

BYND CANNASOFT ENTERPRISES INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 and 2022
(EXPRESSED IN CANADIAN DOLLARS)

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Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of BYND Cannasoft Enterprises Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial position of BYND Cannasoft Enterprises Inc. (the “Company”), as of December 31, 2023 and 2022, the related consolidated statements of loss and comprehensive loss, changes in shareholders’ equity (deficit) and cash flows for the years then ended, and related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years ended December 31, 2023 and 2022, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Reliant CPA PC
Reliant CPA PC

Served as Auditor since 2023
Newport Beach, CA
April 2, 2024

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of BYND Cannasoft Enterprises Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial position of BYND Cannasoft Enterprises Inc. (the “Company”) as of December 31, 2021 the related statements of income (loss) and comprehensive income (loss), changes in shareholders’ equity (deficiency) and cash flows, for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial positions of the Company as of December 31, 2021 and its financial performance and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred losses that has primarily been funded through financing activities and has stated that substantial doubt exists about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

B F Borgers CPA PC

BF Borgers CPA PC

Served as Auditor since 2021
Lakewood, CO
May 2, 2022

**BYND CANNASOFT ENTERPRISES INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)**

| <u>As at</u> | <u>Notes</u> | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|------------------------------------------------------------|--------------|------------------------------|------------------------------|
| Assets | | | |
| Cash | | \$ 3,113,934 | \$ 2,392,871 |
| Funds held in escrow | | - | - |
| Accounts receivable | 6 | 189,434 | 227,804 |
| Prepaid expenses | | 25,372 | 825,563 |
| Total Current Assets | | 3,328,740 | 3,446,238 |
| Intangible assets* | 7 | 33,463,103 | 46,112,962 |
| Property and equipment* | 8 | 9,525 | 344,008 |
| Total Assets | | \$ 36,801,368 | \$ 49,903,208 |
| Trade payables and accrued liabilities | 9 | \$ 258,515 | \$ 154,361 |
| Related Parties | 10 | 450,048 | 37,094 |
| Deferred revenue | 16 | 131,794 | 219,068 |
| Long term loan – current portion | 12 | 46,680 | 47,740 |
| Total Current Liabilities | | 887,037 | 458,263 |
| Long term loan | 12 | 38,427 | 88,231 |
| Warrants | 11 | 958,146 | - |
| Liabilities for employee benefits | 13 | 91,533 | 86,015 |
| Total Liabilities | | \$ 1,975,143 | \$ 632,509 |
| Shareholders' Equity | | | |
| Share capital | 14 | \$ 59,367,042 | \$ 54,806,522 |
| Share purchase warrants reserve | | - | 639,879 |
| Shares to be issued | | 53,567 | 41,875 |
| Share-based payment reserve | | 711,267 | 570,446 |
| Translation differences reserve | | (7,246) | 15,746 |
| Capital reserve for re-measurement of defined benefit plan | 13 | 13,764 | 13,279 |
| Accumulated Deficit | | (25,312,169) | (6,817,048) |
| Total Shareholders' equity | | \$ 34,826,225 | \$ 49,270,699 |
| Total Liabilities and Shareholders' Equity | | \$ 36,801,368 | \$ 49,903,208 |

*Revised as of December 31, 2022 (Note 4)

Nature of operations and going concern (Note 1)

Subsequent events (Note 19)

These financial statements were approved for issue by the Board of Directors on April 2, 2024 and signed on its behalf by:

"Yftah Ben Yaackov"

Director

"Gabi Kabazo"

Director

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

BYND CANNASOFT ENTERPRISES INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended on December 31, 2023 and 2022
(Expressed in Canadian Dollars)

| <u>For the year ended December 31</u> | <u>Notes</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---------------------------------------|--------------|-------------|-------------|-------------|
|---------------------------------------|--------------|-------------|-------------|-------------|

| | | | | |
|----------------------------------------------------------------------------------|-------|------------------------|-----------------------|-----------------------|
| Revenue | 16 | \$ 1,076,861 | \$ 1,123,072 | \$ 1,217,459 |
| Cost of revenue | 8, 17 | (678,305) | (506,500) | (594,321) |
| Gross profit | | 398,556 | 616,572 | 623,138 |
| Consulting and marketing | | 1,387,628 | 8,190 | 20,309 |
| Research and Development | | 836,833 | - | - |
| Depreciation and Amortization | 7, 8 | 93,354 | 30,702 | 51,988 |
| General and administrative expenses | | 1,254,089 | 947,300 | 334,036 |
| Share-based compensation | | 343,252 | 153,909 | 550,517 |
| Professional fees | | 1,739,430 | 1,220,746 | 278,012 |
| | | <u>(5,654,586)</u> | <u>(2,360,847)</u> | <u>(1,234,862)</u> |
| Loss before other income (expense) | | (5,256,030) | (1,744,275) | (611,724) |
| Other income (expense) | | | | |
| Finance income (expenses), net | | 314 | (14,451) | (13,514) |
| Foreign exchange gain (loss) | | (76,469) | 100,322 | 123,002 |
| Gain from warrants revaluation | | 7,704 | - | - |
| Covid-19 grant | | - | - | 53,301 |
| Listing expense | | - | - | (4,394,390) |
| Impairments | | (13,142,481) | - | - |
| | | <u>(13,210,932)</u> | <u>85,871</u> | <u>(4,231,601)</u> |
| Loss before tax | | (18,466,962) | (1,658,404) | (4,843,325) |
| Tax expense | 18 | (28,159) | (6,280) | (35,413) |
| Loss for the year | | <u>\$ (18,495,121)</u> | <u>\$ (1,664,684)</u> | <u>\$ (4,878,738)</u> |
| Other comprehensive income (loss) | | | | |
| Exchange differences on translation | | (22,992) | (11,709) | 14,473 |
| Remeasurement of a defined benefit plan, net | | 485 | 3,835 | 6,223 |
| Other comprehensive income (loss) for the year | | <u>(22,507)</u> | <u>(7,874)</u> | <u>20,696</u> |
| Total comprehensive loss | | <u>\$ (18,517,628)</u> | <u>\$ (1,672,558)</u> | <u>\$ (4,858,043)</u> |
| Loss per share – basic and diluted* | | <u>\$ (91.20)</u> | <u>\$ (9.88)</u> | <u>\$ (41.42)</u> |
| Weighted average number of common shares outstanding – basic and diluted* | | <u>204,054</u> | <u>167,716</u> | <u>117,540</u> |

*Adjusted to reflect one (1) for one hundred ninety (190) reverse stock split in March 2024 (see Note 1)

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

BYND CANNASOFT ENTERPRISES INC.
Consolidated Statements of Shareholders' Equity*
For the Years Ended on December 31, 2023 and 2022
(Expressed in Canadian Dollars)

| Number of shares** | Share capital | Shares to be issued | Share purchase warrants reserve | Translation differences reserve | Share-based payment reserve | Capital reserve for re-measurement of defined | Accumulated Deficit | Total Shareholders' Equity |
|--------------------|---------------|---------------------|---------------------------------|---------------------------------|-----------------------------|-----------------------------------------------|---------------------|----------------------------|
|--------------------|---------------|---------------------|---------------------------------|---------------------------------|-----------------------------|-----------------------------------------------|---------------------|----------------------------|

| | benefit plan | | | | | | | | |
|---------------------------------------------------------------------------------------|---------------------|---------------------|------------------|-------------------|-------------------|-------------------|------------------|------------------------|----------------------|
| Balance at January 1, 2021 | 42,886 | 289 | - | - | 12,982 | - | 3,221 | (273,626) | (257,134) |
| Shares issued for acquisition of B.Y.B.Y Investments and promotions Ltd. ("B.Y.B.Y.") | 51,745 | 840,941 | - | - | - | - | - | - | 840,941 |
| Shares issued upon reverse takeover | 32,995 | 5,140,676 | - | - | - | - | - | - | 5,140,676 |
| Proceeds for shares issued | 27,022 | 4,812,365 | - | - | - | - | - | - | 4,812,365 |
| Proceeds for shares issued from exercise of stock options | 316 | 49,200 | - | - | - | - | - | - | 49,200 |
| Proceeds for shares to be issued | - | - | 81,967 | - | - | - | - | - | 81,967 |
| Share purchase warrants reserve | - | - | - | 639,879 | - | - | - | - | 639,879 |
| Share-based payments | - | - | - | - | - | 550,517 | - | - | 550,517 |
| Loss for the period | - | - | - | - | - | - | - | (4,878,738) | (4,878,738) |
| Other comprehensive income for the period | - | - | - | - | 14,473 | - | 6,223 | - | 20,696 |
| Balance at December 31, 2021 | <u>155,154</u> | <u>\$10,843,471</u> | <u>\$ 81,967</u> | <u>\$ 639,879</u> | <u>\$ 27,455</u> | <u>\$ 550,517</u> | <u>\$ 9,444</u> | <u>\$ (5,152,364)</u> | <u>\$ 7,000,369</u> |
| Proceeds for shares issued from exercise of stock options | 1,526 | 371,780 | - | - | - | (133,980) | - | - | 237,800 |
| Shares issued for acquisition of Zigi Carmel Initiatives and Investments Ltd. ("ZC") | 41,684 | 42,768,000 | - | - | - | - | - | - | 42,768,000 |
| Shares issued for services | 71 | 83,752 | - | - | - | - | - | - | 83,752 |
| Share-based payments | - | - | - | - | - | 153,909 | - | - | 153,909 |
| Shares to be issued for services | - | - | 41,875 | - | - | - | - | - | 41,875 |
| Proceeds for shares issued | 965 | 739,519 | (81,967) | - | - | - | - | - | 657,552 |
| Loss for the period | - | - | - | - | - | - | - | (1,664,684) | (1,664,684) |
| Other comprehensive loss for the period | - | - | - | - | (11,709) | - | 3,835 | - | (7,874) |
| Balance at December 31, 2022 | <u>199,400</u> | <u>\$54,806,522</u> | <u>\$ 41,875</u> | <u>\$ 639,879</u> | <u>\$ 15,746</u> | <u>\$ 570,446</u> | <u>\$ 13,279</u> | <u>\$ (6,817,048)</u> | <u>\$ 49,270,699</u> |
| Shares issued for cash, net | 24,305 | 3,729,901 | - | - | - | - | - | - | 3,729,901 |
| Shares issued for services | 259 | 190,740 | (41,875) | - | - | - | - | - | 148,865 |
| Share-based payments | - | - | - | - | - | 140,821 | - | - | 140,821 |
| Shares to be issued for services | - | - | 53,567 | - | - | - | - | - | 53,567 |
| Warrants expired | - | 639,879 | - | (639,879) | - | - | - | - | - |
| Loss for the period | - | - | - | - | - | - | - | (18,495,121) | (18,495,121) |
| Other comprehensive loss for the period | - | - | - | - | (22,992) | - | 485 | - | (22,507) |
| Balance at December 31, 2023 | <u>223,964</u> | <u>\$59,367,042</u> | <u>\$ 53,567</u> | <u>-</u> | <u>\$ (7,246)</u> | <u>\$ 711,267</u> | <u>\$ 13,764</u> | <u>\$ (25,312,169)</u> | <u>\$ 34,826,225</u> |

* Adjusted to reflect one (1) for one hundred ninety (190) reverse stock split in March 2024 (see Note 1)

** The number of shares outstanding before the RTO have been restated to reflect the effect of issuing 53.84 RTO shares for each share outstanding.

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

BYND CANNASOFT ENTERPRISES INC.
Consolidated Statements of Cash Flows
For the Years Ended on December 31, 2023 and 2022
(Expressed in Canadian Dollars)
For the year ended December 31

| | 2023 | 2022 | 2021 |
|--------------------------------------|-----------------|----------------|----------------|
| Operating activities: | | | |
| Loss for the year | \$ (18,495,121) | \$ (1,664,684) | \$ (4,878,738) |
| Items not involving cash: | | | |
| Depreciation | 93,355 | 33,100 | 55,921 |
| Finance expense | 3,333 | 4,977 | 5,697 |
| Change in benefits to employees | 6,003 | 2,792 | 10,414 |
| Gain from conversion of debt to note | - | - | (155,548) |
| Listing expense | - | - | 4,394,390 |
| Gain from revaluation of warrants | (7,704) | - | - |
| Impairments | 13,142,481 | - | - |
| Share-based compensation | 140,821 | 153,909 | 550,517 |

| | | | |
|---------------------------------------------------------------|---------------------|---------------------|---------------------|
| Shares issued for services | 202,432 | 125,627 | - |
| Foreign exchange (gain) loss | 177,906 | (106,463) | (71,876) |
| Changes in non-cash working capital items: | | | |
| Accounts receivable | 38,370 | (30,976) | 45,489 |
| Trade payables and accrued liabilities | 67,060 | 10,857 | (185,218) |
| Related parties | 450,048 | - | - |
| Prepaid expenses | 800,191 | (785,323) | (37,891) |
| Deferred revenue | (87,274) | 189,022 | (77,819) |
| Net cash used in operating activities | (3,468,099) | (2,067,162) | (344,662) |
| Investing activities: | | | |
| Purchase of property and equipment* | (7,703) | (149,675) | (392,652) |
| Investment in intangible assets* | (366,325) | (1,860,214) | (450,429) |
| Disposal of property and equipment | - | 1,500 | - |
| Net cash used in investing activities | (374,028) | (2,008,389) | (843,081) |
| Financing activities: | | | |
| Proceeds from exercise of stock options | - | 237,800 | 49,200 |
| Proceeds from private placements held in escrow | - | - | 2,500,000 |
| Proceeds from private placements | - | 657,552 | 2,952,244 |
| Proceeds from shares to be issued | - | - | 81,967 |
| Cash acquired from acquisition of BYND | - | - | 491,144 |
| Repayment of lease obligations | - | - | (17,796) |
| Proceeds from public offering, net | 4,695,751 | - | - |
| Repayment of long term loan | (45,350) | (46,561) | (11,437) |
| Net cash provided by financing activities | 4,650,401 | 848,791 | 6,048,322 |
| Net Increase (decrease) in cash | 808,274 | (3,226,760) | 4,860,579 |
| Release of funds from escrow | - | 2,484,634 | - |
| Effect of foreign exchange rate changes on cash | (87,211) | 109,647 | 86,390 |
| Cash at beginning of year | 2,392,871 | 3,025,350 | 563,015 |
| Cash at end of year | \$ 3,113,934 | \$ 2,392,871 | \$ 3,025,350 |
| Funds held in escrow at the end of year | \$ - | \$ - | \$ 2,484,634 |
| Supplemental disclosure of cash flow information | | | |
| Cash paid during the year for interest | \$ 5,972 | \$ 4,977 | \$ - |
| Supplemental non-cash information | | | |
| Shares issued for intangible asset in Zigi Carmel acquisition | \$ - | \$ 42,768,000 | \$ - |
| Shares issued for intangible asset in B.Y.B.Y acquisition | \$ - | \$ - | \$ 850,000 |

*Revised as of December 31, 2022 (Note 4)

BYND CANNASOFT ENTERPRISES INC.
Notes to the Consolidated Financial Statements
For the Years Ended for December 31, 2023 and 2022
(Expressed in Canadian dollars, unless otherwise noted)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Operations

BYND Cannasoft Enterprises Inc. (the “Company” or “BYND Cannasoft”) is a Canadian company which was amalgamated under the Business Corporations Act (British Columbia) on March 29, 2021. The Company’s registered address is 2264 East 11th Avenue, Vancouver, BC, V5N 1Z6, Canada.

The Company currently operates only in Israel and through its subsidiaries (i) develops, markets and sells a proprietary client relationship management software known as “Benefit CRM” and its new Cannabis CRM platform, and (ii) is developing the EZ-G device, a unique, patent pending device that, combined with proprietary software (provisional

application), regulates the flow of low-concentration CBD oils into the soft tissues of the female sexual organs, and (iii) manages the construction, licensing and operation of a cannabis farm and indoor cannabis growing facility.

On March 29, 2021, the Company completed the business combination transactions with BYND – Beyond Solutions Ltd. (“BYND”). As a result of the business combination transactions, BYND became a wholly owned subsidiary of the Company. This transaction was accounted for as a reverse asset acquisition of the Company by BYND (“RTO”)

On March 29, 2021, BYND completed the share exchange agreement with B.Y.B.Y. As a result of the share exchange agreement, BYND holds 74% ownership interest in B.Y.B.Y. One of the former shareholders holds the remaining 26% ownership interest in B.Y.B.Y. in trust for BYND, for the purpose to comply with Israeli Cannabis Laws regarding the ownership of medical cannabis license rights This transaction was accounted for as asset acquisition according to *IFRS 2 Share-based Payment*.

On September 22, 2022, the Company and the former shareholder of Zigi Carmel Initiatives and Investments Ltd. (“ZC”) entered into a share exchange agreement, whereby the Company would acquire 100% ownership interest in ZC from the former shareholder in exchange for 7,920,000 common shares (41,684 common shares post reverse split) of the Company. The share exchange agreement was executed and fully completed on September 22, 2022.

Reverse stock split

On March 15, 2024, the Company announced a one (1) for one hundred ninety (190) reverse stock split of its outstanding common shares that became effective on March 22, 2024.

All shares, stock options, share purchase warrants, RSU’s and per share information in these consolidated financial statements have been restated to reflect the reverse stock split on a retroactive basis.

War in Israel

On October 7, 2023, Hamas terrorists infiltrated Israel’s southern border from the Gaza Strip and conducted a series of attacks on civilian and military targets. Following the attack, Israel’s government declared war against Hamas. Other terrorist organizations such as the Hezbollah in Lebanon on Israel’s northern border have launched rocket attacks on Israel in support of Hamas. The military campaign against Hamas and other terrorist organizations is ongoing and could escalate in the future into a larger regional conflict. There is no certainty as to the duration, severity, results or implications of the war on the State of Israel generally or on the Company.

While many of Israeli civilians were draft to reserve duty, the company’s headquarter activity located in Israel remain unharmed. With regards to company’s source of income, during the first month of the war, a few credit card companies reported on a sharp decrease in transactions in Israel. Despite that, the company has not experienced any material impact on its revenues, mainly due the fact that most of the company’s revenue is generated overseas.

As of the date of these financial statements, the end of the war is unknown.

BYND CANNASOFT ENTERPRISES INC.

Notes to the Consolidated Financial Statements

For the Years Ended for December 31, 2023 and 2022

(Expressed in Canadian dollars, unless otherwise noted)

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN (continued)

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. To date, the Company has incurred losses and may incur further losses in the development of its business. During the year ended December 31, 2023, the Company

incurred a net loss of \$18,495,121 and had an accumulated deficit of \$25,312,169 as at December 31, 2023. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon its ability to raise financing and generate profits and positive cash flows from operations in order to cover its operating costs. From time to time, the Company generates working capital to fund its operations by raising additional capital through debt financing. However, there is no assurance it will be able to continue to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used, that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on April 2, 2024.

b. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and of its wholly owned subsidiaries, BYND, Zigi Carmel and B.Y.B.Y.. B.Y.B.Y is owned directly through BYND and 24% of the shares of B.Y.B.Y. are held by a related party in trust for the Company for the purpose to comply with Israeli Cannabis Laws regarding the ownership of medical cannabis license rights.

A subsidiary is an entity over which the Company has control, directly or indirectly, where control is defined as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. A subsidiary is consolidated from the date upon which control is acquired by the Company and all intercompany transactions and balances have been eliminated on consolidation.

BYND CANNASOFT ENTERPRISES INC.
Notes to the Consolidated Financial Statements
For the Years Ended for December 31, 2023 and 2022
(Expressed in Canadian dollars, unless otherwise noted)

NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

c. Functional and presentation currency

The financial statements are presented in Canadian dollars. The functional currency of the Company is the New Israeli Shekel ("NIS"). NIS represents the main economic environment in which the Company operates.

d. Basis of Measurement

The financial statements were prepared based on the historical costs, except for financial instruments classified as fair value through profit and loss ("FVTPL") and assets or liabilities for employee benefits, which are stated

at their fair value, as explained in the accounting policies set out in Note 3. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

e. Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to use judgment in applying its accounting policies and make estimates and assumptions about reported amounts at the date of the financial statements and in the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Revenue Recognition

The Company uses significant judgment to assess whether performance obligations sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. The company also applies significant judgement in determining whether a performance obligation was satisfied over time or at a point of time, depending on the transfer of the control of the goods or services. The Company recognizes revenue over time using input method, which recognizes revenue as performance of the contract progresses. Input method recognizes revenue based on an entity's efforts or inputs toward satisfying a performance obligation relative to the total expected efforts or inputs required to satisfy the performance obligation. The Company applies significant judgment to determine the estimated hours to completion which affects revenue recognized for software development.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these income tax provisions at the end of each reporting period. However, it is possible that at some future date an additional liability could result from audits by tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Deferred tax assets are recognized when it is determined that the company is likely to recognize their recovery from the generation of taxable income.

BYND CANNASOFT ENTERPRISES INC.
Notes to the Consolidated Financial Statements
For the Years Ended for December 31, 2023 and 2022
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NOTE 2 – BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

e. Significant estimates and assumptions (continued)

Useful lives of property and equipment

Estimates of the useful lives of property and equipment are based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed annually and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of the relevant assets may be based on internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the

factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the equipment would increase the recorded expenses and decrease the non-current assets.

Convertible debentures

The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

Other Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty;
- the classification of financial instruments;
- the assessment of revenue recognition using the five-step approach under IFRS 15 and the collectability of accounts receivable; and
- the determination of the functional currency of the company.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

a. Foreign Currency Transactions

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Nonmonetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Translation to presentation currency

The functional currency of the Company is the NIS, which is different from its presentation currency Canadian dollar. The financial results and position of the Company are translated from NIS to Canadian dollars as follows:

- assets and liabilities for each statement of financial position presented are translated at the exchange rate on the date of the statement of financial position;
- income and expenses for each statement of comprehensive loss are translated at the average exchange rate in effect during the reporting period;

Exchange differences arising on translation to presentation currency are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity.

b. Financial Instruments

The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI.

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial Instruments (continued)

The following table shows the classification under IFRS 9:

| <u>Financial assets / liabilities</u> | <u>Classification under IFRS 9</u> |
|----------------------------------------|------------------------------------|
| Cash | FVTPL |
| Accounts receivable | Amortized cost |
| Marketable securities | FVTPL |
| Trade payables and accrued liabilities | Amortized cost |
| Convertible debt | Amortized cost |

| | |
|----------------------|----------------|
| Derivative liability | FVTPL |
| Promissory note | Amortized cost |
| Long term loan | Amortized cost |

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and

BYND CANNASOFT ENTERPRISES INC.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms are recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

c. Property and equipment

Property and equipment are stated at cost less accumulated depreciation. The cost of repairs and maintenance costs is expensed as incurred.

Depreciation is calculated using the straight-line method to depreciate their cost to their residual value over their estimated useful lives. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from property and equipment and any gain or loss is reflected as a gain or loss from operations. The estimated useful lives are:

| Description | Years |
|-------------------------|-------|
| Computers and equipment | 3 |
| Vehicles | 3 |
| Furniture and equipment | 6 |

The assets' residual values, useful lives and depreciation method are reviewed and adjusted if needed at least once a year.

d. Employee benefits

Short term benefits

Short term benefits to employees include salaries, medical and recreation benefits and contributions to the National Insurance Institute and are recognized as expenses upon the rendering of the services.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-employment benefits

The group's post-employment benefits include severance pay obligation. The plans are usually funded by deposits transferred into pension funds and managers' insurance plans and are classified as defined benefit plans.

According to the Severance Pay Law employees are entitled to receive severance pay when they are dismissed or when they retire. The liability for termination of employer-employee relations presented in the report of the financial position is the present value of the defined benefit obligation at the report of the financial position date,

less the fair value of plan assets on the end of the reporting period out of which the obligation shall be directly paid, adjusted to any net limitation of the asset for defined benefit to asset ceiling. The defined benefit liability is calculated by actuarial methods using the projected unit credit method.

The current service cost and net interest on the net liability in respect of defined benefits are recognized in profit or loss. Re-measurements of the net liability in respect of defined benefits which are recognized in other comprehensive profit, include actuarial profits and losses and return on the assets of the plan (excluding amounts which were included in net interest). Re-measurements of the net liability in respect of defined benefits which were recognized in other comprehensive profit are not re-classified to profit or loss in a subsequent period.

e. Revenue recognition

The Company's revenue is primarily derived from service rendered for software development, cloud hosting, customer training and customer service support, and software sales from the licensing and sales of its customer relationship management ("CRM") software. The Company recognizes revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*.

In applying IFRS 15, the Company uses significant judgments to assess whether performance obligations sold in a customer contract are considered distinct and should be accounted for as separate performance obligations. The Company also applies significant judgement in determining whether a performance obligation was satisfied over time or at a point of time, depending on the transfer of the control of the goods or services. The Company recognizes revenue over time using input method, which recognizes revenue as performance of the contract progresses and reflects the Company's performance in passing control in the products and services promised to the customer. Input method recognizes revenue based on an entity's efforts or inputs toward satisfying a performance obligation relative, primarily by development work hours expended, to the total expected efforts or inputs required to satisfy the performance obligation. The Company applies significant judgment to determine the estimated work hours to completion which affects revenue recognized for software development.

The Company recognizes revenue when control over the promised product or services is transferred to the customer. Revenue is measured at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The Company accounts for contracts with customers when it has approval and commitment for both parties, each party's right have been identified, payment terms are defined, the contract has commercial substance and collection is probable. For contracts that involve multiple performance obligations, the Company allocates the transaction price to each performance obligation in the contract based on the relative standalone selling prices and recognize revenue when, or as, performance obligations in the contacts are satisfied.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Revenue recognition (continued)

Software development

The Company provides software customization and development service to its customers. Revenue is generally recognized over time by measuring the progress towards complete satisfaction of the performance obligation in a manner reflecting the Company's performance in passing control in the products and services promised to the customer.

Software license

The Company provides the right to access its CRM software through licensing and sales of its CRM software. Revenues from software license are recognized at the point of time when the right to access the software is provided and the control of the license is transferred to the customer.

Software support

The Company provides ongoing software support to its customers who purchase and use its CRM software. Revenue from software support services is recognized over time as the support service is rendered.

Cloud hosting

The Company hosts the customer's software and applications on its cloud platform. Revenue from cloud hosting is recognised over time when the hosting service is provided.

Other services

The Company provides cloud backup, customer training and other consulting services which are distinct from other services and products offered. Revenue from other services is recognized as services are provided.

Revenue is presented net of taxes collected from customers and remitted to government authorities. The difference between contractual payments received and revenue recognized is recorded as deferred revenue when receipts exceed revenue.

f. Cost of revenue

Cost of revenue and services include the expenses incurred to develop software and provide technical support to customers, which include payroll for all employees, compensation to subcontractors that are directly involved in the development and providing technical support, cost of purchasing any third party components that are integrated with the Company's software and then delivered to the customers, and other indirect costs such as depreciation of computer and equipment that are used in providing goods and service to customers. Third party component may include third party software, platform or hardware.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Leases

The Company treats a contract as a lease when according to its terms it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company determines whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment

of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As is permitted under IFRS 16, the Company may elect to expense its short-term leases (term of 12 months or less) and leases of low-value assets, on a straight-line basis over the lease term.

As lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease or if that rate cannot be readily determined, the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if the Company is reasonably certain to exercise the option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Deferred taxes

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions

taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax:

Deferred tax is recognized on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that future taxable income will be available to allow all or part of the temporary differences to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted and are expected to apply by the end of the reporting period. Deferred tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

i. Basic and diluted income (loss) per share

The Company presents basic income (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The diluted income (loss) per share is determined by adjusting the income (loss) attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all options, warrants and similar instruments outstanding that may add to the total number of common shares. During the years ended December 31, 2023 and 2022, the Company does not have any dilutive instruments outstanding. In addition, because the Company incurred net losses, the effect of dilutive instruments would be anti-dilutive and therefore diluted loss per share equals basic loss per share.

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NOTE 4 – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIALS STATEMENT

As a result of the findings based on the Company's ongoing reviews, the Company, in consultation with the Board of Directors, determined that the previously issued Consolidated Balance Sheet presented in the 20-F filed on April 27, 2023, for the year ended December 31, 2022 had a clerical error in relation to software development costs that should be part of intangible assets and not included in capital work in progress, and they would make the necessary accounting corrections and restate such financial statement.

This error correction resulted in a decrease to property and equipment of \$987,006 at December 31, 2022 and \$198,045 at January 1, 2022 and an increase to intangible assets of \$987,006 at December 31, 2022 and \$198,045 at January 1, 2022.

Such correction of a clerical error did not impact consolidated assets, liabilities or total shareholder's equity as of December 31, 2023 and 2022, or comprehensive loss or cash flows for the years ended December 31, 2023 and 2022.

Following is a comprehensive list of all revised adjustments made during the Restatement process:

| | As | | |
|-------------------------------------------------------|--------------------------------|--------------------|-----------------------|
| | Previously Reported | Adjustments | As Revised |
| Financial Position as at December 31, 2022 | | | |
| Intangible Assets | \$ 45,139,683 | \$ 973,279 | \$ 46,112,962 |
| Property and Equipment | 1,317,287 | (973,279) | 344,008 |
| Total Assets | \$ 49,903,208 | \$ - | \$ 49,903,208 |
| Cash Flow for the year ended December 31, 2022 | | | |
| Purchase of property and equipment | \$ (938,635) | \$ 788,960 | \$ (149,675) |
| Investment in intangible assets | (1,071,254) | (788,960) | (1,860,214) |
| Cash used in investing activities | \$ (2,008,389) | \$ - | \$ (2,008,389) |

NOTE 5 – ACQUISITIONS

Acquisition of Zigi Carmel

On September 22, 2022, the Company and the former shareholder of Zigi Carmel Initiatives and Investments Ltd. (“ZC”) entered into a share exchange agreement, whereby the Company would acquire 100% ownership interest in ZC from the former shareholder in exchange for 7,920,000 common shares (41,684 common shares post reverse split) of BYND. The share exchange agreement was executed and fully completed on September 22, 2022.

The acquisition of ZC has been accounted for as asset acquisition according to *IFRS 2 Share-based Payment* as the acquired assets and liabilities do not constitute a business under *IFRS 3 Business Combinations*. The transaction price of the acquisition was measured according to the fair value of the common shares given in consideration for the assets and liabilities assumed from the acquisition, with equity increased by the corresponding amount equal to the total fair value of the common shares given. As a result, the acquisition was recorded with the consideration as detailed in the table below:

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NOTE 5 – ACQUISITIONS (continued)

| | |
|------------------------------------------------------------------------------------------------------------|-------------------|
| Consideration transferred: | \$ |
| Value allocated to shares issued - 7,920,000 shares (41,684 shares post reverse split) at \$5.40 per share | 42,768,000 |
| Fair value of assets and liabilities acquired: | |
| Investments | 137,811 |
| Intangible asset – patents pending | 42,768,000 |
| Shareholder loan | (137,811) |
| | <u>42,768,000</u> |

The intangible asset acquired in the acquisition of ZC is attributed to 2 patents pending for a therapeutic device (the “EZ-G” device) owned by ZC. The company has determined that the patents pending shall not be amortized until they are approved and then will be amortized over the course of their life.

NOTE 6 – ACCOUNTS RECEIVABLE

| | December 31, 2023 | December 31, 2022 |
|-----------------------|------------------------------|------------------------------|
| Trade receivables | \$ 119,094 | \$ 136,274 |
| Income tax advances | 52,003 | 90,528 |
| Interest receivable | 17,494 | - |
| Due from shareholders | 843 | 1,002 |
| | <u>\$ 189,434</u> | <u>\$ 227,804</u> |

Information on the Company’s exposure to credit risk and market risk, as well as impairment losses on trade receivables and other accounts receivable, is provided in Note 15.

NOTE 7 – INTANGIBLE ASSETS

The Company’s intangible assets relate to the proprietary Cannabis CRM software the Company is developing, Patents pending for the EZ-G device (Note 5) as well as the primary growing license for medical cannabis in Israel.

The additions for the software include cost of wages of the software developers for the time they spend on developing the Cannabis CRM software.

The additions for year ended December 31, 2022 for the Patents include the fair value attributed to the Patents upon the acquisition of ZC of \$42,768,000 as well as transaction and other costs in the amount of \$193,382., for a total of \$42,961,382.

The Company considered indicators of impairment at December 31, 2023 and 2022. The Company recorded impairment loss during the year ended December 31, 2023 for the license, the software and the patents pending. The impairment for the software and the license was done mainly because of recent medical cannabis legislation changes in Israel that have materially affected the value of these assets. The impairment for the Patents pending was done because of updated forecasts for the revenue the Company anticipates to generate from these patents pending.

BYND CANNASOFT ENTERPRISES INC.

Notes to the Consolidated Financial Statements

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NOTE 7 – INTANGIBLE ASSETS (continued)

| | Software* | License | Patents Pending | Total |
|-----------------------------------|------------------|----------------|----------------------------|----------------------|
| Cost | | | | |
| Balance, December 31, 2021 | \$ 648,474 | \$ 850,000 | \$ - | \$ 1,498,474 |
| Additions | 1,699,158 | - | 42,961,382 | 44,660,540 |
| Translation differences | (46,052) | - | - | (46,052) |
| Balance, December 31, 2022 | <u>2,301,580</u> | <u>850,000</u> | <u>42,961,382</u> | <u>46,112,962</u> |
| Additions | 366,325 | - | - | 366,325 |
| Impairments | (2,478,491) | (850,000) | (9,498,279) | (12,826,770) |
| Translation differences | (108,176) | - | - | (108,176) |
| Balance December 31, 2023 | <u>\$ 81,238</u> | <u>\$ -</u> | <u>33,463,103</u> | <u>\$ 33,544,341</u> |

| Accumulated amortization | Software | License | Patents Pending | Total |
|-----------------------------------|---------------------|-------------------|----------------------------|----------------------|
| Balance, December 31, 2021 | \$ - | \$ - | - | \$ - |
| Depreciation | - | - | - | - |
| Balance, December 31, 2022 | - | - | - | - |
| Amortization | 81,406 | - | - | 81,406 |
| Translation differences | (168) | - | - | (168) |
| Balance December 31, 2023 | \$ 81,238 | \$ - | - | \$ 81,238 |
| Net book value | | | | |
| At December 31, 2022 | \$ 2,301,580 | \$ 850,000 | 42,961,382 | \$ 46,112,962 |
| At December 31, 2023 | \$ - | \$ - | 33,463,103 | \$ 33,463,103 |

* Reclassified software development costs from Capital Work in Progress (Note 8) to Intangible Assets – Software (See Note 4)

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NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

| | Computers & Equipment | Vehicles | Furniture & Equipment | Capital Work In Progress* | Total |
|-----------------------------------|------------------------------------------|-----------------|------------------------------------------|------------------------------------------|----------------|
| Costs | | | | | |
| Balance, January 1, 2022 | 31,944 | 192,482 | 35,414 | 192,014 | 451,854 |
| Additions | 460 | - | - | 149,215 | 149,675 |
| Disposals | (1,500) | - | - | - | (1,500) |
| Translation differences | (1,885) | (11,430) | (2,104) | (13,311) | (28,730) |
| Balance, December 31, 2022 | 29,019 | 181,052 | 33,310 | 327,918 | 571,299 |

| | | | | | |
|--------------------------------------|------------------|-------------------|------------------|-------------------|-------------------|
| Additions | 6,664 | - | 1,039 | 704 | 8,407 |
| Impairments | - | - | - | (315,711) | (315,711) |
| Translation differences | (1,519) | (9,419) | (1,735) | (12,911) | (25,584) |
| Balance, December 31, 2023 | <u>\$ 34,164</u> | <u>\$ 171,633</u> | <u>\$ 32,614</u> | <u>\$ -</u> | <u>\$ 238,411</u> |
| Accumulated depreciation | | | | | |
| Balance as of January 1, 2022 | 26,794 | 150,219 | 29,645 | - | 206,658 |
| Depreciation | 2,399 | 28,405 | 2,297 | - | 33,101 |
| Translation differences | (1,605) | (9,089) | (1,774) | - | (12,468) |
| Balance, December 31, 2022 | <u>27,588</u> | <u>169,535</u> | <u>30,168</u> | <u>-</u> | <u>227,291</u> |
| Depreciation | 2,172 | 9,377 | 1,897 | - | 13,446 |
| Translation differences | (1,439) | (8,839) | (1,573) | - | (11,851) |
| Balance, December 31, 2023 | <u>\$ 28,321</u> | <u>\$ 170,073</u> | <u>\$ 30,492</u> | <u>\$ -</u> | <u>\$ 228,886</u> |
| Net book value | | | | | |
| At December 31, 2022 | <u>\$ 1,431</u> | <u>\$ 11,517</u> | <u>\$ 3,142</u> | <u>\$ 327,918</u> | <u>\$ 344,008</u> |
| At December 31, 2023 | <u>\$ 5,843</u> | <u>\$ 1,560</u> | <u>\$ 2,122</u> | <u>\$ -</u> | <u>\$ 9,525</u> |

* Reclassified software development costs from Capital Work in Progress to Intangible Assets (Note 7) – Software (See Note 4)

During the year ended December 31, 2023, depreciation of \$1,498 (2022 - \$2,399) related to computer and equipment is included in cost of revenue.

As of December 31, 2023 and 2022 the Company's Capital work in progress relates to the ongoing investment in the future medical cannabis cultivation facility in Moshav Kochav Michael, Israel which includes permits and design.

The Company considered indicators of impairment at December 31, 2023 and 2022. The Company recorded impairment loss during the year ended December 31, 2023 for the capital work in progress.

The impairment for the capital work in progress was done mainly because of recent medical cannabis legislation changes in Israel that have materially affected the value of this asset.

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NOTE 9 – TRADE PAYABLES AND ACCRUED LIABILITIES

| | December 31, 2023 | December 31, 2022 |
|----------------------------------------|------------------------------|------------------------------|
| Trade payables | \$ 157,705 | \$ 40,241 |
| VAT, income and dividend taxes payable | 28,027 | 43,703 |
| Salaries payable | 72,783 | 70,417 |
| | <u>\$ 258,515</u> | <u>\$ 154,361</u> |

NOTE 10 – RELATED PARTY TRANSACTIONS

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The remuneration of directors and

key management personnel, not including normal employee compensation, made during the years ended December 31, 2023 and 2022 is set out below:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|----------------------------------------------|------------------------------|------------------------------|------------------------------|
| Salary (cost of sales and services) | \$ 258,281 | \$ 200,747 | \$ 98,523 |
| Salary (general and administrative expenses) | 970,487 | 376,237 | 39,492 |
| Share based payments | 343,253 | 153,909 | 550,517 |
| Salary (Intangible asset – software) | 137,374 | 553,326 | 300,273 |
| Consulting (research and development) | 83,699 | - | - |
| Consulting (Capital work in progress) | - | 75,274 | 113,107 |
| Consulting (Professional fees) | 81,616 | 143,500 | 61,000 |
| | <u>\$ 1,874,710</u> | <u>\$ 1,502,993</u> | <u>\$ 1,162,912</u> |

As of December 31, 2023 and 2022, \$843 and \$1,002, respectively, was owed from shareholders of the Company. Amounts owed were recorded in accounts receivable are non-interest bearing and unsecured.

As at December 31, 2023 and 2022, \$450,048 and \$37,094, respectively, was owed to directors of the Company. Amounts due were recorded in accounts payable are non-interest bearing and unsecured.

NOTE 11 – WARRANTS

The Company accounts for the warrants issued as part of the registered direct public offering that closed on December 21, 2023 (Note 14) under IFRS 9 and they are classified as a liability since the exercise price is not denominated in the functional currency of the Company. 2,884,616 warrants (15,182 warrants post reverse split) were issued at an exercise price of US\$0.52 and expire on December 21, 2028. The derivative financial liability is re-measured at each reporting date, with changes in fair value recognized in finance expense (income), net.

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NOTE 11 – WARRANTS (continued)

The derivative financial liability as of December 31, 2023 amounted to \$958,146. The amount was recorded at fair value according to a Black Scholes warrant pricing model.

For the year ended December 31, 2023, the Company recorded an income of \$7,704 in the consolidated statements of loss and comprehensive loss as a result of the change in the fair value of warrants.

The key assumptions that were used in measuring the fair value of the warrants as of December 31, 2023 were: risk free interest rate – 3.17%, expected volatility – 107.47%, expected term 5 years from December 21, 2023 and expected dividend yield - 0.

A summary of changes in share purchase warrants issued by the Company during the year ended December 31, 2023 is as follows:

| | <u>Number of Warrants</u> | <u>Weighted Average Exercise Price US(\$)</u> |
|-------------------------------------|-------------------------------|-----------------------------------------------------------|
| Balance at December 31, 2022 | - | - |
| Movement during the year ended | 15,182 | 98.8 |
| December 31, 2023* | 15,182 | 98.8 |

*Number of warrants and exercise price post reverse split

| | <u>Fair value measurements using input type</u> | | | |
|-------------------------------------------|-------------------------------------------------|----------------|----------------|--------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Warrant liability as of January 1, 2023 | - | - | - | - |
| Fair value at inception | - | - | 965,850 | 965,850 |
| Change in fair value | - | - | (7,704) | (7,704) |
| Translation adjustments | - | - | - | - |
| Warrant liability as of December 31, 2023 | - | - | 958,146 | 958,146 |

NOTE 12– LONG TERM LOAN

During the year ended December 31, 2020, the Company secured a term loan with a principal amount of \$182,542 (NIS 500,000) from an Israeli bank. The loan bears interest at the rate of 3.14% per annum and matures on September 18, 2025. The loan is subject to 48 monthly payments commencing October 18, 2021. \$9,127 (NIS 25,000) was deposited in the bank as security for the loan.

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NOTE 12– LONG TERM LOAN (continued)

The activities of the long term loan during the years ended December 31, 2023 and 2022 are as follows:

| | <u>December 31, 2023</u> | <u>December 31, 2022</u> |
|--------------------------------------|------------------------------|------------------------------|
| Balance, opening | \$ 135,971 | \$ 192,651 |
| Addition | - | - |
| Repayments | (45,350) | (46,561) |
| Interest expense, accrued | 3,333 | 4,977 |
| Translation difference | (8,847) | (15,096) |
| Balance, ending | 85,107 | 135,971 |
| Less: | | |
| Long term loan – current portion | 46,680 | 47,740 |
| Long term loan – non-current portion | \$ 38,427 | \$ 88,231 |

The undiscounted repayments for each of the next four years and in the aggregate are:

| Year ended | Amount |
|-------------------|------------------|
| December 31, 2024 | \$ 46,680 |
| December 31, 2025 | 38,427 |
| | <u>\$ 85,107</u> |

NOTE 13 – EMPLOYEE BENEFITS

The severance pay liability constitutes a defined benefit plan and was calculated using actuarial assumptions. In measuring the present value of the defined benefit obligation and the current service costs the projected unit credit method was used.

a. Plan asset (liability)

Information on the Company's defined benefit pension plan and other defined benefit plans, in aggregate, is summarized as follows:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------------|------------------------------|------------------------------|
| Defined benefit plan liability | \$ (91,533) | \$ (86,016) |
| Less: | | |
| fair value of plan asset or asset ceiling | - | - |
| | <u>\$ (91,533)</u> | <u>\$ (86,016)</u> |

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NOTE 13 – EMPLOYEE BENEFITS (continued)

b. Changes in the present value of the defined benefit plan liability

The following are the continuities of the fair value of plan asset or plan liability and the present value of the defined benefit plan obligations:

| | December 31, 2023 | December 31, 2022 |
|-------------------------------------------------|------------------------------|------------------------------|
| Balance, opening | \$ (86,016) | \$ (87,058) |
| Recognized in profit and loss for the year: | | |
| Interest cost | (4,638) | (1,964) |
| Current service cost | (5,860) | (6,023) |
| Actuarial gain (loss) for change of assumptions | 485 | 3,835 |
| Translation differences | 4,496 | 5,194 |
| Balance, ending | <u>\$ (91,533)</u> | <u>\$ (86,016)</u> |

The actual amount paid may vary from the estimate based on actuarial valuations being completed, investment performance, volatility in discount rates, regulatory requirements and other factors.

c. Major assumptions in determining the defined benefit plan liability

The principal actuarial assumptions used in calculating the Company's defined benefit plan obligations and net defined benefit plan cost for the years were as follows (expressed as weighted averages):

| | December 31, 2023 | December 31, 2022 |
|---------------------|------------------------------|------------------------------|
| Capitalization rate | 3.15% | 2.73% |
| Salary growth rate | 0% | 0% |
| Retirement rate | 5% | 5% |

d. Sensitivity analysis

The following table outlines the key assumptions for the years ended December 31, 2023 and 2022 and the sensitivity of a 1% change in each of these assumptions on the defined benefit plan obligations and the net defined benefit plan cost.

The sensitivity analysis provided in the table is hypothetical and should be used with caution. The sensitivities of each key assumption have been calculated independently of any changes in other key assumptions. Actual experience may result in changes in a number of key assumptions simultaneously. Changes in one factor may result in changes in another, which could amplify or reduce the impact of such assumptions.

| | December 31, 2023 | December 31, 2022 |
|------------------------|------------------------------|------------------------------|
| Capitalization rate: | | |
| Impact of: 1% increase | \$ (4,775) | \$ (4,974) |
| 1% decrease | 5,720 | 6,013 |
| Salary growth rate: | | |
| Impact of: 1% increase | \$ 5,856 | \$ 6,128 |
| 1% decrease | - | - |

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NOTE 14 – EQUITY

Authorized

Unlimited number of common shares without par value.

Issued

As of December 31, 2023, 223,964 common shares were issued and outstanding.

During the year ended December 31, 2023

On January 3, 2023, the Company issued 6,727 common shares (35 common shares post reverse split) to two directors following the vesting of RSU's with a fair value of \$6.20, for a compensation amount of \$41,875.

On April 4, 2023, the Company issued 6,727 common shares (35 common shares post reverse split) to two directors following the vesting of RSU's with a fair value of \$6.20, for a compensation amount of \$41,730.

On April 27, 2023, the Company granted 43,847 RSU's (231 RSU's post reverse split) to two directors, 25% of the RSUs will vest each 3 months with the last tranche vesting on April 27, 2024.

On July 4, 2023, the Company issued 10,961 common shares (58 common shares post reverse split) to two directors following the vesting of RSU's with a fair value of \$3.82, for a compensation amount of \$41,871.

On July 19, 2023 the Company issued 1,733,334 common shares (9,123 common shares post reverse split) at a price of US\$1.50 per share following the closing of an underwritten public offering with gross proceeds to the Company of \$3,424,201, before deducting underwriting discounts and other estimated expenses paid by the Company in the amount of \$405,636, totalling in a net amount of \$3,018,565.

On August 8, 2023, the Company granted 27,819 RSU's (146 RSU's post reverse split) to two directors, 50% of the RSUs will vest after 6 months, 25% after 9 months and 25% after a year.

On October 10, 2023, the Company granted 10,935 RSU's (58 RSU's post reverse split) to a consultant, the RSUs will vest over 4 months and a day.

On October 23, 2023, the Company issued 24,869 common shares (131 common shares post reverse split) to two directors following the vesting of RSU's with a fair value of \$2.62, for a compensation amount of \$65,264.

On December 21, 2023 the Company issued 2,884,616 common shares (15,182 common shares post reverse split) at a price of US\$0.52 per share following the closing of a registered direct public offering with gross proceeds to the Company of \$1,996,650, before deducting underwriting discounts and other estimated expenses paid by the Company in the amount of \$319,464, totalling in a net amount of \$1,677,186. The offering was for sale of 2,884,616 units (15,182 units post reverse split), each consisting of one common share and one common warrant to purchase one common share per warrant at an exercise price of US\$0.52 (Note 11).

On December 31, 2023, the Company granted 93,069 RSU's (490 RSU's post reverse split) to a director and a consultant, the RSUs will vest over 4 months and a day.

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NOTE 14 – EQUITY (continued)

During the year ended December 31, 2022

On January 13, 2022, the Company completed a non-brokered private placement financing wherein it raised \$122,950 through the issuance of 40,983 common shares (216 common shares post reverse split) at a price of \$3.00 per share.

On May 3, 2022, 150,000 stock options (790 stock options post reverse split) were exercised to common shares for total proceeds of \$123,000.

On July 4, 2022 the Company issued 6,727 common shares (35 common shares post reverse split) following the vesting of RSU's.

On September 20, 2022 140,000 stock options (737 stock options post reverse split) were exercised to common shares for a total proceeds of \$114,800.

On September 22, 2022, as part of the acquisition of Zigi Carmel described in note 4, the Company issued 7,920,000 of its common shares (41,684 of its common shares post reverse split) to the former shareholder of Zigi Carmel in exchange for all of the issued and outstanding shares of Zigi Carmel.

On October 3, 2022, the Company issued 6,727 common shares (35 common shares post reverse split) to two directors following the vesting of RSU's.

On October 5, 2022, the Company completed a non-brokered private placement financing wherein it raised \$616,570 through the issuance of 142,395 common shares (749 common shares post reverse split) at a price of \$4.33 per share.

During the year ended December 31, 2021

On March 29, 2021, as part of the reverse takeover as described in note 1, the Company issued 18,015,833 of its common shares (94,820 of its common shares post reverse split) to the former shareholders of BYND in exchange for all of the issued and outstanding shares of BYND. Total 6,269,117 shares (32,995 shares post reverse split) were retained by the former shareholders of the Company.

On May 5, 2021, the Company announced that it completed a non-brokered private placement financing wherein it raised \$522,410 through the issuance of 435,337 common shares (2,291 common shares post reverse split) at a price of \$1.20 per share.

On July 5, 2021, the Company announced that it completed a non-brokered private placement financing wherein it raised \$1,840,000 through the issuance of 2,000,000 common shares (10,526 common shares post reverse split) at a price of 0.92 per share.

On August 16, 2021, 5,000 stock options (26 stock options post reverse split) were exercised to common shares and on September 21, 2021, 55,000 stock options (289 stock options post reverse split) were exercised to common shares for total proceeds of \$49,200.

On October 4, 2021, the Company completed two non-brokered private placements financing wherein it raised \$2,500,000 through the issuance of 2,403,846 common shares (12,652 common shares post reverse split) at a price of \$1.04 per share as well as 400,000 non-transferable share purchase warrants (2,105 non-transferable share purchase warrants post reverse split) at an exercise price of \$1.30 per common share.

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NOTE 14 – EQUITY (continued)

The Company recorded a share purchase warrants reserve of \$639,879 based on the Black-Scholes option pricing model and the following input assumptions:

| | |
|-------------------------------------------------------------------|---------|
| Weighted average fair value of warrants issued on October 4, 2021 | \$ 1.60 |
| Risk-free interest rate | 1.33% |
| Estimated life | 2 years |
| Expected volatility | 100.13% |
| Expected dividend yield | 0% |

The funds raised from the \$2,500,000 private placement were held in escrow until the company's shares were approved for listing on the Nasdaq.

In connection with the second financing, the Company raised \$189,834 through the issuance of 94,917 common shares (500 common shares post reverse split) at a price of \$2.00 per share.

On October 14, 2021, the Company completed a non-brokered private placement financing wherein it raised \$400,000 through the issuance of 200,000 common shares (1,053 common shares post reverse split) at a price of \$2.00 per share.

Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the CSE. Options granted may not exceed a term of five years.

A summary of the stock options outstanding for the year ended December 31, 2023 are summarized as follows:

Pre reverse split:

| | Number of Options | Weighted Average Exercise Price |
|----------------------------------|------------------------------|------------------------------------------------|
| Outstanding at January 1, 2021 | - | - |
| Granted during the period | 1,135,000 | \$ 1.09 |
| Exercised during the period | (60,000) | \$ 0.82 |
| Cancelled during the period | (180,000) | \$ 0.82 |
| Outstanding at December 31, 2021 | 895,000 | \$ 1.16 |
| Granted during the period | 10,000 | \$ 6.20 |
| Exercised during the period | (290,000) | \$ 0.82 |
| Cancelled during the period | - | \$ - |
| Outstanding at December 31, 2022 | 615,000 | \$ 1.41 |
| Granted during the period | 100,000 | \$ 2.12 |
| Outstanding at December 31, 2023 | 715,000 | \$ 1.51 |
| Exercisable at December 31, 2023 | 667,500 | \$ 1.47 |

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NOTE 14 – EQUITY (continued)

Post reverse split:

| | Number of Options | Weighted Average Exercise Price |
|----------------------------------|------------------------------|------------------------------------------------|
| Outstanding at January 1, 2021 | - | - |
| Granted during the period | 5,974 | \$ 207.1 |
| Exercised during the period | (315) | \$ 155.8 |
| Cancelled during the period | (948) | \$ 155.8 |
| Outstanding at December 31, 2021 | 4,711 | \$ 220.4 |
| Granted during the period | 53 | \$ 1,178 |
| Exercised during the period | (1,527) | \$ 155.8 |
| Cancelled during the period | - | \$ - |
| Outstanding at December 31, 2022 | 3,237 | \$ 267.9 |
| Granted during the period | 526 | \$ 402.8 |
| Outstanding at December 31, 2023 | 3,763 | \$ 286.9 |

Exercisable at December 31, 2023

3,513 \$ 279.3

Additional information regarding stock options outstanding as of December 31, 2023, is as follows:

Pre reverse split:

| <u>Outstanding</u> | | | <u>Exercisable</u> | | |
|--------------------------------|------------------------------------------------------------|----------------------------------------|--------------------------------|----------------------------------------|--|
| <u>Number of stock options</u> | <u>Weighted average remaining contractual life (years)</u> | <u>Weighted Average Exercise Price</u> | <u>Number of stock options</u> | <u>Weighted Average Exercise Price</u> | |
| 250,000 | 2.25 | \$ 0.82 | 250,000 | \$ 0.82 | |
| 240,000 | 2.50 | \$ 1.22 | 240,000 | \$ 1.22 | |
| 115,000 | 2.83 | \$ 2.65 | 115,000 | \$ 2.65 | |
| 10,000 | 3.50 | \$ 6.20 | 10,000 | \$ 6.20 | |
| 10,000 | 4.33 | \$ 3.82 | 7,500 | \$ 3.82 | |
| 90,000 | 4.58 | \$ 1.93 | 45,000 | \$ 1.93 | |
| <u>715,000</u> | <u>2.77</u> | <u>\$ 1.51</u> | <u>667,500</u> | <u>\$ 1.47</u> | |

Post reverse split:

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NOTE 14 – EQUITY (continued)

| <u>Outstanding</u> | | | <u>Exercisable</u> | | |
|--------------------------------|------------------------------------------------------------|----------------------------------------|--------------------------------|----------------------------------------|--|
| <u>Number of stock options</u> | <u>Weighted average remaining contractual life (years)</u> | <u>Weighted Average Exercise Price</u> | <u>Number of stock options</u> | <u>Weighted Average Exercise Price</u> | |
| 1,316 | 2.25 | \$ 155.8 | 1,316 | \$ 155.8 | |
| 1,263 | 2.50 | \$ 231.8 | 1,263 | \$ 231.8 | |
| 605 | 2.83 | \$ 503.5 | 605 | \$ 503.5 | |
| 53 | 3.50 | \$ 1,178 | 53 | \$ 1,178 | |
| 53 | 4.33 | \$ 725.8 | 39 | \$ 725.8 | |
| 473 | 4.58 | \$ 366.7 | 237 | \$ 366.7 | |
| <u>3,763</u> | <u>2.77</u> | <u>\$ 286.9</u> | <u>3,513</u> | <u>\$ 279.3</u> | |

During the year ended December 31, 2023, there were 10,000 stock options (526 stock options post reverse split) granted to directors of the Company with an exercise price ranging from \$1.93 to \$3.82 per share.

As of December 31, 2023, 667,500 of these stock options (3,513 of these stock options post reverse split) were vested. During the year ended December 31, 2023, the Company recorded \$140,821 in share-based payment expense.

During the year ended December 31, 2022, there were 10,000 stock options (53 stock options post reverse split) granted to a director of the Company with an exercise price of \$6.20 per share (\$1,178 per share post reverse split) and 290,000 stock options (1,527 stock options post reverse split) were exercised to shares.

As of December 31, 2022, 612,500 of these stock options (3,224 post reverse split) were vested. During the year ended December 31, 2022, the Company recorded \$153,909 in share-based payment expense.

During the year ended December 31, 2021, there were 780,000 stock options (4,106 stock options post reverse split) granted to the directors and officers of the Company with an exercise price of \$0.82 per share. The options are exercisable for a period five years from the grant date and are subject to the following vesting schedule: 25% upon listing of the Company's shares on the Canadian Stock Exchange, 25% on 90 days thereafter, 25% on 180 days thereafter and the remainder on 270 days thereafter. In addition, 240,000 stock options (1,263 stock options post reverse split) were granted to a director of the Company with an exercise price of \$1.22 per share and 115,000 stock options (605 stock options post reverse split) were granted to a director of the Company with an exercise price of \$2.65 per share.

Details of the fair value of options granted and the assumptions used in the Black-Scholes option pricing model are as follows:

| | <u>2023</u> | <u>2022</u> |
|------------------------------------------------|-------------|-------------|
| Weighted average fair value of options granted | \$ 1.61 | \$ 3.96 |
| Risk-free interest rate | 3.76% | 3.56% |
| Estimated life (in years) | 5 | 5 |
| Expected volatility | 100.64% | 75.91% |
| Expected dividend yield | 0% | 0% |

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NOTE 15 – FINANCIAL INSTRUMENTS

a. Fair value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Management estimates that cash, accounts receivable and other current liabilities approximately constitute their fair value in view of the fact that these are short term instruments.

b. Financial risk management

The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The following analysis enables users to evaluate the nature and extent of the risks.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk on its cash and accounts receivable which include trade and other accounts receivable (Note 6). The Company limits its exposure to credit loss on cash by placing its cash with a high-quality financial institution. The Company has concentrations of credit risk with respect to accounts receivable as large amounts of its trade receivables are concentrated amongst a small number of customers. The Company performs credit evaluations of its customers but generally does not require collateral to support trade receivable.

Accounts receivable primarily consist of trade receivables and sales tax receivable. The Company provides credit to very limited customer base in the normal course of business and has established credit evaluation via an active direct consultation with its customers to mitigate credit risk. Accounts receivable are shown net of any provision made for impairment of receivables. Due to this factor, the Company believes that no additional credit risk, beyond amounts provided for collection loss, is inherent in accounts receivable.

Expected credit loss (“ECL”) analysis is performed at each reporting date using an objective approach to measure expected credit losses. The provision amounts are based on direct management interface with the customer. The calculations reflect the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, business failure, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments over the negotiated contract period.

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NOTE 15 – FINANCIAL INSTRUMENTS (continued)

During the year ended December 31, 2023 and 2022, there was \$nil impairment loss on accounts receivable recognized in the statement of income (loss) and comprehensive income (loss).

The Company’s aging of trade receivables (Note 6) were as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------|------------------------------|------------------------------|
| 0 – 30 days | \$ 61,046 | \$ 74,987 |
| 31 – 60 days | 58,048 | 61,287 |
| | <u>\$ 119,094</u> | <u>\$ 136,274</u> |

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Financial liabilities include principal and interest payments.

The Company's liquidity risk is that it is not able to settle liabilities when due or that it can do so only at an abnormally high cost. Accordingly, one of management's primary goals is to maintain an optimum level of liquidity by actively managing assets, liabilities and cash flows generated by operations. The Company's future strategies can be financed through a combination of cash flows generated by operations, borrowing under existing credit facilities, and the issuance of equity. Management prepares regular budgets and cash flow forecasts to help predict future changes in liquidity.

The Corporation has financial liabilities with the following maturities as at December 31, 2023:

| | Contractual cash flows | | | | | Total |
|----------------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|------------------|
| | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 5 year and over | |
| Trade payables (Note 9) | \$157,705 | \$ - | \$ - | \$ - | \$ - | \$157,705 |
| Long term loan and unpaid interest (Note 12) | 46,680 | 38,427 | - | - | - | 85,107 |
| | <u>\$204,385</u> | <u>\$38,427</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$242,812</u> |

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NOTE 15 – FINANCIAL INSTRUMENTS (continued)

The Corporation has financial liabilities with the following maturities as at December 31, 2022:

| | Contractual cash flows | | | | | Total |
|----------------------------------------------|-------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------|------------------|
| | Up to 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | 5 year and over | |
| Trade payables (Note 9) | \$40,241 | \$ - | \$ - | \$ - | \$ - | \$ 40,241 |
| Long term loan and unpaid interest (Note 12) | 47,740 | 49,241 | 38,990 | - | - | 135,971 |
| | <u>\$87,981</u> | <u>\$49,241</u> | <u>\$38,990</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$176,212</u> |

Market risk

Market risk is the risk that the fair value or future cash flows from financial instruments will change as a result of changes in market prices. Market risk includes risks such as currency risk and share price risk. The financial instruments of the Company which are affected by market risk consist mainly of foreign currency cash and deposits, Company's US dollar denominated convertible debenture and investments in marketable securities.

Foreign currency risk

As of December 31, 2023 and 2022, the Company has a surplus of financial assets over financial liabilities denominated in USD, consisting of cash, in the sum of \$2,804,422 and \$1,394,585, respectively.

Currency sensitivity analysis

The table below demonstrates the sensitivity test to a reasonable possible change in the exchange rate of the US dollar, with all other variables unchanged. The impact on the Company's pre-tax profit and loss arises from changes in the fair value of the assets and financial liabilities is as follows:

| | Change in the USD exchange rate | Impact on pre-tax profit |
|-------------------|------------------------------------------------|-------------------------------------|
| December 31, 2023 | 5% increase | \$ (140,221) |
| | 5% decrease | 140,221 |
| December 31, 2022 | 5% increase | (69,729) |
| | 5% decrease | \$ 69,729 |

Equity (share price) risk

The Company's investments in tradable shares are sensitive to market price risk arising from uncertainties concerning the future value of these investments.

As of December 31, 2023, and 2022, Company's exposure as a result of investments in tradable shares is \$nil and \$nil, respectively. A 10% decrease in share price may reduce the Company's pre-tax profit and loss by approximately \$nil and \$nil, respectively. A 10% subsequent increase in the value of the tradable shares shall increase Company's pre-tax profit and loss by a similar amount.

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NOTE 15 – FINANCIAL INSTRUMENTS (continued)

c. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sale of its products and services, as well as to ensure that the Company is able to meet its financial obligations as they become due. The capital structure consists of components of shareholders' equity, promissory note due to related parties and the term loan provided by the bank.

The basis for the Company's capital structure is dependent on the Company's expected business growth and changes in business environment. To maintain or adjust the capital structure, the Company may issue new shares, incur debt or return capital to shareholders. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable.

The Company is not subject to externally imposed capital requirements. There were no changes to the Company's approach to capital management during the years ended December 31, 2023 and 2022.

NOTE 16 – REVENUE AND DEFERRED REVENUE

The Company has derived its revenue from the sources as summarized in the following:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|----------------------|----------------------------------|----------------------------------|----------------------------------|
| Software development | \$ 758,307 | \$ 761,166 | \$ 725,862 |
| Software license | 200,593 | 213,749 | 208,625 |
| Software supports | 47,102 | 71,460 | 196,703 |
| Cloud hosting | 59,926 | 67,334 | 72,945 |
| Others | 10,933 | 9,363 | 13,324 |
| | <u>\$ 1,076,861</u> | <u>\$ 1,123,072</u> | <u>\$ 1,217,459</u> |

The Company recognized revenues from contracts with customers in accordance with the following timing under IFRS 15:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|---------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Revenue recognized over time | \$ 876,268 | \$ 909,323 | \$ 1,008,834 |
| Revenue recognized at a point of time | 200,593 | 213,749 | 208,625 |
| | <u>\$ 1,076,861</u> | <u>\$ 1,123,072</u> | <u>\$ 1,217,459</u> |

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NOTE 16 – REVENUE AND DEFERRED REVENUE (continued)

Deferred revenue represents contract liabilities for customer payments received related to services yet to be provided subsequent to the reporting date. Significant changes in deferred revenue during the years ended December 31 are as follows:

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Deferred revenue, beginning | \$ 219,068 | \$ 30,046 |
| Customer payments received attributable to contract liabilities for unearned revenue | 158,711 | 263,404 |
| Revenue recognized from fulfilling contract liabilities | 245,985 | 74,381 |
| Deferred revenue, ending | <u>\$ 131,794</u> | <u>\$ 219,068</u> |

The Company derives significant revenues from one customer. During the year ended December 31, 2023, 2022 and 2021, revenues from this customer were 82%, 83% and 80% respectively, of total revenue. The trade receivable outstanding as at December 31, 2023, and 2022 are due from this customer.

NOTE 17 – COST OF REVENUE

Cost of revenue incurred during the years ended December 31 are comprised of the following:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Salaries and benefits | \$ 636,497 | \$ 510,615 | \$ 563,165 |
| Subcontractors expense (recovery) | 366 | (16,318) | 570 |

| | | | |
|--------------------|-------------------|-------------------|-------------------|
| Software and other | 39,944 | 9,804 | 26,653 |
| Depreciation | 1,498 | 2,399 | 3,933 |
| | <u>\$ 678,305</u> | <u>\$ 506,500</u> | <u>\$ 594,321</u> |

NOTE 18 – INCOME TAXES

The relevant companies' tax applicable to the Company commencing from 2021 (Year of Amalgamation) and thereafter is 27%.

The relevant companies' tax applicable to BYND commencing from 2018 and thereafter is 23%. Current taxes for the reported periods are calculated according to the said tax rate.

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NOTE 18 – INCOME TAXES (continued)

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | December 31, 2023 | December 31, 2022 | December 31, 2021 |
|-----------------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Income (loss) before tax | \$ (18,466,962) | \$ (1,658,404) | \$ (4,843,325) |
| Income tax rate | 27% and 23% | 27% and 23% | 27% and 23% |
| Expected income expense (recovery) | (4,889,258) | (460,055) | (1,325,208) |
| Permanent differences | 971 | (216,957) | 1,224,524 |
| Prior years reassessment of tax expense | - | - | - |
| Change in unrecognized deferred assets | (20,073) | 43,428 | (14,629) |
| Change in valuation allowance | 4,600,864 | 542,633 | 102,162 |
| Other | 335,654 | 97,231 | 48,564 |
| Total income tax expense | <u>\$ 28,159</u> | <u>\$ 6,280</u> | <u>\$ 35,413</u> |
| Current income tax | \$ 28,159 | \$ 6,280 | \$ 35,413 |
| Deferred income tax | - | - | - |
| Total income tax expense | <u>\$ 28,159</u> | <u>\$ 6,280</u> | <u>\$ 35,413</u> |

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

| | December 31, 2023 | December 31, 2022 |
|---------------------|------------------------------|------------------------------|
| Deferred tax assets | | |

| | | |
|------------------------------------------|---------------------|-------------------|
| Non-capital loss carry forwards - Canada | 5,245,659 | 644,794 |
| Non-capital loss carry forwards - Israel | - | - |
| | <u>\$ 5,245,659</u> | <u>\$ 644,794</u> |
| Valuation allowance | <u>(5,245,659)</u> | <u>(644,794)</u> |
| | <u>\$ -</u> | <u>\$ -</u> |

The Company has Canadian non-capital losses of \$18,056,174 which is available to offset future years' taxable income in Canada.

BYND has \$nil (2022 - \$nil) in non-capital losses carried forward for tax purposes, which can be carried forward indefinitely to be offset against future business income and business capital gains.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

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NOTE 19 – SUBSEQUENT EVENTS

On January 4, 2024, the Company issued 17,915 common shares (94 common shares post reverse split) to two directors following the vesting of RSU's with a fair value of \$2.99, for a compensation amount of \$53,568.

On January 10, 2024, the Company granted 410,000 RSUs (2,158 RSUs post reverse split) to five directors of the Company, the RSUs will vest over 4 months and a day.

On January 10, 2024, the Company cancelled 565,000 stock options (2,974 stock options post reverse split) that were previously granted to 4 directors of the Company.

On January 16, 2024, the Company granted 60,000 RSUs (316 RSUs post reverse split) and 650,000 stock options (3,421 stock options post reverse split) to a consultant of the Company, the RSUs will vest over 4 months and a day, the stock options vest as follows: 150,000 on the date of the grant (789 post reverse split) and 100,000 every month thereafter (526 post reverse split) every month thereafter.

On February 5, 2024, the Company granted 39,753 RSUs (209 RSUs post reverse split) to a consultant of the Company, the RSUs will vest over 4 months and a day.

On March 5, 2024, the Company granted 60,083 RSUs (316 RSUs post reverse split) to a consultant of the Company, the RSUs will vest over 4 months and a day.

On March 14, 2024 the Company announced the closing of an underwritten public offering with gross proceeds to the Company of approximately US\$7.0 million, before deducting underwriting discounts and other estimated expenses paid by the Company. The offering was for sale of 116,666,667 units (614,109 units post reverse split), each consisting of one common share or pre-funded warrant, one series A warrants and two series B warrants. The offering price was US\$0.06 per unit.

As of March 14, 2024, the Company's common shares no longer were listed on the Canadian Securities Exchange following a voluntary delisting.

On March 15, 2024, the Company announced a 1 for 190 reverse stock split of its outstanding common shares that will be effective on March 22, 2024.

As of April 1, 2024, the Company issued 614,109 common shares following the closing of the underwritten public offering on March 14, 2024 as well as 3,593,170 common shares following the cashless exercise of A warrants and 15,000 common shares following the exercise of B warrants at an exercise price of US\$1.3643 per common share.