one of the founders, filed a lawsuit against the Corporation regarding a violation of labor conditions. The total amount of the claim is 312 NIS (approximately \$97). As of December 31, 2021, the Corporation's management, and its legal advisors indicate that it is not probable that a significant liability will arise.

On January 12, 2022, the Corporation and Asaf Porat agreed to settle the litigation brought by Mr. Porat against the Corporation for an immaterial amount.

NOTE 11: FINANCIAL INSTRUMENTS

a. Classification of financial assets and liabilities:

	December 31,	
	2022	2021
	US\$ in thousands	
Financial assets at amortized cost:		
Cash and cash equivalents	267	694
Trade accounts receivable	86	13
Restricted cash	35	39
	388	746
Financial liabilities at amortized cost:		
Trade accounts payable	80	56
Other accounts payable	1,870	1,058
	1,950	1,114
Financial liabilities at fair value:		
Warrants (note 12f, 12j)	287	24
Total Financial liabilities	2,237	1,138

b. financial risk factors:

The Corporation's activities expose it to various market risks (foreign currency risk, Israeli CPI risk and interest rate risk) and credit risk. The Corporation's comprehensive risk management plan focuses on activities that reduce to a minimum any possible adverse effects on the Corporation's financial performance.

Risk management is performed by the Corporation's Board. The Board identifies, measures and manages financial risks in collaboration with the Corporation's operating units. The Board establishes documented objectives for the overall risk management activities as well as specific policies with respect to certain exposures to risks such as exchange rate risk, interest rate risk, credit risk, the use of non-derivative financial instruments and the investments of excess liquid positions.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 11: FINANCIAL INSTRUMENTS (cont.)

Credit risk:

The Corporation has no significant concentrations of credit risk. All deposits are invested in financial institutions that are considered to be financially sound.

Foreign currency risk:

The Corporation has financial instruments denominated in NIS and CAD, which are exposed to foreign exchange risk. The carrying amounts of the Corporation 's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

Assets:	December 31, 2022			
	US\$ in thousands			
	CAD	US\$	NIS	Total
Cash and cash equivalents	6	5	291	267
	6	5	291	267

Liabilities:	December 31, 2022			
	US\$ in thousands			
	CAD	US\$	NIS	Total
Trade accounts payable	-	15	65	80
Other accounts payable	-	1,683	137	1,820
warrants	287	-	-	287
	287	1,698	202	2,187

Assets:	December 31, 2021			
	US\$ in thousands			
	CAD	US\$	NIS	Total
Cash and cash equivalents	-	55	639	694
Restricted Cash	-	-	39	39
	-	55	678	733

Liabilities:	December 31, 2021			
	US\$ in thousands			
	CAD	US\$	NIS	Total
Trade accounts payable	-	-	56	56
Other accounts payable	-	952	106	1,058
Warrants	24	-	-	24
	24	952	162	1,138

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 11: FINANCIAL INSTRUMENTS (cont.)

Sensitivity analysis

A 10% strengthening of the United States Dollar against the following currencies would have increased (decreased) equity and the income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the United States Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	2022	2021
Linked to NIS	89	516
	10%	10%
	(8.9)	(51.6)

c. Liquidity risk:

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Corporation has procedures to minimize such loss by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. As of the balance sheet date, the Corporation has negative working capital.

The following tables details the Corporation 's remaining contractual maturities for its financial liabilities based on the undiscounted cash flows at the earliest date on which the Corporation can be required to pay.

December 31, 2022:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	USD in thousands						
Trade payables	80	-	-	-	-	-	80
Other payables	187	1,683	-	-	-	-	1,870
	267	1,683	-	-	-	-	1,950

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 11: FINANCIAL INSTRUMENTS (cont.)

December 31, 2021:

	Less than one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	> 5 years	Total
	USD in thousands						
Trade payables	56	-	-	-	-	-	56
Other payables	106	952	-	-	-	-	1,058
	<u>162</u>	<u>952</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,114</u>

NOTE 12: -EQUITY

- a. Rights attached to shares:
An ordinary share confers upon its holder(s) a right to vote at the general meeting, a right to participate in distribution of dividends, and a right to participate in the distribution of surplus assets upon liquidation of the Corporation.
- b. On August 10, 2020 the Corporation completed its third round of crowdfunding (the "Third Round") via the platform of PipelBiz, a Brokered Private Placement. The Corporation issued 451,192 Ordinary shares in consideration of a total gross amount of 1,058 NIS (approximately 310\$), Issuance expenses amounted to 150 NIS (approximately 44\$).

On February 11, 2021 the Corporation entered to a finder's fee agreement with Exiteam Capital Partners Ltd., an Israeli venture capital firm. Exiteam was responsible for raising the Corporation's convertible note. As compensation for introducing Israeli investors who invest in Cannibble, the Corporation has agreed to pay Exiteam a cash commission equal to 8% of the amount invested by such investors and issue to Exiteam share purchase warrants ("Exiteam Warrants") to purchase shares of the Corporation equal to 8% of the number of shares issued to investors introduced by Exiteam.

- c. The Exiteam Warrants are exercisable, subject to a listing on a Canadian stock exchange, for a period ending on the earliest of: the listing of the Corporation's shares on a Canadian stock exchange, a change of control of Cannibble; or 36 months from the issuance of the Exiteam Warrants. Upon completion of the recruitment of the convertible note, 193,142 warrants were given to the Corporation's service provider. The valuation of the warrants was set at fair value according to the date of grant and amounted to \$33.

The fair value was calculated using the Black Scholes model, with a probability of 30%, based on the following assumptions:

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 12: -EQUITY (Cont.)

	<u>September 30, 2021</u>
Expected volatility (%)	122
Risk-free interest rate (%)	0.18
Underlying Share Price (CAD \$)	0.93
Conversion Price (CAD \$)	0.74

(*) based on comparable companies from the industry.

The fair value of the warrants was of \$33.

As additional compensation, if Exiteam introduces investors who invest more than CAD\$1,000 (Approximately \$800) Exiteam will be entitled to an additional bonus of CAD\$50 payable in free tradeable shares subject to a listing. CAD\$50 (approximately \$40) has been recognized in general and administrative expenses for the year ended December 31, 2021 and CAD\$50 (approximately \$40) has been included in other accounts payable, as a contingent liability. The amount remains in accounts payable at December 31, 2022.

- d. On March 31, 2021, the Corporation authorized the Bonus of its Shares on a one for four basis. The number of shares reflected throughout the consolidated financial statements are on a pre-bonus basis.
- e. On April 15, 2021, the Corporation issued 26,882 ordinary shares to Amuka Capital Corp., an advisor or services. The Corporation also issued Amuka warrants exercisable to acquire one ordinary share for a period of 24 months from the date of issuance at an exercise price of CAD\$1.40. At the time of grant, the value of these shares and warrants is 13\$ (approximately CAD\$16) and 7\$ (approximately CAD\$9), respectively.
- f. On July 5, 2021, the Corporation completed an offering of units ("Units") of its securities through Frontfundr Financial Services Inc. ("Frontfundr"), a Canadian equity crowd-funding platform and exempt market dealer. Each Unit was priced at CAD\$0.93 (approximately \$0.71) and comprised one ordinary share and one share purchase warrant exercisable to acquire one ordinary share for a period of 24 months from the date of issuance at an exercise price of CAD\$1.40 (approximately \$1.07). The Corporation issued a total of 160,936 Units for gross proceeds of CAD\$ 149.6, (approximately \$114.84) pursuant to available prospectus exemptions. Pursuant to the agency agreement the Corporation signed with Frontfundr in November 2020; it issued 7,415 share purchase warrants to Frontfundr. Each of the Frontfundr warrants is exercisable for period of 3 years from the date of issuance to acquire one ordinary share at an exercise price of CAD\$1.4 (approximately \$1.07).

Since the warrants issued through crowd-funding have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the Corporation (US Dollars), the crowd-funding warrants are recorded at their fair value as a derivative liability. Warrant liabilities are classified as a level 3 fair value in the fair value hierarchy.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 12: -EQUITY (Cont.)

The fair value of the warrant liability was calculated using the Black Scholes model, based on the following assumptions:

	<u>December 31, 2021</u>
Expected volatility (%)	130.07
Risk-free interest rate (%)	0.24
Underlying Share Price (CAD \$)	0.62
Conversion Price (CAD \$)	1.4

The warrant liability was initially recorded at \$40 thousand. As at December 31, 2021 the fair value of warrants had decreased to \$24 thousand and \$16 thousand was recorded as a finance income through profit and loss.

At December 31, 2022, the fair value of the warrant liability was calculated using the Black Scholes model, based on the following assumptions:

	<u>December 31, 2022</u>
Expected volatility (%)	150.6
Risk-free interest rate (%)	4.76
Underlying Share Price (CAD \$)	0.35
Conversion Price (CAD \$)	1.4

As for December 31, 2022 the fair value of the warrant liability is \$4 thousand., and \$20 thousand was recorded as finance income through profit and loss.

The fair value of the warrants issued to FrontFundr under the agency agreement was calculated using the Black Scholes model, based on the following assumptions:

	<u>July 5, 2021</u>
Expected volatility (%)	118.11
Risk-free interest rate (%)	0.45
Underlying Unite Price (CAD \$)	0.93
Conversion Price (CAD \$)	0.93

The fair value of the Frontfundr warrants was \$5. (Approximately CAD\$ 6)

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 12: -EQUITY (Cont.)

- g. On December 22, 2021, the Corporation issued 26,882 shares to an advisor for consulting services provided. The fair value of the said services was CAD\$25 (approximately \$19).
- h. On December 29, 2021, The Corporation effected a Debt Conversion, pursuant to which it issued the following shares to Messrs. Yoav Bar-Joseph, Elad Barkan and Ziv Turner in consideration for the cancellation of part of the debt owed to them on account of accrued salary.

Mr. Yoav Bar-Joseph – issuance of 86,774 Ordinary Shares of the Corporation in exchange for a debt of \$63 (approximately CAD\$81) converted at CAD\$ 0.93 per share.

Mr. Elad Barkan – issuance of 86,774 Ordinary Shares of the Corporation in exchange for a debt of \$63 (approximately CAD\$81) converted at CAD\$ 0.93 per share.

Mr. Ziv Turner – issuance of 61,338 Ordinary Shares of the Corporation in exchange for a debt of \$46 (approximately CAD\$57) converted at CAD\$ 0.93 per share.

As part of the Debt Conversion, Ziv Turner converted an additional \$43 (approximately CAD\$53) of accrued debt owing to him which was applied to the ordinary shares held by another holder of builder shares to increase their cost base to CAD\$0.02 per share.

- i. On December 31, 2021, the Corporation issued 2,594,789 shares as a result of a conversion of the principal and 8% interest on the Notes that were issued to 35 investors in March 2021.
- j. On September 6, 2022, the Corporation completed a non-brokered private placement comprised of 1,778,800 units of its securities at 0.47 CAD per Unit, for aggregate gross proceeds of \$642,266 (836,036 CAD). Each Unit is composed of one ordinary share of the Corporation, and one Share purchase warrant. Each warrant is exercisable at 0.70 CAD per Share for two years from the date of issuance. In connection with the Private Placement, the Issuer paid finder's fees of 8% cash and 8% finder warrants.

The fair value of the warrants issued under private placement was \$207 thousand (270 CAD thousand). Since the warrants have an exercise price denominated in a different currency (Canadian Dollars) than the functional currency of the Corporation (US Dollars), these warrants are recorded at their fair value as a derivative liability and are classified as a level 3 fair value in the fair value hierarchy.

The fair value of the warrants was estimated using the Black Scholes option-pricing model with the following assumptions:

	<u>September 6, 2022</u>
PV of exercise Share price	0.7 CAD
Expected Volatility	124.21%
Risk Free Interest Rate	3.42%
Expected Term (years)	2
Expected Dividend Yield	-

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 12: -EQUITY (Cont.)

At December 31, 2022, the fair value of the warrants increased to \$283 thousand (384 CAD thousand) and \$76 thousand was recognized as a finance expense through profit and loss. The fair value of the warrant liability for the private placement warrants is estimated using the Black Scholes option-pricing model with the following assumptions:

	<u>December 31, 2022</u>
PV of exercise Share price	0.7 CAD
Expected Volatility	165.06%
Risk Free Interest Rate	4.52%
Expected Term (years)	1.66
Expected Dividend Yield	-

k. On September, the corporation issued 19,397 units to its advisor, Gurilla marketing (note 20).

l. on March 11, 2022, the corporation issued 150,000 options with the exercise price of 0.93 CAD to Ontario according to the consulting agreement (note 20). The fair value of the options was estimated using the Black Scholes option-pricing model with the following assumptions:

	<u>March 11, 2022</u>
PV of exercise Share price	0.4 CAD
Expected Volatility	113.98%
Risk Free Interest Rate	1.75%
Expected Term (years)	2
Expected Dividend Yield	-

The fair value of the options was \$19 thousand (24 CAD thousand).

	<u>Number of shares as of December 31, 2021</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>
Common shares with a par value of NIS 0.01	<u>1,000,000,000</u>	<u>21,721,399</u>

* Updated retroactive on a one for four bases (note 12d)

	<u>Number of shares as of December 31, 2022</u>	
	<u>Authorized</u>	<u>Issued and outstanding</u>
Common shares with a par value of NIS 0.01	<u>1,000,000</u>	<u>23,519,596</u>

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12: -EQUITY (Cont.)

Share activity	Issued and outstanding December 31, 2021
Balance – Beginning of Period	18,677,024
April 15, 2021 ordinary shares to Amuka Capital Corp (note 12e)	26,882
July 5, 2021 ordinary shares to private investors (note 12f)	160,936
December 22, 2021, issued shares to Amuka Capital Corp (note 12g)	26,882
December 29, 2021 Yoav Bar-Joseph, Elad Barkan and Ziv Turner (note 12h)	234,886
December 31, 2021, CLA conversion (note 12i)	2,594,789
Balance – End of Period	21,721,399

Share activity	Issued and outstanding December 31, 2022
Balance – Beginning of Period	21,721,399
July, 2022 issued of shares and warrants (note 12j)	525,000
August, 2022 issued of shares and warrants (note 12j)	1,273,197
Balance – End of Period updated until December 2022	23,519,596

Warrants activity	Issued and outstanding December 31, 2021
Balance – Beginning of Period	0
Issued of warrants	2,314,564
Balance – End of Period updated until December 2021	2,314,564

Warrants activity	Issued and outstanding December 31, 2022
Balance – Beginning of Period	2,314,564
July, 2022 issued of shares and warrants (note 12j)	525,000
August, 2022 issued of shares and warrants (note 12j)	1,396,104
Balance – End of Period updated until December 2022	4,235,668

CANNIBBLE FOOD-TECH LTD.
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(In thousands of US Dollars)

NOTE 12: -EQUITY (Cont.)

Warrants treated under IFRS 2 as at December 31, 2021 are as follows:

	The year ended December 31, 2021	
	Number of warrants	Weighted average exercise price (CAD)
Warrants outstanding at beginning of period	-	-
Granted	195,233	1.38
Exercised	-	-
Warrants outstanding at end of period	195,233	1.38
Exercisable warrants	195,233	1.38

Warrants treated under IFRS 2 as at December 31, 2022 are as follows:

	The year ended December 31, 2022	
	Number of warrants	Weighted average exercise price (CAD)
Warrants outstanding at beginning of period	195,233	1.38
Granted	150,000	0.93
Exercised	-	-
Warrants outstanding at end of period	345,233	1.18
Exercisable warrants	345,233	1.18

NOTE 13: Selling and marketing expenses:

	Year ended December 31,	
	2022	2021
	US\$ in thousands	
Salaries and related expenses	338	259
Advertising and marketing	213	127
Travel abroad	40	58
Other	148	188
Total	739	632

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NOTE 14: Research and development expenses:

	Year ended December 31,	
	2022	2021
	US\$ in thousands	
Salaries and related expenses	389	297
Other	3	3
Total	392	300

NOTE 15: General and administrative expenses:

	Year ended December 31,	
	2022	2021
	US\$ in thousands	
Salaries and related expenses	195	174
Professional services	671	381
Other	46	271
Total	912	826

NOTE 16: Financial (income) and expense:

	Year ended December 31,	
	2022	2021
	US\$ in thousands	
Financial expenses		
Foreign exchange gains and losses	5	54
Warrants revaluation	53	
Convertible loan revaluation	-	392
Other	-	11
Total	58	457
Financial income		
Foreign exchange gains and losses	(142)	
Warrants revaluation	-	(19)
Total	(142)	(19)
Total financial (income) expenses	(84)	438

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 17: TAXES ON INCOME

- a. corporate tax rates in Israel:
The Israeli corporate tax rate in n 2021 and 2022 was 23%.
- b. Final tax assessments:
The Corporation did not receive final tax assessments since inception.
- c. Deferred taxes:
The Corporation did not recognize deferred tax assets for carryforward losses and other of \$1,136 thousand.

temporary differences because their utilization in the foreseeable future is not probable.

	Year ended December 31, 2022	Year ended December 31, 2021
Loss before taxation	(1,952)	(2,161)
Theoretical tax credit at applicable statutory 2022 and 2021: 23%	(448)	(497)
Non allowable expenses	2	11
Temporary differences and tax losses for which no DTA is recognized	(446)	486
Income tax benefit		-

- d. Current taxes:
The Corporation did not record any current taxes for the years ended December 31, 2021 and 2022 as it is still incurring losses on an ongoing basis.

NOTE 18: -BALANCES AND TRANSACTIONS WITH RELATED PARTIES

- a. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party's making of financial or operational decisions, or if both parties are controlled by the same third party. The Corporation has transactions with key management personnel .Transactions with related parties, if any, are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 18: -BALANCES AND TRANSACTIONS WITH RELATED PARTIES (cont)

b. Payable related parties:

Related Party	Nature	For the year ended December 31, 2022	For the year ended December 31, 2021
		(US\$ in thousands)	
Elad Barkan – CTO, Director & shareholder & founder	Salary fees (*)	561	317
Ziv Turner- VP BUSNIESS, Director & shareholder & founder	Salary fees (*)	561	317
JOAV BAR JOSEPH – CEO, Director & shareholder & founder	Salary fees (*)	561	317

c. The following transactions arose with related parties:
Transactions- expenses

	For the year ended December 31,	
	2022	2021
	(US\$ in thousands)	
Fees to CEO, CTO & VP BUSNIESS (1)	812	622
Fees paid to Apologens LTD (2)	-	5
Fees to CFO	68	33
Asaf porat	25	-

(1) Due to a board of directors, the three founder's employees shall receive a salary of 24 \$ thousand a month from June 2020. As for December 31, 2022 this amount is a part of accrued expenses (see note 9). The Corporation and the founders reached an agreement that the Corporation has the option to convert the debt into shares at a value on the day of the conversion, in case there is not enough money to repay the debt.

(2) A Corporation in which, Ziv Turner, a director and shareholder receive consulting fees

d. On December 29, 2021, in connection with the Corporation's efforts to become a reporting issuer and seek a listing on the CSE, the Corporation effected the Debt Conversion, pursuant to which it issued the following shares to Messrs. Yoav Bar-Joseph, Elad Barkan and Ziv Turner in consideration for the cancellation of part of the debt owed to them on account of accrued salary. (N1 ote2h)

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 19: CAPITAL MANAGEMENT

The Group considers its capital to be comprised of shareholders' equity. The Group's objectives in managing its capital are to maintain its ability to continue as a going concern and to further develop its business. To effectively manage the Group's capital requirements, the Group has a planning and budgeting process in place to meet its strategic goals. In order to facilitate the management of its capital requirements, the Group prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. Management reviews the capital structure on a regular basis to ensure the above objectives are met. There have been no changes to the Group's approach to capital management during the year ended December 31, 2022. There are no externally imposed restrictions on the Group's capital.

NOTE 20: MATERIAL EVENTS DURING THE PERIOD

On January 12, 2022, the Corporation entered to a settlement agreement with shareholder Asaf Porat. According to the agreement, the Corporation will pay Asaf an amount of NIS 80 thousand (approximately \$25 thousand) to complete all of his demands from the Corporation

On January 20, 2022, Asaf Porat paid \$43 (approximately CAD\$53) to Cannibble (the "Porat Payment") as an additional subscription amount for his founder's shares, as a result of which the average cost base of his Ordinary Shares was increased to CAD\$0.02.

On March 14th the corporation announced that it has received its first commercial order from a leading US-based supermarket chain. The order is for two of Cannibble's recently developed products, The PelicannTM protein brownie mix and The PelicannTM protein chocolate cake mix. The initial order for these products will be sold in seven store locations.

On March 31st the corporation announced that it has received a large reorder from an existing client in Las Vegas, Nevada. The client, a chain with sales points for premium adult frozen drinks infused with hemp ingredients, placed the order for roughly two tons of unique powder mix products developed by Cannibble in five different fruit-flavors infused with hemp ingredients. The reorder announced today comes on the heels of the Corporation's first commercial order from a leading US-based supermarket chain within the last two weeks. That order was for two of Cannibble's products: The PelicannTM protein brownie mix and chocolate cake mix.

On February 28, 2022, the Corporation entered to market making services agreement with QUESTRADE INC. The terms of the agreement are for one year. QUESTRADE INC will charge the Corporation \$5.5 thousand for one month. According to the agreement, QUESTRADE INC will provide the following services: make two-sided market in the Corporation's traded shares and provide liquidity. Present the Corporation's management with a monthly report of trading activities in the Corporation's shares upon the Corporation's request. Guarantee to limit the difference between bid price and offer price for the Corporation's share to \$0.05. Allocate up to two hundred and fifty thousand CAD dollars of its own capital to provide the services outline above. Guarantee a five thousand share minimum guaranteed fill for the Corporation's share at the price \$0.05.

CANNIBBLE FOOD-TECH LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of US Dollars)

NOTE 20: MATERIAL EVENTS DURING THE PERIOD (CONT)

On March 11, 2022 the Corporation entered to a consultant agreement with ONTARIO INC. The terms of the agreement will affect for three months. The consultant will charge the Corporation CAD 22.5 thousand (\$16 thousand) for three month and 150,000 options with the exercise price of 0.93 CAD. According to the agreement, ONTARIO will provide the following services: General consulting include advise investors market perception, identify capital market and solution to the Corporation 's problem. Consultant using a verify of social media, enhanced news dissemination, ad hoc services, article white up consultant, create engaging information video outlining the Corporation 's various attributes and social media management consulting.

On August 14, 2022, the Corporation issued to Ontario Ltd (Gurilla marketing) ordinary shares at 0.58 CAD\$ per share price and 150,000 warrants at 0.93 CAD.

On July 7, 2022, the Corporation signed a non-binding letter of intent with Eshbal Functional Foods Cooperative Ltd. ("Eshbal") for the acquisition of 100% of the membership units of Eshbal (the "Proposed Transaction"). Eshbal is a leading private Israeli manufacturer for dietary supplements, gluten-free products and milk and meat substitutes. The Proposed Transaction will be a "fundamental change" for Cannibble under the policies of the CSE.

On July 28, 2022, the Corporation announced the development of a new line of plant-based protein bars in four different flavors: plain, peanut butter, cocoa, and hazelnut.

On August 17, 2022, the Corporation announced that it had received its first commercial order from a customer in Australia.

On November 16, 2022 the Corporation provided an update on the progress of the Proposed Transaction with Eshbal and announced that the parties had started to collaborate on sales prior to completion of the Proposed Transaction, as a result of which Cannibble had received two orders from a distributor in the United States for one of Eshbal's leading products.

Following a period of due diligence and negotiation, the Corporation, Eshbal and the two members of Eshbal (Eshbal Trading, Ltd., an Israeli private Corporation, and L.D. Barel Ltd., an Israeli private Corporation) entered into a definitive share purchase agreement (the "Share Purchase Agreement") on November 27, 2022 for the Proposed Transaction. Pursuant to the Share Purchase Agreement Cannibble will acquire all the outstanding membership interests of Eshbal in exchange for ordinary shares of Cannibble. The Share Purchase Agreement was negotiated at arm's length. Upon closing of the Proposed Transaction, Eshbal will become a wholly-owned subsidiary of Cannibble and Cannibble, as the "Resulting Issuer", will carry on the businesses of Cannibble and Eshbal. The purpose of the Proposed Transaction is to leverage Eshbal's success in providing the Israeli retail market with innovative gluten free baked products into sales and marketing of these products in the US gluten free market.

Completion of the Proposed Transaction is subject to satisfaction of a number of conditions, including completion of a concurrent financing that will be held in escrow until completion, as well as CSE and Cannibble and Eshbal securityholder approval.

CANNIBBLE FOOD-TECH LTD.
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(In thousands of US Dollars)

NOTE 20: MATERIAL EVENTS DURING THE PERIOD (CONT)

On November 28, 2022, the trading of the Corporation's ordinary shares on the CSE was halted pending the review of the Proposed Transaction by the CSE. Cannibble expects that trading in its ordinary shares will remain halted until closing of the Proposed Transaction.

Since inception, Cannibble has an accumulated deficit of \$5,498 million as at December 31, 2022. The Corporation has funded its operations with proceeds from equity financings and expects to seek additional funding through equity financings to develop its business, and, assuming completion of the Proposed Transaction, the combined business of Cannibble and Eshbal. However, if capital market conditions in general or with respect to the foodtech sector or development stage companies such as Cannibble are unfavorable, the Corporation's ability to obtain additional funding will be adversely affected.

On November 30, 2022 the Corporation entered a consulting agreement with EXITEAM CAPITAL PARTNERS LTD.

The Consultant will assist the Corporation to raise funds in a private placement from investors in order to complete successful transaction of acquiring 100% of Eshbal functional foods Ltd by the Corporation.

The terms of the agreement will affect for twelve month or until closing a successful transaction the first to come. According to the agreement EXITEAM will provide the following services: general consulting that will include advise the client on investors Market perception, identifying capital market solutions to the Corporation problem, monthly reporting on consultants posting activity. Marketing services, Enhanced News Dissemination, and Social Media Management. The Corporation will pay the consultant retainer fee of \$11,000 CAD per month

for a period of 12 months or until completing a successful transaction. Total of 132,000 CAD will be paid by the Corporation to the consultant by the end of this agreement. The payment will be made in 377,143 "CANNIBBLE FOOD TECH" ordinary shares and not in cash. In addition, the Corporation will pay the consultant a success fee of in-kind consideration of 461,857 in "CANNIBBLE FOOD TECH" shares. The "success fee" will be paid by the Corporation upon that the Corporation will complete a successful transaction acquiring 100% of Eshbal functional foods.

On December 1, 2022 the Corporation entered a consulting agreement with ZER MATOK ("the advisor") CONSULTING LTD. According to the agreement, the advisor will provide the Corporation advisory services related to the corporation transaction to acquire an Israeli Corporation Eshbal functional food Ltd. Eshbal is a leading private Israeli manufacturer for dietary supplements, gluten-free products and milk and meat substitutes. The terms of the agreement be affective for six month or until closing a successful transaction acquiring 100% of Eshbal functional foods. According to the agreement ZER MATOK will provide the following services: general consulting that will include advice services to the Corporation on investor market perception, identifying capital market solutions to the Corporation problem, coordinating information and materials for the non-offering prospectus, assisting in drafting the MD&A and the financial statement, assisting in drafting the business plan for the Corporation, assisting in drafting PPT presentation of the Corporation and assisting in drafting the capitalization table of the Corporation. The Corporation will pay the advisor retainer fee of \$9,000 CAD per month for a period of twelve month or until completing a successful transaction the first to

CANNIBBLE FOOD-TECH LTD.
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NOTE 20: MATERIAL EVENTS DURING THE PERIOD (CONT)

come. Total of \$108,000 CAD will be pay by the Corporation to the advisor by the end of the agreement. Payment will be made in 308,571 Cannibble food tech ordinary shares and not in cash. In addition, the Corporation will pay the advisor a success fee of in-kind consideration of 148,858 in Cannibble food tech shares. The success fee will be paid by the Corporation upon that the Corporation complete a successful transaction acquiring 100% of Eshbal functional food. On January 1, 2023 ZER MATOK sign a waiver document. ZER MATOK waive the 546,000 warrants owed to them by the Corporation as part of past agreements.

NOTE 21: SUBSEQUENT EVENTS

On January 1, 2023 the Corporation entered a share consideration agreement with ZER MATOK LTD. According to the agreement, whereas the advisor provided to the Corporation various consulting services during 2022, the parties agreed that the payment for the services will be in ordinary shares of the Corporation instead of cash. The advisor shall receive 88,571 ordinary shares of the Corporation equivalents to \$31,000 CAD, calculated with a price per share of \$0.35 CAD. The shares will be issued to the advisor after completing a successful transaction: Cannibble acquire 100% of the Israeli Corporation Eshbal functional food Ltd. And receiving the CSE approve of trading Cannibble food tech shares and subject applicable laws and regulation as may apply.

On January 9, 2023 the Corporation entered a finders agreement with EXITEAM CAPITAL PARTNERS LTD. The finders will assist the Corporation to raise up to \$4.5 M CAD or more as will be instructed by the Corporation and to its sole decision, from Israeli or foreign investors residing in the State of Israel, Canada & USA. The terms of the agreement will affect for twelve months. According to the agreement EXITEAM will provide the following services: introduce to the Corporation

specific persons and/or entities on a nonexclusive basis that subsequently: invests in the Corporation, purchases any assets from the Corporation, purchase any securities of the Corporation, lends any funds to the Corporation, or effects a combination of the above-mentioned transaction, either in one transaction or in series of related transactions. Advising the Corporation in negotiations with Identified Prospects; coordinating communication between the Corporation and Identified Prospects; and providing

the Corporation with ongoing updates and reports detailing the outcome of discussions, meetings, and other communications with Identified Prospects.

The Corporation will pay the finders the service fees: For financings actually received by the Corporation from an Identified Prospects from time-to-time Finder will be entitled, subject to the terms and conditions of this Agreement, to a commission at a rate of 8% of the sum received by the Corporation in each such Financing from the Identified Prospects, plus VAT, which shall be paid upon the elapse of thirty days after the money from the Financing is actually received by Corporation. In addition to the Commission Fee, the Corporation shall issue the Finder with warrants to purchase a number of ordinary shares of the Corporation equal to 8% of the financing received by the Corporation. The exercise price per share equal to the price per share paid by investors in the Financing. The Warrants shall be exercisable from day one following the closing of a Financing and for a period of two years, as per the terms and conditions to be approved by the Board. Subject to applicable laws and regulations as may apply.

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(In thousands of US Dollars)

NOTE 21: SUBSEQUENT EVENTS (cont)

On January 1, 2023 Exiteam sign a waiver document. Exiteam waive the 69,893 warrants owed to them by the Corporation as part of bonus warrants for finders fee.

On February 1, 2023 the Corporation sign a Unanimous written resolution:
The grant by the Corporation to each of the External Directors of 100,000 RSUs that will vest in full on March 2, 2023 be and it is hereby authorized and approved.

The Corporation be and is hereby authorized to issue to each of the External Directors upon deemed exercise of the External Director's 100,000 RSUs on March 2, 2023, 100,000 ordinary shares in the capital of the Corporation.