

Cannibble Foodtech Ltd.

**Management's Discussion and Analysis
for the Three and Six Months Ended
June 30, 2023**

1. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis – quarterly highlights (“**Interim MD&A**”) of (“**Cannibble**” or the “**Corporation**”) for the three months ended June 30, 2023 provides material information about the Corporation's business activities during the interim period and updates disclosure previously provided in the Corporation's management's discussion and analysis for the financial year ended December 31, 2022 (“**Annual MD&A**”).

This Interim MD&A should be read in conjunction with the Corporation's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2023 (the “**Interim Financial Statements**”), the Corporation's audited consolidated financial statements for the year ended December 31, 2022 (the “**Annual Financial Statements**”), and the Corporation's Annual MD&A, including the section describing risks and uncertainties.

The effective date of this Interim MD&A is August 22 2023.

All financial results presented in this Interim MD&A are expressed in United States dollars unless otherwise indicated.

2. DESCRIPTION OF BUSINESS

Structure of the Corporation

Cannibble was incorporated as a private limited liability corporation under the Israeli Companies Law, 5759-1999 on August 14, 2018. On June 30, 2023 the ordinary shares of the Corporation were listed for trading on the Canadian Securities Exchange (the “**CSE**”) under the symbol ‘PLCN’. As of the date of this MD&A, 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's corporate headquarters and registered address are located at P.O. Box 4250 Rosh Haayin Israel. The Corporation has one wholly-owned subsidiary, EAZY Tech Inc., a limited liability corporation organized under the laws of the state of Delaware.

Cannibble has developed over 100 product SKUs and as of the date of this MD&A has offered 10 products for sale. The Corporation has an online store at www.thepelicann.com and it has a [updatestore](https://www.amazon.com) on Amazon.com (The Pelicann) and on Walmart.com where it sells its hemp seed-based products.

Following the definitive agreement that was signed on November 28, 2022 to acquire Eshbal functional foods LTD (the “**Proposed Transaction**”), the corporation has been preparing the necessary documents related to the proposed deal and its financing. The corporation has presented the proposed deal to potential investors and bankers.

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Proposed Transactions

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 together with Cannibble products under "the pelicann" brand.

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 approval and Cannibble and Eshbal securityholder approval.

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.

Pursuant to the definitive agreement that was signed on November 28, 2022 to acquire Eshbal functional foods, the Issuer is working towards completing the concurrent financing for such transaction. The terms of the financing may need to be revised, due to current market conditions.

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Highlights of Q2 2023

On May, 2023 the Corporation entered into a Convertible Loan Agreement in the amount of CAD\$210,000 (\$155,482). The Convertible Loan will bear an annual interest of 15%.

The principal amount and interest will be due and payable on the first to occur of:

- a. The date of the conditional approval of the SCE approving the listing of the ordinary shares following completion of the Corporation's proposed acquisition of Eshbal; and the
- b. date on which the board of directors resolve to terminate the fundamental change transaction the first to come.

On the maturity date, the principal amount and the accrued interest will automatically convert into units of the Corporation at the conversion price of CAD\$0.28 per unit with each unit comprised of one ordinary share of the Corporation and one purchase warrant exercisable to acquire one ordinary share at the exercise price of CAD\$0.40 for two years from the date of issued.

According to the management assessment, the fair value of the convertible loan was not estimated since it is not material.

Financial Review

The following table sets forth selected financial information is presented for, the period ended June 30, 2023 and the period ended June 30, 2022.

Quarterly Information

	2022	2023	2022	2023
	Three Months Ended June 30		Six Months Ended June 30	
	(Thousands of USD, except per share amounts)			
Revenue	26	0	71	41
Net income (loss) for the quarter	(336)	(369)	(833)	(909)
Net income (loss) per share (basic and diluted)	(0.015)	(0.016)	(0.038)	(0.039)

Three Months Ended June 30, 2023, compared to the Three Months Ended June 30, 2022

Revenues

For the three months ended June 30, 2023, total revenues amounted to \$nil, compared to approximately \$26,000 for the three months ended June 30, 2022. The revenues were comprised of sales of goods to customers in the United States both through Cannibible's web site and to retailers .

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Cost of revenue

For the three months ended June 30, 2023, cost of revenues amounted to approximately \$29,000 , compared to approximately \$26,000 for the three months ended June 30, 2022. There is no material increase.

Gross Profit or loss

For the three months ended June 30, 2023, gross loss amounted to approximately \$29,000, compared to nil for the three months ended June 30, 2022. The increase in gross loss was mainly due to the decline in sales.

Selling and Marketing Expenses

For the three months ended June 30, 2023, selling and marketing expenses were approximately \$131,000 compared to approximately \$230,000 for the three months ended June 30, 2022. The decrease of approximately \$99,000 was mainly a result of a decrease in the activity of the Corporation, which included decreases in advertising and marketing expenses.

Research and Development Expenses

For the three months ended June 30, 2023, research and development expenses amounted to approximately \$63,000 compared to approximately \$122,000 for the three months ended June 30, 2022. The decrease of approximately \$59,000 is mainly attributable to the decrease of the research expenses following the cancelation of the services agreement with Eshbal during the second quarter of 2023.

General and Administrative Expenses

For the three months ended June 30, 2023, general and administrative expenses amounted to approximately \$123,000 compared to approximately \$72,000 for the three months ended June 30, 2022. The increase in G&A expenses was mainly due to an increase in consulting expenses.

Finance expenses, net

For the three months ended June 30, 2023, finance expenses net amounted to approximately \$23,000, as compared to the finance income net of approximately \$88,000 for the three months ended June 30, 2022. The increase in financial expenses was mainly attributed to changes in exchange rate.

During the three months ended June 30, 2023, Cannibble recorded a net and comprehensive loss of approximately \$369,000 compared to approximately \$336,000 net and comprehensive loss for the three months ended June 30, 2022. The increase in net and comprehensive loss was due to a decrease in the Corporation's revenue and an increase in finance expenses, offset by a decrease in total operating expenses .

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Six Months Ended June 30, 2023, compared to the Six Months Ended June 30, 2022

Revenues

For the six months ended June 30, 2023, total revenues amounted to approximately \$41,000 compared to approximately \$71,000 for the six months ended June 30, 2022. The decrease was mainly due to the decrease in sales of goods since the corporation started focusing in developing its product and providing consulting services.

Cost of revenue

For the six months ended June 30, 2023, cost of revenues amounted to approximately \$98,000, compared to approximately \$37,000 for the six months ended June 30, 2022. The increase was attributable to increase in cost of sales of goods.

Gross Profit

For the six months ended June 30, 2023, gross loss amounted to approximately \$57,000, compared to a gross profit of approximately \$34,000 for the six months ended June 30, 2022. The decline in gross profit was mainly due to the decline in sales and increase in cost of sales of goods.

Selling and Marketing Expenses

For the six months ended June 30, 2023, selling and marketing expenses were approximately \$302,000 compared to approximately \$406,000 for the six months ended June 30, 2022. The decrease of approximately \$104,000 was mainly a result of decrease in the marketing expenses.

Research and Development Expenses

For the six months ended June 30, 2023, research and development expenses amounted to approximately \$188,000 compared to approximately \$200,000 for the six months ended June 30, 2022. There is no material decrease.

General and Administrative Expenses

For the six months ended June 30, 2023, general and administrative expenses amounted to approximately \$337,000 compared to approximately \$361,000 for the six months ended June 30, 2022. The decrease in general and administrative expenses was mainly due to decrease in legal expenses.

Finance expenses, net

For the six months ended June 30, 2023, finance expenses net amounted to approximately \$25,000, as compared to the finance income net of approximately \$100,000 for the six months ended June 30, 2022. The increase in financial expenses was mainly attributed to changes in exchange rate.

During the Six months ended June 30, 2023, Cannibble recorded a net and comprehensive loss of approximately \$909,000 comparing to approximately \$833,000 net and comprehensive loss for the six months ended June 30, 2022. The increase in net and comprehensive loss resulted mainly from a

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decrease in the Corporation's revenue and an increase in finance expenses, offset by a decrease in total operating expenses.

Liquidity and Capital Resources

Since inception, the Corporation has generated limited revenues, with sales commencing during the third quarter of the year ended December 31, 2022. The Corporation believes it has the capability to continue financing itself in the foreseeable future, through the issuance of equity and future revenue from sales. The Corporation has generated an accumulated deficit of approximately \$ 6,407,000 since inception. These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Corporation's ability to continue as a going concern.

On June 30, 2023, the Corporation had a negative working capital of approximately \$257,000 compared with a working capital of approximately \$279,000 on June 30, 2022, which consists of cash and cash equivalents, other accounts receivable and inventory, trade accounts payable, other accounts payable and accrued liabilities.

As of the date of this MD&A, the Corporation anticipates raising additional funds to support additional research and development costs and to have sufficient resources to support its operations, including the payment of current and non-current liabilities, as they become due.

During the six months ended June 30, 2023, the Corporation's overall position of cash and cash equivalents decreased by approximately \$101,000 compared to a decrease of approximately \$473,000 during the six months ended June 30, 2022.

This change in cash and cash equivalents can be mainly attributed to the following:

- The Corporation's net cash used in operating activities during the six months ended June 30, 2023, amounted to approximately \$246,000 as compared to approximately \$554,000 for six months ended June 30, 2022. The decrease in net cash used in operating activities in the six months ended June 30, 2023 was mainly attributable to decrease in inventory and increase in other account payable.
- The Corporation's net cash provided by investing activities during the six months ended June 30, 2023 was approximately \$2,000, compared to approximately \$38,000 used in investing activities for the six months ended June 30, 2022. The amount of investing activities in the six months ended June 30, 2022 was mainly attributable to withdrawals of restricted cash into the Corporation's checking account.
- The Corporation's net cash provided by financing activities during the six months ended June 30, 2023 was approximately \$143,000 as compared to approximately \$43,000 for six months ended June 30, 2022. The cash provided by financial activities during the six-month ended June 30, 2023 resulted from a convertible loan. The cash provided by financing activities during the six months ended June 30, 2022 resulted from payments upon shares.

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RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Corporation's senior management, who are considered to be key management personnel by the Corporation.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

During the three months ended June 30, 2023, the Corporation paid or accrued remuneration to its senior management of approximately \$235,000, compared to approximately \$116,000 accrued during the same period in 2022.

The following table sets forth information concerning the total transactions (expenses) to the named executive officers of the Corporation for the period ended June 30, 2022 and 2023.

	For the six months ended	
	June 30,	
	2022	2023
	(US\$ in thousands)	
Fees to CEO, CTO & VP BUSINESS (1)	342	455
Fees to CFO	37	32

Foreign currency risk

Foreign currency risk is the risk that a variation in exchange rates between the Israeli New Shekel and the United States dollar and other foreign currencies will affect our operations and financial results. Cannibible is exposed to currency risk as funds are held in Israeli currency and revenues and a significant portion of its expenses are denominated in United States currency. As at June 30, 2022 and 30, 2023, Cannibible has not entered into any hedging agreements to mitigate foreign currency risk. Therefore, Cannibible's financial position and financial results may be adversely affected by unfavorable fluctuations in currency exchange rates. The Corporation has cash that is exposed to possible fluctuations in the U.S. dollar exchange rates.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

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Liquidity Risk

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due by raising sufficient funds. As of June 30, 2023, the Corporation had approximately \$257,000 negative working capital balance (June 30, 2022 - approximately \$279,000 positive working capital), and the Corporation has little exposure to liquidity risk, as it will balance expenditures with available working capital.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Corporation periodically monitors its cash activity and is satisfied with the credit ratings of its banks.

RISKS AND UNCERTAINTIES

The Corporation's business as a foodtech corporation is subject to a number of significant risk factors. It also faces additional risks related to the Proposed Transaction. If any event arising from the risk factors set forth below occurs, the Corporation's (or the Resulting Issuer's) business, prospects, financial condition, results of operation or cash flows and in some cases, its reputation, could be materially adversely affected. Although the Corporation believes that the risk factors described below are the most material risks that it faces, they are not the only ones. Additional risk factors not presently known to the Corporation or that the Corporation currently believes are immaterial could also materially and adversely affect its business, prospects, cash flows, results of operations or financial condition and negatively affect the value of Cannibble's ordinary shares. Readers should carefully consider each of these risks and all of the information in this MD&A.

Risks Related to the Proposed Transaction

Cannibble is subject to a number of risks related to the Proposed Transaction and its future business operations as the Resulting Issuer, assuming the Proposed Transaction is completed, which cannot be guaranteed. The following are some of those risks:

- Cannibble and Eshbal will incur significant transaction costs in connection with the Proposed Transaction.
- The consummation of the Proposed Transaction is subject to a number of conditions and if those conditions are not satisfied or waived, the Share Purchase Agreement may be terminated in accordance with its terms and the Proposed Transaction may not be completed, which could negatively impact Cannibble and Eshbal.
- Cannibble and Eshbal will be subject to business uncertainties while the Proposed Transaction is pending.
- The ability to successfully effect the Proposed Transaction and the Resulting Issuer's ability to successfully operate the business thereafter will be significantly dependent upon the efforts of certain key personnel of Eshbal, who are expected to stay with the Resulting Issuer

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following the Proposed Transaction. The loss of the key personnel could negatively impact the operations and financial results of the combined business.

- If the Proposed Transaction's benefits do not meet the expectations of investors, the market price of the Resulting Issuer's securities following the Proposed Transaction, may decline.
- There can be no assurance that the Resulting Issuer's ordinary shares will be approved for listing on the CSE or that the Resulting Issuer will be able to comply with the continued listing standards of the CSE.
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect Cannibible's business, including Cannibible's ability to consummate the Proposed Transaction, and results of the Resulting Issuer's operations.

The following risk factors are relevant to Cannibible as a stand alone corporation:

Please refer to the Corporation's final long form prospectus dated January 31, 2022 that is available under the Corporation's profile on SEDAR+ at www.sedarplus.ca for additional information on the identification and consideration of risks and uncertainties applicable to the Corporation.

The Corporation is subject to a number of risks and uncertainties that could significantly affect its financial condition and performance. As the Corporation grows and seeks to enter new markets, these risks can increase.

These risk factors are not a definitive list of all risk factors associated with the Corporation or in connection with the Corporation's operations.

The Corporation has no history of profitable operations and a limited operating history. The Corporation's present business is at an early stage of development. As such, many risks common to such early-stage enterprises, including cash shortages and limitations with respect to personnel, financial and other resources, and access to capital, exist.

Certain risks and assumptions include, among others:

- the Corporation's limited operating history;
- uncertainty as to the Corporation's ability to continue as a going concern;
- substantial fluctuation of losses due to numerous external risk factors out of the Corporation's control that cause the Corporation to incur significant losses in the future;
- uncertainty as to the Corporation's ability to raise additional funding to support operations;
- ability to generate product revenue to maintain its operations without additional funding;
- regulatory approval as well as with health and data protection laws and risks;
- compliance with environmental, food safety, and consumer health and safety laws and regulations;
- uncertainty surrounding the Corporation's reputation and its brand recognition;
- the Corporation's ability to adequately protect its intellectual property and trade secrets;
- inaccurate information posted on social media platforms;

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- risks related to product recalls and insurance coverage;
- risks related to the Corporation's status as an Israeli corporation;
- risks related to various tax matters;
- risks related to foreign exchange fluctuations among the Canadian dollar, the US dollar, and the New Israeli Shekel;
- the Corporation's reliance on the capabilities and experience of the Corporation's key executives and the resulting loss of any of these individuals;
- liquidity of the Corporation's securities;
- risks related to additional issuances and dilution of the Corporation's securities;
- risks related to the Corporation's capital structure;
- the costs associated with maintaining a public listing; and
- other factors beyond the Corporation's control.

There is no assurance that the Corporation will be successful in executing its business plan and generating a return on shareholders' investments. The likelihood of success must be considered in relation to its early stage of operations and industry. There are a number of risk factors that could cause future results to differ materially from those described herein. Additional risks and uncertainties, including those that the Corporation does not know about or that it currently deems immaterial, could also adversely affect the Corporation's business and results of operations.

FORWARD-LOOKING INFORMATION

This MD&A contains information and statements that constitute "forward-looking information" under Canadian securities laws. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as of the date of this news release. Any statement that involves discussions with respect to expectations, beliefs, plans, objectives, assumptions, future events or performance are not statements of historical fact and may be forward-looking statements. In this MD&A, forward-looking statements relate to the Corporation's business plans, including its proposed transaction with Eshbal, and its need for additional capital and its ability to raise additional funds.

Such forward-looking statements or information are based on a number of assumptions which are subject to known and unknown risks and uncertainties and may prove to be incorrect. Assumptions have been made regarding, among other things: the conditions of general economic and financial markets; the regulatory environment in which the Corporation operates, the Corporation's ability to raise necessary financing to develop its business, the ability of the Corporation's product offerings to achieve market acceptance and compete successfully, future operating costs; the Proposed Transaction;

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward looking statements. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements.

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Factors which could cause actual results, events, or circumstances to differ materially from those expressed or implied in forward-looking statements include, but are not limited to: general economic, political, tax, market and business factors and conditions; interest rate and foreign exchange rate fluctuations; volatility in Israeli, Canadian, or global equity and capital markets; statutory and regulatory developments; unexpected judicial or regulatory proceedings; catastrophic events; and other risks related to Cannibble and its business. These and other risks and uncertainties are described in the section entitled “*Risk Factors*” in the Corporation’s annual financial statements and MD&A, all of which are filed and available for review under Cannibble’s profile on SEDAR+ at www.sedarplus.ca.

Readers should not place undue reliance on forward-looking statements because of the inherent uncertainty of forward-looking statements. Forward-looking statements in this MD&A are provided as of the date of this MD&A, and the Corporation disclaims any obligation to update any forward-looking statements, except to the extent required by applicable securities laws.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

Additional information on the Corporation is available through regular filings of press releases and financial statements on SEDAR+ (www.sedarplus.ca) and on the Corporation’s website at <https://cannibble.world/>