

**Cannibble Foodtech Ltd.**

**Management's Discussion and Analysis  
for the Three and Nine Months Ended  
September 30, 2023**

## **1. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's discussion and analysis – quarterly highlights (“**Interim MD&A**”) of (“**Cannibble**”, the “**Company**” or the “**Corporation**”) for the three and nine months ended September 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 nine months ended September 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 November 27 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 March 3, 2022 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 23,719,596 ordinary shares issued and outstanding.

Cannibble is an innovative food tech company that develops food and beverage products variously enhanced with alternative proteins. Cannibble has developed proprietary powder-based formulas for food and beverage products targeted for the "Better-for-You" segment. The products are sugar free, dairy free, plant based, non-GMO, keto friendly, and marketed under Cannibble's brand name "The Pelicann™".

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 products as of the date of this MD&A.

Following entry into of the Share Purchase Agreement (defined herein) to acquire (the “**Proposed Transaction**”) Eshbal Functional Food Cooperative Ltd. (“**Eshbal**”), 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 security holder 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.

On November 20, 2023 the Share Purchase Agreement was amended (as amended, the "**Amended DA**"). As restructured, the Proposed Transaction will no longer constitute a "fundamental change" for Cannibble, as defined in the rules and policies of the CSE. With the termination of the fundamental change, Cannibble shares are anticipated to come back to trade on the CSE.

The Amended DA provides for a potential series of investments in Eshbal by Cannibble, beginning with an initial investment of CAD\$350,000 by Cannibble to acquire a 7.75% interest in Eshbal (the "**Initial Investment**"). Following closing of the Initial Investment, Cannibble will receive sole distribution rights to sell, market and distribute Eshbal's products in North America.

The Amended DA also contemplates potential additional investments by Cannibble in Eshbal over a maximum period of six months from the date of the closing of the Initial Investment. The Amended DA also provides that, if within a period of 12 months following the closing date of the Initial Investment, Eshbal enters into an agreement with a third party to consummate a transaction in which the third party acquires a 30% or greater interest in Eshbal at a valuation different from the valuation under the Amended DA (a "**New Valuation**"), Cannibble's percentage ownership of Eshbal will be adjusted in accordance with the New Valuation.

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### **Highlights of Q3 2023**

In the period of July to September, 2023, the Company entered into a subscription agreement for 1,074,300 convertible debenture units (each, a “Unit”) of its securities at 0.28 CAD per unit, for aggregate gross proceeds of \$224,427 (300,804 CAD). Each Unit will be composed of one ordinary share of the Company and one Share purchase warrant. Each warrant will be exercisable at 0.40 CAD per Share for two years from the date of issuance. The subscription funds for this investment have been received by the Company.

The issuance of Units to the subscriber will take place after completion of the Proposed Transaction.

The Company will not use the funds received from the subscriber for its business until the closing date unless receiving written consent from the subscriber. The issuance of Units to the subscriber will take place after closing date and subject that the funds are released without any restrictions.

On November 7<sup>th</sup> 2023, Mr. Ziv Turner, one of the founders of the Company and a member of the board notified the Company by email that he intends to file a claim against the Company for withholding wages due to the fact that the Company stopped paying salaries to the founders on August 2023. As at the date of this Interim MD&A, the Corporation has not been served.

### Financial Review

The following table sets forth selected financial information of the Company for the periods set forth therein.

### **Quarterly Information**

|   | 2023   | 2022   | 2023                              | 2022    |
|---|--|--------|-----------------------------------|---------|
|   | Three Months Ended<br>September 30           |        | Nine Months Ended<br>September 30 |         |
|   | (Thousands of USD, except per share amounts) |        |                                   |         |
| Revenue   | 60   | 2      | 101                               | 73      |
| Net income (loss) for the quarter               | (430)  | (552)  | (1,339)                           | (1,385) |
| Net income (loss) per share (basic and diluted) | (0.018)                                      | (0.02) | (0.057)                           | (0.06)  |

### **Three Months Ended September 30, 2023, compared to the Three Months Ended September 30, 2022**

#### Revenues

For the three months ended September 30, 2023, total revenues amounted to approximately \$60,000 compared to approximately \$2,000 for the three months ended September 30, 2022. The revenues of approximately \$60,000 were comprised of consulting services. The revenues of approximately \$2,000 were comprised of sales of goods. The increase was following to the consulting agreement with

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Eshbal.

### Cost of revenue

For the three months ended September 30, 2023, cost of revenues amounted to approximately \$9,000, compared to approximately \$42,000 for the three months ended September 30, 2022. The decrease resulted from the Company's decrease in production.

### Gross Profit or loss

For the three months ended September 30, 2023, gross profit amounted to approximately \$51,000, compared to gross loss of approximately \$40,000 for the three months ended September 30, 2022. The decrease in gross loss was due to the increase of the Company's revenue from consulting services and due to the decrease in cost of revenue.

### Selling and Marketing Expenses

For the three months ended September 30, 2023, selling and marketing expenses were approximately \$100,000, compared to approximately \$168,000 for the three months ended September 30, 2022. The decrease of approximately \$68,000 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 September 30, 2023, research and development expenses amounted to approximately \$160,000, compared to approximately \$93,000 for the three months ended September 30, 2022. The increase of approximately \$67,000 was mainly attributable to the increase in research expenses following the services agreement with Eshbal.

### General and Administrative Expenses

For the three months ended September 30, 2023, general and administrative expenses amounted to approximately \$215,000, compared to approximately \$201,000 for the three months ended September 30, 2022. The increase was not material.

### Finance expenses, net

For the three months ended September 30, 2023, finance expenses net amounted to to approximately \$6,000, as compared to the approximately \$50,000 for the three months ended September 30, 2022. The decrease in financial expenses was mainly attributed to changes in exchange rate. During the three months ended September 30, 2023, Cannibble recorded a net and comprehensive loss of approximately \$430,000, compared to a net and comprehensive loss of approximately \$552,000 for the three months ended September 30, 2022. The decrease in net and comprehensive loss was mainly due to an increase in the Corporation's revenue, a decrease in cost of revenue, and a decrease in finance expenses.

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**Nine Months Ended September 30, 2023, compared to the Nine Months Ended September 30, 2022**

Revenues

For the nine months ended September 30, 2023, total revenues amounted to approximately \$101,000, compared to approximately \$73,000 for the nine months ended September 30, 2022. The increase was mainly due to the increase in consulting services, opposite to a decrease in sales of goods, since the Corporation started focusing in developing its product and providing consulting services.

Cost of revenue

For the nine months ended September 30, 2023, cost of revenues amounted to approximately \$107,000, compared to approximately \$79,000 for the nine months ended September 30, 2022. The increase was attributable to increase in cost of sales of goods as a result of decrease in inventory value.

Gross Profit

For the nine months ended September 30, 2023, gross loss amounted to approximately \$6,000, compared to a gross loss of of approximately \$6,000 for the nine months ended September 30, 2022. There was no change in the gross loss due to the increase in the revenue opposite to the increase in the cost of revenue.

Selling and Marketing Expenses

For the nine months ended September 30, 2023, selling and marketing expenses were approximately \$402,000 compared to approximately \$573,000 for the nine months ended September 30, 2022. The decrease of approximately \$171,000 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 nine months ended September 30, 2023, research and development expenses amounted to approximately \$348,000 compared to approximately \$292,000 for the nine months ended September 30, 2022. The increase is mainly attributable to the increase of the research expenses following the services agreement with Eshbal.

General and Administrative Expenses

For the nine months ended September 30, 2023, general and administrative expenses amounted to approximately \$553,000 compared to approximately \$562,000 for the nine months ended September 30, 2022. The decrease was not material.

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#### Finance expenses, net

For the nine months ended September 30, 2023, finance expenses net amounted to approximately \$30,000, as compared to finance income of approximately \$48,000 for the nine months ended September 30, 2022. The increase in financial expenses was mainly attributed to changes in exchange rate.

During the Nine months ended September 30, 2023, Cannibble recorded a net and comprehensive loss of approximately \$1,339,000 compared to approximately \$1,385,000 net and comprehensive loss for the nine months ended September 30, 2022. The decrease in net and comprehensive loss resulted mainly from a decrease in selling and marketing expenses, slightly offset by an increase in research and development expenses and an increase in financial expenses.

#### Liquidity and Capital Resources

Since inception, the Corporation has generated limited revenues. The Corporation believes it has the capability to continue financing its operations for the foreseeable future, through the issuance of equity and future revenue from sales. The Corporation has generated an accumulated deficit of approximately \$ 6,837,000 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.

As at September 30, 2023, the Corporation had a negative working capital of approximately \$187,000 compared with a positive working capital of approximately \$572,000 on September 30, 2022. The Corporation's working capital (deficit) consists of cash and cash equivalents, other accounts receivable and inventory, trade accounts payable, other accounts payable and accrued liabilities. The decrease in working capital was mainly due to a decrease in cash and cash equivalents of approximately \$260,000, a decrease in inventory of approximately \$74,000, an increase in warrants of approximately \$282,000 and an increase in other accounts payable of approximately \$130,000.

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 nine months ended September 30, 2023, the Corporation's overall position of cash and cash equivalents increased by approximately \$40,000, compared to a decrease of approximately \$127,000 during the nine months ended September 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 nine months ended September 30, 2023, amounted to approximately \$376,000 as compared to approximately \$822,000 for nine months ended September 30, 2022. The decrease in net cash used in operating activities in the nine months ended September 30, 2023 was mainly attributable to decrease in inventory, increase in other accounts payable and increase in share-based payments.
- The Corporation's net cash provided by investing activities during the nine months ended September 30, 2023 was approximately \$16,000, compared to approximately \$38,000 provided in investing activities for the nine months ended September 30, 2022. The decrease

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was mainly attributable to the decrease in withdrawals of restricted cash into the Corporation's checking account.

- The Corporation's net cash provided by financing activities during the nine months ended September 30, 2023 was approximately \$367,000, as compared to approximately \$657,000 for nine months ended September 30 2022. The decrease was mainly attributable to a decrease in funds received through the issuance of shares and warrants, offset by an increase in funds received in connection with the convertible debenture units issuance.

## **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 September 30, 2023, the Corporation paid or accrued remuneration to its senior management of approximately \$240,000, compared to approximately \$248,000 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 September 30, 2022 and 2023.

|                                    | <b>For the nine months ended<br/>September 30,</b> |             |
|------------------------------------|--|-------------|
|                                    | <b>2023</b>  | <b>2022</b> |
|                                    | (US\$ in thousands)                                |             |
| Fees to CEO, CTO & VP BUSINESS (1) | 695  | 590         |
| Fees to CFO                        | 50   | 51          |
| Asaf porat                         | -  | 25          |

## **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. Cannibble 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 September 30, 2022 and 30, 2023, Cannibble had not entered into any hedging agreements to mitigate foreign currency risk. Therefore, Cannibble'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.



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### **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.

### **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 September 30, 2023, the Corporation had approximately \$187,000 negative working capital balance (September 30, 2022 - approximately \$572,000 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 Cannibible'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**

Cannibible 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:

- Cannibible and Eshbal will incur significant transaction costs in connection with the Amended DA.
- The consummation of the Amended DA is subject to a number of conditions and if those conditions are not satisfied or waived, the Amended DA may be terminated in accordance with its terms and the Proposed Transaction may not be completed, which could negatively impact Cannibible and Eshbal.

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- Cannibble and Eshbal will be subject to business uncertainties while the Amended DA is not fully completed .
- The ability to successfully effect the transactions contemplated under the Amended DA and the Company's ability to successfully operate the business thereafter and implement the distribution agreement will be significantly dependent upon the efforts of Eshbal and certain key personnel of Eshbal. The loss of the key personnel or lack of cooperation on the part of Eshbal to implement the marketing agreement could negatively impact the operations and financial results of Cannibble business.
- If the Amended DA benefits do not meet the expectations of investors, the market price of Cannibble's securities, may decline.
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect Cannibble's business, including Cannibble's ability to consummate the transactions contemplated under the Amended DA.

#### **The following risk factors are relevant to Cannibble 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](http://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 may 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;

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- the Corporation's ability to adequately protect its intellectual property and trade secrets;
- inaccurate information posted on social media platforms;
- 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

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those anticipated in such statements.

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](http://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](http://www.sedarplus.ca)) and on the Corporation’s website at <https://cannibble.world/>