

REFINITIV

## DELTA REPORT

10-Q

MUSCLE MAKER, INC.

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

**TOTAL DELTAS 988**

█ CHANGES 264

█ DELETIONS 232

█ ADDITIONS 492

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2023** **June 30, 2023**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-39223

**Muscle Maker, Sadot Group Inc.**

(Exact name of registrant as specified in its charter)

**Muscle Maker, Inc.**  
(Former name of registrant)

Nevada

47-2555533

(State or other jurisdiction  
of incorporation)

(I.R.S. Employer  
Identification No.)

1751 River Run, Suite 200,  
Fort Worth, Texas 76107

(Address of principal executive offices)

Registrant's telephone number, including area code: (832) 604-9568

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value	GRIL SDOT	The NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The number of shares of the Registrant's common stock, \$0.0001 par value per share, outstanding as of **May 10, 2023** **August 9, 2023**, was **32,197,066** **46,098,386**.

**Muscle Maker, Inc.**  
**Quarterly Report on Form 10-Q**  
**For the Three and Six Months Ended **March 31, 2023** **June 30, 2023****

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**Muscle Maker, Inc.**

**Condensed Consolidated Balance Sheets**  
(Unaudited)

	<b>Assets</b>	<b>March 31, 2023</b>		<b>December 31, 2022</b>		<b>June 30, 2023</b>		<b>December 31, 2022</b>	
		\$'000		\$'000		\$'000		\$'000	
<b>Assets</b>	<b>Assets</b>								
Current assets:	Current assets:								
Cash	Cash	6,386		9,898		Cash		5,090	
Accounts receivable, net of allowance for doubtful accounts of \$28.8 thousand and \$23.4 thousand as of March 31, 2023 and December 31, 2022, respectively		4,961		135		Accounts receivable, net of allowance for doubtful accounts of \$34.2 thousand and \$23.4 thousand as of June 30, 2023 and December 31, 2022, respectively			
Accounts receivable, net of allowance for doubtful accounts of \$34.2 thousand and \$23.4 thousand as of June 30, 2023 and December 31, 2022, respectively						47,502		135	
Inventory	Inventory	35,145		298		Inventory		307	
Prepaid expenses and other current assets	Prepaid expenses and other current assets	206		317		Prepaid expenses and other current assets		319	
<b>Total current assets</b>	<b>Total current assets</b>	<b>46,698</b>		<b>10,648</b>		<b>Total current assets</b>		<b>53,218</b>	
Right to use assets	Right to use assets	2,189		2,433		Right to use assets		2,059	
Property and equipment, net	Property and equipment, net	1,680		1,895		Property and equipment, net		1,497	
Goodwill	Goodwill	2,626		2,626		Goodwill		2,626	
Intangible assets, net	Intangible assets, net	4,301		4,611		Intangible assets, net		4,019	
Deposit on farmland	Deposit on farmland	5,002		4,914		Deposit on farmland		8,802	
Security deposits and other assets	Security deposits and other assets	102		103		Security deposits and other assets		102	
<b>Total assets</b>	<b>Total assets</b>	<b>62,598</b>		<b>27,230</b>		<b>Total assets</b>		<b>72,323</b>	
<b>Liabilities and Stockholders' Equity</b>	<b>Liabilities and Stockholders' Equity</b>					<b>Liabilities and Stockholders' Equity</b>			
Current liabilities:	Current liabilities:					Current liabilities:			
Accounts payable and accrued expenses	Accounts payable and accrued expenses	35,863		1,953		Accounts payable and accrued expenses		40,967	
Accrued stock-based compensation expense - related party	Accrued stock-based compensation expense - related party	3,400		3,603		Accrued stock-based compensation expense - related party		—	
Notes payable, current	Notes payable, current	225		222		Notes payable, current		3,727	
Operating lease liability, current	Operating lease liability, current	505		560		Operating lease liability, current		511	
Deferred revenue, current	Deferred revenue, current	90		95		Deferred revenue, current		93	
Other current liabilities	Other current liabilities	195		182		Other current liabilities		204	
<b>Total current liabilities</b>	<b>Total current liabilities</b>	<b>40,278</b>		<b>6,615</b>		<b>Total current liabilities</b>		<b>45,502</b>	
Notes payable, non-current	Notes payable, non-current	722		759		Notes payable, non-current		685	

Operating lease liability, non-current	Operating lease liability, non-current	1,800	2,019	Operating lease liability, non-current	1,673	2,019
Deferred revenue, non-current	Deferred revenue, non-current	1,228	1,276	Deferred revenue, non-current	1,295	1,276
<b>Total liabilities</b>	<b>Total liabilities</b>	<b>44,028</b>	<b>10,669</b>	<b>Total liabilities</b>	<b>49,155</b>	<b>10,669</b>
<i>Commitments and Contingencies</i>	<i>Commitments and Contingencies</i>			<i>Commitments and Contingencies</i>		
Stockholders' equity:	Stockholders' equity:			Stockholders' equity:		
Common stock, \$0.0001 par value, 150 million shares authorized, 32.2 million and 29.3 million shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively		3	3	Common stock, \$0.0001 par value, 150 million shares authorized, 36.0 million and 29.3 million shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	4	3
Common stock, \$0.0001 par value, 150 million shares authorized, 36.0 million and 29.3 million shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively				Common stock, \$0.0001 par value, 150 million shares authorized, 36.0 million and 29.3 million shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively		
Additional paid-in capital	Additional paid-in capital	98,988	95,913	Additional paid-in capital	103,395	95,913
Accumulated deficit	Accumulated deficit	(80,421)	(79,355)	Accumulated deficit	(80,231)	(79,355)
<b>Total stockholders' equity</b>	<b>Total stockholders' equity</b>	<b>18,570</b>	<b>16,561</b>	<b>Total stockholders' equity</b>	<b>23,168</b>	<b>16,561</b>
<b>Total liabilities and stockholders' equity</b>	<b>Total liabilities and stockholders' equity</b>	<b>62,598</b>	<b>27,230</b>	<b>Total liabilities and stockholders' equity</b>	<b>72,323</b>	<b>27,230</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Muscle Maker, Inc.**  
**Condensed Consolidated Statement of Operations**  
**(Unaudited)**

		Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
		2023		2022		2023	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>	<b>Revenues:</b>			<b>Revenues:</b>			
Commodity sales	Commodity sales	210,366	—	Commodity sales	157,559	—	367,925
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,301	2,694	Company restaurant sales, net of discounts	2,487	2,751	4,788
Franchise royalties and fees	Franchise royalties and fees	284	208	Franchise royalties and fees	238	163	522
Franchise advertising fund contributions	Franchise advertising fund contributions	16	18	Franchise advertising fund contributions	20	16	36
Other revenues				Other revenues	13	—	13
<b>Total revenues</b>	<b>Total revenues</b>	<b>212,967</b>	<b>2,920</b>	<b>Total revenues</b>	<b>160,317</b>	<b>2,930</b>	<b>373,284</b>
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>			<b>Operating Costs and Expenses:</b>			<b>5,850</b>

<i>Commodity operating expenses:</i>	<i>Commodity operating expenses:</i>		<i>Commodity operating expenses:</i>				
Commodity cost	Commodity cost	205,055	—	Commodity cost	153,240	—	358,295
Labor	Labor	620	—	Labor	852	—	1,472
Other commodity operating expenses	Other commodity operating expenses	154	—	Other commodity operating expenses	485	—	639
Total commodity operating expenses	Total commodity operating expenses	205,829	—	Total commodity operating expenses	154,577	—	360,406
<i>Restaurant operating expenses:</i>	<i>Restaurant operating expenses:</i>		<i>Restaurant operating expenses:</i>				
Food and beverage costs	Food and beverage costs	839	1,026	Food and beverage costs	867	1,117	1,706
Labor	Labor	880	1,073	Labor	956	903	1,836
Rent	Rent	274	340	Rent	290	327	564
Other restaurant operating expenses	Other restaurant operating expenses	472	650	Other restaurant operating expenses	551	688	1,023
Total restaurant operating expenses	Total restaurant operating expenses	2,465	3,089	Total restaurant operating expenses	2,664	3,035	5,129
Depreciation and amortization expenses	Depreciation and amortization expenses	633	476	Depreciation and amortization expenses	441	489	1,074
Franchise advertising fund expenses	Franchise advertising fund expenses	16	18	Franchise advertising fund expenses	20	16	36
Pre-opening expenses	Pre-opening expenses	36	—	Pre-opening expenses	—	—	36
Post-closing expenses	Post-closing expenses	94	—	Post-closing expenses	19	—	113
Stock-based consulting expenses	Stock-based consulting expenses	3,359	—	Stock-based consulting expenses	1,068	—	4,427
Sales, general and administrative expenses	Sales, general and administrative expenses	2,142	1,324	Sales, general and administrative expenses	1,888	1,127	4,030
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>214,574</b>	<b>4,907</b>	<b>Total costs and expenses</b>	<b>160,677</b>	<b>4,667</b>	<b>375,251</b>
<b>Loss from operations</b>	<b>Loss from operations</b>	<b>(1,607)</b>	<b>(1,987)</b>	<b>Loss from operations</b>	<b>(360)</b>	<b>(1,737)</b>	<b>(1,967)</b>
<b>Other Income:</b>							
<b>Other Income / (Expense):</b>				<b>Other Income / (Expense):</b>			
Other income / (expense)	Other income / (expense)	—	(19)	Other income / (expense)	251	(15)	251
Interest income / (expense), net	Interest income / (expense), net	3	(18)	Interest income / (expense), net	(22)	(10)	(19)
							(28)

Change in fair value of accrued compensation	Change in fair value of accrued compensation	541	—	Change in fair value of accrued compensation	324	—	865	—
Gain on debt extinguishment	Gain on debt extinguishment	—	140	Gain on debt extinguishment	—	—	—	140
<b>Total other income, net</b>		<b>544</b>	<b>103</b>					
<b>Loss Before Income Tax</b>		<b>(1,063)</b>	<b>(1,884)</b>					
<b>Total other income / (expense), net</b>				<b>Total other income / (expense), net</b>	<b>553</b>	<b>(25)</b>	<b>1,097</b>	<b>78</b>
<b>Income / (Loss) Before Income Tax</b>				<b>Income / (Loss) Before Income Tax</b>	193	(1,762)	(870)	(3,646)
Income tax	Income tax	3	2	Income tax	3	12	6	14
<b>Net loss</b>		<b>(1,066)</b>	<b>(1,886)</b>					
<b>Net Loss Per Share:</b>								
Basic and Diluted		(0.04)	(0.07)					
<b>Weighted average Number of Common Shares Outstanding:</b>								
Basic and Diluted		29,443,394	27,801,604					
<b>Net income / (loss)</b>				<b>Net income / (loss)</b>	<b>190</b>	<b>(1,774)</b>	<b>(876)</b>	<b>(3,660)</b>
<b>Net Income / (Loss) Per Share:</b>				<b>Net Income / (Loss) Per Share:</b>				
Basic				Basic	0.01	(0.06)	(0.03)	(0.13)
Diluted				Diluted	0.01	(0.06)	(0.03)	(0.13)
<b>Weighted-Average # of Common Shares Outstanding:</b>				<b>Weighted-Average # of Common Shares Outstanding:</b>				
Basic				Basic	33,362,887	28,668,116	31,407,362	28,235,052
Diluted				Diluted	33,567,719	28,668,116	31,407,362	28,235,052

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Muscle Maker, Inc.**  
**Condensed Consolidated Statement of Changes in Stockholders' Equity**  
**(Unaudited)**

		Common Stock					Additional Paid-in Capital					Accumulated Deficit					Common Stock					Additional Paid-in Capital					
		Common Stock		Additional Paid-in Capital			Accumulated Deficit		Common Stock		Additional Paid-in Capital			Accumulated Deficit		Common Stock		Additional Paid-in Capital			Accumulated Deficit						
		Shares	Amount	\$'000	\$'000	\$'000	\$'000	\$'000	Shares	Amount	\$'000	\$'000	\$'000	\$'000	\$'000	Shares	Amount	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Balance at December 31, 2021</b>	<b>Balance at December 31, 2021</b>	26,110	3	95,760	(71,370)	24,393			26,110	3	95,760	(71,370)	24,393														
Cumulative effect of change in accounting principle	Cumulative effect of change in accounting principle	—	—	—	(15)	(15)			—	—	—	(15)	(15)														
Cashless exercise of pre-funded warrants	Cashless exercise of pre-funded warrants	2,410	—	—	—	—			2,410	—	—	—	—														

Common stock compensation to board of directors	Common stock compensation to board of directors	94	—	57	—	57	Common stock compensation to board of directors	94	—	57	—	57
Common stock issued as compensation for services	Common stock issued as compensation for services	30	—	16	—	16	Common stock issued as compensation for services	30	—	16	—	16
Net loss	Net loss	—	—	—	(1,886)	(1,886)	Net loss	—	—	—	(1,886)	(1,886)
<b>Balance at March 31, 2022</b>	<b>Balance at March 31, 2022</b>	<b>28,644</b>	<b>3</b>	<b>95,833</b>	<b>(73,271)</b>	<b>22,565</b>	<b>Balance at March 31, 2022</b>	<b>28,644</b>	<b>3</b>	<b>95,833</b>	<b>(73,271)</b>	<b>22,565</b>
Cumulative effect of change in accounting principal							Cumulative effect of change in accounting principal	—	—	—	(8)	(8)
Stock-based compensation - options							Stock-based compensation - options	—	—	4	—	4
Reconciliation for shares outstanding per transfer agent							Reconciliation for shares outstanding per transfer agent	31	—	—	—	—
Common stock issued as compensation for services							Common stock issued as compensation for services	5	—	2	—	2
Common stock issued as compensation for employment							Common stock issued as compensation for employment	20	—	11	—	11
Net loss							Net loss	—	—	—	(1,774)	(1,774)
<b>Balance at June 30, 2022</b>							<b>Balance at June 30, 2022</b>	<b>28,700</b>	<b>3</b>	<b>95,850</b>	<b>(75,053)</b>	<b>20,800</b>
<b>Balance at December 31, 2022</b>	<b>Balance at December 31, 2022</b>	<b>29,287</b>	<b>3</b>	<b>95,913</b>	<b>(79,355)</b>	<b>16,561</b>	<b>Balance at December 31, 2022</b>	<b>29,287</b>	<b>3</b>	<b>95,913</b>	<b>(79,355)</b>	<b>16,561</b>
Common stock compensation to board of directors	Common stock compensation to board of directors	31	—	28	—	28	Common stock compensation to board of directors	31	—	28	—	28
Common stock issued as compensation for services	Common stock issued as compensation for services	2,849	—	3,020	—	3,020	Common stock issued as compensation for services	2,849	—	3,020	—	3,020
Stock-based compensation - options	Stock-based compensation - options	—	—	27	—	27	Stock-based compensation - options	—	—	27	—	27
Net loss	Net loss	—	—	—	(1,066)	(1,066)	Net loss	—	—	—	(1,066)	(1,066)
<b>Balance at March 31, 2023</b>	<b>Balance at March 31, 2023</b>	<b>32,167</b>	<b>3</b>	<b>98,988</b>	<b>(80,421)</b>	<b>18,570</b>	<b>Balance at March 31, 2023</b>	<b>32,167</b>	<b>3</b>	<b>98,988</b>	<b>(80,421)</b>	<b>18,570</b>
Common stock compensation to board of directors							Common stock compensation to board of directors	30	—	32	—	32
Common stock issued as compensation for services							Common stock issued as compensation for services	3,714	1	4,348	—	4,349

Stock-based compensation - options	Stock-based compensation - options	—	—	27	—	27
Net income	Net income	—	—	—	190	190
<b>Balance at June 30, 2023</b>	<b>Balance at June 30, 2023</b>	<b>35,911</b>	<b>4</b>	<b>103,395</b>	<b>(80,231)</b>	<b>23,168</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Muscle Maker, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

Cash Flows from Operating Activities	Cash Flows from Operating Activities	Three Months Ended March 31,		Six Months Ended June 30,	
		2023	2022	2023	2022
		\$'000	\$'000	\$'000	\$'000
<b>Net loss</b>	<b>Net loss</b>	(1,066)	(1,886)	<b>Net loss</b>	(876)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>	<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>			<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>	(3,660)
Depreciation and amortization	Depreciation and amortization	633	476	Depreciation and amortization	1,074
Stock-based compensation	Stock-based compensation	55	72	Stock-based compensation	318
Gain on extinguishments of debt	Gain on extinguishments of debt	—	(140)	Gain on extinguishments of debt	—
Stock-based consulting expenses	Stock-based consulting expenses	3,359	—	Stock-based consulting expenses	4,427
Change in fair value of compensation	Change in fair value of compensation	541	—	Change in fair value of compensation	(865)
Loss on disposal of assets	Loss on disposal of assets	—	240	Loss on disposal of assets	53
Bad debt expense	Bad debt expense	(5)	(9)	Bad debt expense	34
<i>Changes in operating assets and liabilities:</i>	<i>Changes in operating assets and liabilities:</i>			<i>Changes in operating assets and liabilities:</i>	
Accounts receivable, net	Accounts receivable, net	(4,821)	(175)	Accounts receivable, net	(47,401)
Inventory	Inventory	(34,848)	(1)	Inventory	(9)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	111	698	Prepaid expenses and other current assets	(2)
Security deposits and other assets	Security deposits and other assets	—	16	Security deposits and other assets	1
Accounts payable and accrued expenses	Accounts payable and accrued expenses	33,910	(404)	Accounts payable and accrued expenses	39,014
Accrued stock-based compensation expense - related party	Accrued stock-based compensation expense - related party	(1,082)	—		
Deferred rent	Deferred rent	—	(128)	Deferred rent	—
Operating right of use asset and liability, net	Operating right of use asset and liability, net	(30)	129	Operating right of use asset and liability, net	(21)
Deferred revenue	Deferred revenue	(53)	191	Deferred revenue	17

Other current liabilities	Other current liabilities	14	(8)	Other current liabilities	22	(91)
Total adjustments	Total adjustments	(2,216)	957	Total adjustments	(3,338)	1,755
<b>Net cash used in operating activities</b>	<b>Net cash used in operating activities</b>	<b>(3,282)</b>	<b>(929)</b>	<b>Net cash used in operating activities</b>	<b>(4,214)</b>	<b>(1,905)</b>
<b>Cash Flows from Investing Activities</b>	<b>Cash Flows from Investing Activities</b>			<b>Cash Flows from Investing Activities</b>		
Deposit on farmland	Deposit on farmland	(87)	—	Deposit on farmland	(3,888)	—
Purchases of property and equipment	Purchases of property and equipment	(109)	(35)	Purchases of property and equipment	(247)	(283)
Disposal of property and equipment				Disposal of property and equipment	110	—
<b>Net cash used in investing activities</b>	<b>Net cash used in investing activities</b>	<b>(196)</b>	<b>(35)</b>	<b>Net cash used in investing activities</b>	<b>(4,025)</b>	<b>(283)</b>
<b>Cash Flows from Financing Activities</b>	<b>Cash Flows from Financing Activities</b>			<b>Cash Flows from Financing Activities</b>		
Repayments of convertible note				Repayments of convertible note	—	(50)
Proceeds from other notes payable				Proceeds from other notes payable	3,500	—
Repayments of notes payables	Repayments of notes payables	(34)	(32)	Repayments of notes payables	(69)	(63)
<b>Net cash used in financing activities</b>	<b>Net cash used in financing activities</b>	<b>(34)</b>	<b>(32)</b>	<b>Net cash provided by (used in) financing activities</b>	<b>3,431</b>	<b>(113)</b>
<b>Net Decrease in Cash</b>	<b>Net Decrease in Cash</b>	<b>(3,512)</b>	<b>(996)</b>	<b>Net Decrease in Cash</b>	<b>(4,808)</b>	<b>(2,301)</b>
Cash – beginning of period	Cash – beginning of period	9,898	15,767	Cash – beginning of period	9,898	15,767
Cash – end of period	Cash – end of period	<b>6,386</b>	<b>14,771</b>	Cash – end of period	<b>5,090</b>	<b>13,466</b>

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Muscle Maker, Inc.**  
**Condensed Consolidated Statements of Cash Flows (Continued)**  
**(Unaudited)**

Supplemental Disclosures of Cash Flow Information:	Supplemental Disclosures of Cash Flow Information:	Three Months Ended March 31,		Six Months Ended June 30,	
				2023	2022
				\$'000	\$'000
Cash paid for interest	Cash paid for interest	3	24	Cash paid for interest	20
					87

See Accompanying Notes to the Condensed Consolidated Financial Statements (Unaudited)

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**1. Business Organization and Nature of Operations**

Muscle Maker, Inc. ("MMI"), a Nevada corporation was incorporated in Nevada on October 25, 2019. MMI was a wholly owned subsidiary of Muscle Maker, Inc ("MMI-Cal"), a California corporation incorporated on December 8, 2014, but the two merged on November 13, 2019, with MMI as the surviving entity. MMI wholly owns Muscle Maker Development, LLC ("MMD"), Muscle Maker Corp, LLC ("MMC") and Muscle Maker USA, Inc ("Muscle USA"). MMD was formed on July 18, 2017, in the State of Nevada for the purpose of running our existing franchise operations and continuing to franchise the Muscle Maker Grill name and business system to qualified franchisees. MMC was formed on July 18, 2017, in the State of Nevada for the purpose of developing new corporate stores and operating new and existing corporate stores of MMI. Muscle USA was formed on March 14, 2019, in the State of Texas for the purpose of opening additional new corporate stores. Muscle Maker Development International LLC, a directly wholly owned subsidiary of MMI, which was formed in Nevada on November 13, 2020, to franchise the Muscle Maker Grill® name, trademarks and business system to qualified franchisees internationally. On March 25, 2021, MMI acquired the assets and trademarks of SuperFit Foods™, a subscription based fresh-prepared meal prep business located in Jacksonville, Florida. On May 14, 2021, MMI acquired the assets and trademarks of PKM Stamford, LLC, Poke Co., LLC, LB Holdings LLC, TNB Holdings, LLC, Poke Co Holdings LLC, GLL Enterprises, LLC, and TNB Holdings II, LLC, each a Connecticut limited liability company, an operator and franchisor of a fast casual restaurant chain concept, collectively known as "Pokémoto®." On October 19, 2022, MMI formed Sadot LLC, a Delaware limited liability company and a wholly-owned subsidiary of MMI, ("Sadot" Sadot Agri-Foods"), for the purpose of shipping and trading agri-commodities on a global basis.

With the formation of Sadot Agri-Foods in late 2022, MMI has evolved from a U.S.-centric restaurant business into a global, food-focused organization. As of **March 31, 2023** **June 30, 2023**, MMI consisted of two distinct operating units:

1. **SADOT LLC:** MMI's largest operating unit is a global agri-commodities company engaged in trading and shipping of food and feed (e.g., soybean meal, wheat, corn, etc.) via dry bulk cargo ships to/from markets such as Brazil, Canada, China, India, Japan, Malaysia, Philippines, Poland, Romania, Ukraine and Vietnam. Sadot Agri-Foods competes with the ABCD commodity companies (ADM, Bunge, Cargill, Louis-Dreyfus) as well as many regional organizations. Sadot Agri-Foods seeks to diversify over time into a sustainable and forward-looking global agri-foods company.
2. **MMI RESTAURANT GROUP:** This is MMI's legacy business with two fast casual restaurant concepts, Pokémoto Hawaiian Poké® and Muscle Maker Grill®, plus a fresh-prep meal service, SuperFit Foods™, with **30+34** points of distribution plus in-home and national delivery. As of **March 31, 2023** **June 30, 2023**, the MMI Restaurant Group included 19 company-owned restaurants, including the SuperFit Foods™ kitchen, and **2629** franchise restaurants. The MMI Restaurant Group seeks to develop Pokémoto® into a national restaurant brand through franchising.

MMI and its subsidiaries are hereinafter referred to as the "Company".

On May 19, 2023, the Company has expanded its Sadot Agri-Foods subsidiary within the agri-commodity sourcing and trading operations into North, Central and South America, further diversifying the Company's geographic reach beyond its existing operations in Europe, Asia, the Middle East and Africa. The expansion was facilitated by a 5 year consulting agreement signed on June 14, 2023, with a fixed cost of 0.5 million per year and potential profit sharing calculated on a quarterly basis, between Sadot Agri-Foods' operations and newly-formed Buenaventura Trading LLC ("Buenaventura") based in Miami FL. Buenaventura's team brings a wealth of experience and exposure to new trade routes throughout the Americas by adding multiple sourcing and trading consultants to Sadot Agri-Foods with backgrounds from several of the largest international food supply chain organizations.

In order to support the expansion into the Americas and our agreement with Buenaventura, Sadot LLC has formed a new subsidiary, Sadot Latam LLC. This agreement marks a significant milestone for Sadot Agri-Foods as it provides access to new trade routes originating in North America to markets in Central and South America. The planned Americas trade routes are intended to generate accretive value for the Company by tapping into the thriving market demand for agricultural products across Central and South America. This planned expansion is expected to further enhance Sadot Agri-Foods' position as an emerging entity in the global commodity trading industry.

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

#### Liquidity

Our primary source of liquidity is cash on hand. As of **March 31, 2023** **June 30, 2023**, the Company had a cash balance, a working capital surplus and an accumulated deficit of **\$6.4 million** **\$5.1 million** **\$6.4 million** **\$7.7 million**, and **\$80.4 million** **\$80.2 million**, respectively. During the three and six months ended **March 31, 2023** **June 30, 2023**, the Company incurred a Pre-tax net income of \$0.2 million and a Pre-tax net loss of **\$1.1 million** and **\$0.9 million**, respectively. The Company had Net cash used in operations of **\$3.3 million** **\$4.2 million** for the six months ended June 30, 2023. The Company believes that our existing cash on hand and future cash flows from our commodity trading and franchise operations, will be sufficient to fund our operations, anticipated capital expenditures and repayment obligations over the next 12 months.

#### **2. Significant Accounting Policies**

##### Basis of Presentation

The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

of the Unaudited Condensed Consolidated Financial Statements of the Company as of **March 31, 2023** **June 30, 2023**, and for the three and six months ended **March 31, 2023** **June 30, 2023**, and 2022. The results of operations for the three and six months ended **March 31, 2023** **June 30, 2023**, and 2022 are not necessarily indicative of the operating results for the full year. It is suggested that these Unaudited Condensed Consolidated Financial Statements be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2022. The Balance Sheet as of December 31, 2022, has been derived from the Company's audited Financial Statements.

#### Principles of Consolidation

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries and majority-owned subsidiary. Any intercompany transactions and balances have been eliminated in consolidation.

#### Reclassifications

Certain prior period balances have been reclassified in order to conform to current period presentation. These reclassifications have no effect on the previously reported results of operations or loss per share.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period.

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Significant estimates include:

- the assessment of recoverability of long-lived assets, including property and equipment, goodwill and intangible assets;
- the estimated useful lives of intangible and depreciable assets;
- estimates and assumptions used to value warrants and options;
- the recognition of revenue; and
- the recognition, measurement and valuation of current and deferred income taxes.

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

Estimates and assumptions are periodically reviewed, and the effects of any material revisions are reflected in the financial statements in the period that they are determined to be necessary. Actual results could differ from those estimates and assumptions.

#### Cash and Cash Equivalents

The Company considers all highly-liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents as of **March 31, 2023** **June 30, 2023** or December 31, 2022.

#### Inventory

**Inventories**, **Inventory**, which are stated at the lower of cost or net realizable value, consist primarily of commodity trade shipments in-transit, perishable food items and supplies. Cost is determined using the first-in, first-out method.

#### Deposit on Farmland

Deposit on farmland consists of funds paid as a deposit with the intent to acquire farmland in Africa by our Sadot Agri-Foods subsidiary. As of **March 31, 2023** **June 30, 2023**, the Company recorded a deposit of **\$5.0 million** **\$8.8 million** and **\$4.9 million** as of December 31, 2022. The Company has entered into a letter of intent with a deposit to purchase undeveloped developed farmland. The Company is still in final negotiations, with the intent awaiting government approval to finalize the agreement agreement.

On May 16, 2023, the Company through its wholly owned subsidiary, Sadot Agri-Foods, entered into a Purchase of Right and Variation Agreement (the "Variation Agreement") with Zamproagro Limited, a Liberian corporation ("ZPG") and Cropit Farming Limited, a Zambian corporation ("Cropit") pursuant to which ZPG assigned all of its rights, liabilities and obligations of the Put and Call Option Agreement Over Land entered between ZPG and Cropit dated December 29, 2022 (the "Put Land Agreement") to Sadot Agri-Foods, which provided ZPG with a one year call option to acquire 70% of 4,942 acres (2000 hectares) of producing agricultural land along with buildings and related assets located within the Mkushi Farm Block of Zambia's Region II agricultural zone (the "Farm") for a purchase price of approximately \$8.5 million USD. The Put Land Agreement further provides that Cropit will continue to retain 30% of the Farm and that following closing, Cropit and the purchaser will form a special purpose vehicle in which both parties will contribute their ownership interest in the Farm to the special purpose vehicle for their respective percentage interest.

On May 16, 2023, Sadot Agri-Foods and Cropit entered into Joint Venture Shareholders Agreement pursuant to which the parties agreed to form a new entity in Zambia to serve as a joint venture with respect to the farming of the Farm. The joint venture is expected to be named Sadot Enterprises Limited ("Sadot Zambia") with Sadot Agri-Foods holding 70% of the equity and Cropit holding 30% of the equity. Following its formation, Sadot Zambia will hold 100% of the Farm. Sadot Agri-Foods and Cropit will each have the right to appoint

one director to the Board of Directors of Sadot Zambia. Further, upon formation, Sadot Agri-Foods contributed \$3.5 million into escrow for the primary purpose of discharging a loan secured by the ~~end~~ Farm held by ABSA Bank.

On May 16, 2023, Sadot Agri-Foods, Cropit and Chibesakunda & Co., as escrow agent (the "Escrow Agent") entered into an Escrow Agreement pursuant to which the Escrow Agent is holding all documentation required to allot Sadot Agri-Foods 70% of Sadot Zambia, documentation required to transfer the Farm to Sadot Zambia and USD \$3.5 million contributed by Sadot Agri-Foods. At closing, the Escrow Agent will release the required funds to ABSA Bank and release the required documentation with respect to the allocation of Sadot Agri-Foods' interest in Sadot Zambia and the transfer of the ~~second quarter of 2023~~.

#### **Muscle Maker, Inc.**

#### **Notes Farm. Closing is subject to obtaining clearance from the Condensed Consolidated Financial Statements (Unaudited)**

Zambian Competition and Consumer Protection Commission.

#### Property and Equipment

Property and equipment are stated at cost less accumulated Depreciation and amortization expenses. Major improvements are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. Depreciation and amortization expenses are calculated on the straight-line basis over the estimated useful lives of the assets. Leasehold

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

improvements are amortized over the shorter of the estimated useful life or the lease term of the related asset. The estimated useful lives are as follows:

Furniture and equipment	3 – 7 years
Leasehold improvements	1 – 11 years

#### Intangible Assets

The Company accounts for recorded intangible assets in accordance with the Accounting Standards Codification ("ASC") 350 "Intangibles – Goodwill and Other". In accordance with ASC 350, the Company does not amortize intangible assets having indefinite useful lives. The Company determined that as of January 1, 2022, – the trademark – Muscle Maker had a finite life of 3 years and is amortizing the value over the new estimated life. The Company's goodwill has an indefinite life and is not amortized, but are evaluated for impairment at least annually, or more often whenever changes in facts and circumstances may indicate that the carrying value may not be recoverable. ASC 350 requires that goodwill be tested for impairment at the reporting unit level (operating segment or one level below an operating segment). Application of the goodwill impairment test requires judgment, including the identification of reporting units, assigning assets and liabilities to reporting units, assigning goodwill to reporting units, and determining the fair value. Significant judgment is required to estimate the fair value of reporting units which includes estimating future cash flows, determining appropriate discount rates and other assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value and/or goodwill impairment.

The useful lives of the Company's intangible assets are:

Franchisee agreements	13 years
Franchise license	10 years
Trademarks	3 – 5 years
Domain name, Customer list and Proprietary recipes	3 – 7 years
Non-compete agreements	2 – 3 years

#### Impairment of Long-Lived Assets

When circumstances, such as adverse market conditions, indicate that the carrying value of a long-lived asset may be impaired, the Company performs an analysis to review the recoverability of the asset's carrying value, which includes estimating the undiscounted cash flows (excluding interest charges) from the expected future operations of the asset. These estimates consider factors such as expected future operating income, operating trends and prospects, as well as the effects of demand, competition and other factors. If the analysis indicates that the carrying value is not recoverable from future cash flows, an impairment loss is recognized to the extent that the carrying value exceeds the estimated fair value. Any impairment losses are recorded as operating expenses, which reduce net income.

#### Convertible Instruments

The Company evaluates its convertible instruments to determine if those contracts or embedded components of those contracts qualify as derivative financial instruments to be separately accounted for in accordance with Topic 815 of the Financial Accounting Standards Board ("FASB").

If the instrument is determined not to be a derivative liability, the Company then evaluates for the existence of a beneficial conversion feature by comparing the market price of the Company's common stock as of the commitment date to the effective conversion price of the instrument.

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

As of **March 31, 2023** **June 30, 2023** and December 31, 2022, the Company deemed the conversion feature was not required to be bifurcated and recorded as a derivative liability.

#### Related Parties

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

A party is considered to be related to the Company if the party directly, indirectly, or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

#### Revenue Recognition

The Company's revenues consist of Commodity sales, Restaurant sales, Franchise royalties and fees, Franchise advertising fund contributions, and Other revenues. The Company recognizes revenues according to Topic 606 of FASB, "Revenue from Contracts with Customers". Under the guidance, revenue is recognized in accordance with a five-step revenue model, as follows: (1) identifying the contract with the customer; (2) identifying the performance obligations in the contract; (3) determining the transaction price; (4) allocating the transaction price to the performance obligations; and (5) recognizing revenue when (or as) the entity satisfies a performance obligation. In applying this five-step model, we made significant judgments in identifying the promised goods or services in our contracts with franchisees that are distinct, and which represent separate performance obligations.

#### *Commodity Sales*

Commodity sale revenue is generated by our Sadot Agri-Foods subsidiary and is recognized when the commodity is delivered as evidenced by the bill of lading and the invoice is prepared and submitted to the customer. During the three and six months ended **March 31, 2023** **June 30, 2023**, the Company recorded Commodity sales revenues of **\$210.4 million**, **\$157.6 million** and **\$367.9 million**, respectively. The Company did not have any Commodity sales revenue during the three and six months ended **March 31, 2022** **June 30, 2022**.

#### *Restaurant Sales*

Retail store revenue at Company-operated restaurants is recognized when payment is tendered at the point of sale, net of sales tax, discounts and other sales-related taxes. The Company recorded retail store revenues of **\$2.3 million** and **\$2.7 million** during the three and six months ended **March 31, 2023** **June 30, 2023** and **2022**, **\$2.8 million** and **\$5.4 million** for the three and six months ended June 30, 2022, respectively.

The Company sells gift cards which do not have an expiration date, and it does not deduct dormancy fees from outstanding gift card balances. The Company recognizes revenues from gift cards as restaurant revenues once the Company performs its obligation to provide food and beverage to the customer simultaneously with the redemption of the gift card or through gift card breakage, as discussed in Other revenues below.

#### *Franchise Royalties and Fees*

Franchise revenues consists of royalties, initial franchise fees and rebates. Royalties are based on a percentage of franchisee net sales revenue. The Company recognizes the royalties as the underlying sales occur. The Company recorded revenue from royalties of **\$0.2 million** and **\$0.3 million** during the three and six months ended June 30, 2023 and **\$0.1 million** and **\$0.2 million** during the three and six months ended **March 31, 2023** and **2022**, **June 30, 2022**, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations.

The Company provides the franchisees with management expertise, training, pre-opening assistance, and restaurant operating assistance in exchange for the multi-unit development fees and initial franchise fees. The Company capitalizes these fees upon collection from the franchisee. These initial fees are then recognized as franchise fee revenue on a straight-

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

line straight-line basis over the life of the related franchise agreements and any exercised renewal periods. Cash payments are due upon the execution of the related franchise agreement. The Company's performance obligation with respect to franchise fee revenues consists of a license to utilize the Company's brand for a specified period of time, which is satisfied equally over

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

the life of each franchise agreement. If a franchise location closes or a franchise agreement is terminated for any reason, the unrecognized revenue will be recognized in full at that time. The Company recorded revenue from initial franchise fees of \$0.1 million \$23.0 thousand and \$49.0 thousand \$0.1 million during the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$15.3 thousand and \$0.1 million for the three and six months ended June 30, 2022, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations.

The Company has supply agreements with certain food and beverage vendors. Pursuant to the terms of these agreements, rebates are provided to the Company based upon the dollar volume of purchases for all company-owned and franchised restaurants from these vendors. Rebates earned on purchases by franchise stores are recorded as revenue during the period in which the related food and beverage purchases are made. The Company recorded revenue from rebates of \$26.0 \$30.0 thousand and \$0.1 million \$0.1 million during the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$26.2 thousand and \$0.1 million for the three and six months ended June 30, 2022, respectively, which is included in Franchise royalties and fees on the accompanying Unaudited Condensed Consolidated Statements of Operations. Rebates earned on purchases by Company-owned stores are recorded as a reduction of Food and beverage costs during the period in which the related food and beverage purchases are made.

#### **Franchise Advertising Fund Contributions**

Under the Company's franchise agreements, the Company and its franchisees are required to contribute a certain percentage of revenues to a national advertising fund. The Company's national advertising services are provided on a system-wide basis and therefore, not considered distinct performance obligations for individual franchisees. In accordance with Topic 606, the Company recognizes these sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee Company incurs the corresponding advertising expense. The Company records the related advertising expenses as incurred under Sales, general and administrative expenses. When an advertising contribution fund is over-spent at year-end, advertising expenses will be reported on the Unaudited Condensed Consolidated Statement of Operations in an amount that is greater than the revenue recorded for advertising contributions. Conversely, when an advertising contribution fund is under-spent at a period-end, the Company will accrue advertising costs up to advertising contributions recorded in revenue. The Company recorded contributions from franchisees of \$16.0 \$20.0 thousand and \$18.0 \$36.0 thousand, respectively, during the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$16.2 thousand and \$34.3 thousand for the three and six months ended June 30, 2022, which are included in Franchise advertising fund contributions on the accompanying Unaudited Condensed Consolidated Statements of Operations.

#### **Other Revenues**

Gift card breakage is recognized when the likelihood of a gift card being redeemed by the customer is remote and the Company determines there is not a legal obligation to remit the unredeemed gift card balance to the relevant jurisdiction. The determination of the gift card breakage rate is based upon the Company's specific historical redemption patterns. Gift card liability is recorded in other current liabilities on the Unaudited Condensed Consolidated Balance Sheets. The Company had Other revenues of \$13.0 thousand and \$13.0 thousand for the three and six months ended June 30, 2023.

#### **Deferred Revenue**

Deferred revenue primarily includes initial franchise fees received by the Company, which are being amortized over the life of the Company's franchise agreements. Deferred revenue is recognized in income over the life of the franchise agreements. If a franchise location closes or a franchise agreement is terminated for any reason, the remaining deferred revenue will be recognized in full at that time.

#### **Stock-Based Consulting Expense**

Stock-based consulting expenses are for consulting fees due to Aggia related to ongoing Sadot Agri-Foods operations and expansion of the global agri-commodities business. Based on the servicing agreement initial Services Agreement with Aggia LLC FZ, a Company formed under the laws of United Arab Emirates ("Aggia"), the consulting fees are were calculated at approximately 80.0% of the Net Income generated by the Sadot Agri-Foods business segment through March 31, 2023. As of April 1, 2023 the consulting agreement was amended to calculate consulting fees on 40.0% of the Net income generated by the Sadot Agri-Foods business segment. See Note 15 – Commitments and contingencies for further details. For the three months ended March 31, 2023, \$3.4 million is recorded as Stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Statements of Operations and a corresponding liability is recorded as Accrued stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Balance Sheets. This expense is expected to be paid in stock in 2023.

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

six months ended June 30, 2023, \$1.1 million and \$4.4 million, respectively, are recorded as Stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Statements of Operations.

## Advertising

Advertising costs are charged to expense as incurred. Advertising costs were \$0.1 million of \$32.0 thousand and \$33.0 thousand \$0.1 million for the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$0.8 thousand and \$0.1 million for the three and six months ended June 30, 2022, respectively, are included in Sales, general and administrative expenses. For the three and six months ended June 30, 2023 and 2022, \$76.0 thousand, \$0.1 million, \$0.1 million and \$0.1 \$0.2 million, respectively, are included in Other restaurant operating expenses in the accompanying Unaudited Condensed Consolidated Statements of Operations.

## Net Income / Loss per Share

Basic loss earnings per common share is computed by dividing net loss attributable to common stockholders by using the weighted average number of common shares outstanding during the period. Diluted loss earnings per common share is computed by dividing net loss attributable to common stockholders by using the weighted average number of common shares outstanding during the period plus the impact of potential any potentially dilutive common shares, if dilutive, resulting from the exercise of warrants, options or the conversion of convertible notes payable, payable, calculated using the treasury stock method.

The following securities are excluded from the calculation of weighted average diluted common shares at March 31, 2023 June 30, 2023 and 2022, respectively, because their inclusion would have been anti-dilutive:

		March 31,		June 30,	
		2023	2022	2023	2022
		'000	'000	'000	'000
Warrants	Warrants	18,034	17,874	Warrants	18,034
Options	Options	1,013	100	Options	1,013
Restricted stock awards				Restricted stock awards	8,001
Convertible debt	Convertible debt	24	32	Convertible debt	24
Total potentially dilutive shares	Total potentially dilutive shares	19,071	18,006	Total potentially dilutive shares	27,072
					18,314

The following table sets forth the computation of basic and diluted net loss per share attributable to the Company's stockholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
(In thousands, except for share count and per share data)				
Net income / (loss)	190	(1,774)	(876)	(3,660)
<b>Weighted-average shares outstanding:</b>				
Basic	33,362,887	28,668,116	31,407,362	28,235,052
Effect of potentially dilutive stock options	204,832	—	—	—
Diluted	33,567,719	28,668,116	31,407,362	28,235,052
<b>Net income / (loss) per share:</b>				
Basic	<b>0.01</b>	<b>(0.06)</b>	<b>(0.03)</b>	<b>(0.13)</b>
Diluted	<b>0.01</b>	<b>(0.06)</b>	<b>(0.03)</b>	<b>(0.13)</b>

## Major Vendor

The Company engages various vendors to purchase commodities for resale and distribute food products to their Company-owned restaurants. Purchases from the Company's three largest commodity suppliers totaled 98% of the Company's purchases 96% for the three months ended March 31, 2023 June 30, 2023 and Purchases from the Company's four largest commodity suppliers totaled 92% of the Company's

## **Muscle Maker, Inc.**

### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

purchases for the six months ended June 30, 2023. Purchases from the Company's largest food products supplier totaled 45% of the Company's purchases 19% and 30% for the three and six months ended March 31, 2022 June 30, 2022, respectively.

## Fair Value of Financial Instruments

The Company measures the fair value of financial assets and liabilities based on the guidance of the FASB Accounting ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820").

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities.

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable.

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

The carrying amounts of accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of our short-term credit obligations approximate fair value because the effective yields on these

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

obligations, which include contractual interest rates, taken together with other features such as concurrent issuance of common stock and warrants, are comparable to rates of returns for instruments of similar credit risk.

See Note 17 – Equity for details related to accrued compensation liability being fair valued using Level 1 inputs.

#### Income Taxes

The Company accounts for income taxes under ASC 740, "Income Taxes" ("ASC 740"). Under ASC 740, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities and net operating loss and credit carryforwards using enacted tax rates in effect for the year in which the differences are expected to impact taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

Tax benefits claimed or expected to be claimed on a tax return are recorded in the Company's financial statements. A tax benefit from an uncertain tax position is only recognized if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. Uncertain tax positions have had no impact on the Company's financial condition, results of operations or cash flows. The Company does not expect any significant changes in its unrecognized tax benefits within years of the reporting date.

The Company's policy is to classify assessments, if any, for tax related interest as interest expense and penalties as Sales, general and administrative expenses in the Unaudited Condensed Consolidated Statements of Operations.

#### Stock-Based Compensation

The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. For employees and directors, the fair value of the award is measured on the grant date and for non-employees, the fair value of the award is generally recorded on the grant date and re-measured on financial reporting dates

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

and vesting dates until the service period is complete. The fair value amount of the award is then recognized over the period services are required to be provided in exchange for the award, usually the vesting period.

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires companies to recognize lease liabilities and corresponding right-of-use leased assets on the Balance Sheets and to disclose key information about leasing arrangements. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021, with early adoption permitted.

Additionally, in 2018 and 2019, the FASB issued the following Topic 842-related ASUs:

- ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842, which clarifies the applicability of Topic 842 to land easements and provides an optional transition practical expedient for existing land easements;

- ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes certain technical corrections to Topic 842;
- ASU 2018-11, Leases (Topic 842): Targeted Improvements, which allows companies to adopt Topic 842 without revising comparative period reporting or disclosures and provides an optional practical expedient to lessors to not separate lease and non-lease components of a contract if certain criteria are met; and

**Muscle Maker, Inc.**

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- ASU 2019-01, Leases (Topic 842): Codification Improvements, which provides guidance for certain lessors on determining the fair value of an underlying asset in a lease and on the cash flow statement presentation of lease payments received; ASU No. 2019-01 also clarifies disclosures required in interim periods after adoption of ASU No. 2016-02 in the year of adoption.

The Company adopted Topic 842 as of January 1, 2022 and recognized a cumulative-effect adjustment to the opening balance of accumulated deficit of \$15.0 thousand as of the adoption date, and recognized an additional \$7.8 thousand during the second quarter of 2022, based on updated information on two of our leases, for an aggregate cumulative-effect adjustment to accumulated deficit of \$22.8 thousand. See Note 11 – Leases for further details.

In October 2021, the FASB issued ASU 2021-08 Business Combinations ("Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers", as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended subsequently by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11 and 2020-03. The guidance in the ASUs requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used. The standard also establishes additional disclosures related to credit risks. This standard is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

Subsequent Events

The Company evaluated events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation and transactions, the Company did not identify any subsequent events that would have required adjustment or disclosure in the Financial Statements, except as disclosed in Note 19 – Subsequent events.

**Muscle Maker, Inc.**

**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**3. Loans Receivable**

The Company had no loan receivable balance at **March 31, 2023** **June 30, 2023** and December 31, 2022. Loans receivable include loans to franchisees totaling, in the aggregate, net of reserves for uncollectible loans. There were no reserves for uncollectible loans at **March 31, 2023** **June 30, 2023** and **\$0.1 million** at **March 31, 2022** **December 31, 2022**. Loans receivable were paid in full during the third quarter of 2022 and the corresponding reserve for loan loss was reversed.

**4. Prepaid Expenses and Other Current Assets**

At **March 31, 2023** **June 30, 2023** and December 31, 2022, the Company's prepaid expenses and other current assets consists of the following:

		As of		As of	
		March 31, 2023		December 31, 2022	
		\$'000	\$'000	\$'000	\$'000
Prepaid expenses	Prepaid expenses	189	89	314	89
Other receivables	Other receivables	17	228	5	228
Prepaid and Other Current Assets	Prepaid and Other Current Assets	206	317	319	317

Included in prepaid and other current assets is a receivable of **\$17.0** **\$5.0** thousand and \$0.2 million as of **March 31, 2023** **June 30, 2023** and December 31, 2022, respectively. The receivable reduced Labor expense for 2021 included in Restaurant operating expenses, related to the employee retention tax credits receivable from the Internal Revenue Services

("IRS") that was made available to companies effected by COVID-19. The Company started to early access the credit in the fourth quarter of 2021 as allowed by the IRS.

## 5. Deposit On Farmland

At December 31, 2022, the Company's deposit on farmland balance was \$4.9 million. At March 31, 2023 During the six months ended June 30, 2023, the Company gave an additional \$0.1 million \$3.9 million deposit, totaling \$5.0 million \$8.8 million deposit on farmland balance. Deposit on farmland consists of funds paid as a deposit with the intent to acquire farmland in Africa by our Sadot Agri-Foods subsidiary. The Company has entered into a letter of intent with a deposit to purchase developed farmland. The Company is still in final negotiations awaiting government approval with the intent to finalize the agreement by the end of the third quarter of 2023.

On May 16, 2023, the Company through its wholly owned subsidiary, Sadot Agri-Foods, entered into the "Variation Agreement with ZPG and Cropit pursuant to which ZPG assigned all of its rights, liabilities and obligations of the Put Land Agreement to Sadot Agri-Foods, which provided ZPG with a one year call option to acquire 70% of the Farm for a purchase price of approximately \$8.5 million USD. The Put Land Agreement further provides that Cropit will continue to retain 30% of the Farm and that following closing, Cropit and the purchaser will form a special purpose vehicle in which both parties will contribute their ownership interest in the Farm to the special purpose vehicle for their respective percentage interest.

On May 16, 2023, Sadot Agri-Foods and Cropit entered into Joint Venture Shareholders Agreement pursuant to which the parties agreed to form Sadot Zambia with Sadot Agri-Foods holding 70% of the equity and Cropit holding 30% of the equity. Following its formation, Sadot Zambia will hold 100% of the Farm. Sadot Agri-Foods and Cropit will each have the right to appoint one director to the Board of Directors of Sadot Zambia. Further, upon formation, Sadot Agri-Foods contributed \$3.5 million into escrow for the primary purpose of discharging a loan secured by the Farm held by ABSA Bank.

On May 16, 2023, Sadot Agri-Foods and the Escrow Agent entered into an Escrow Agreement pursuant to which the Escrow Agent will hold all documentation required to allot Sadot Agri-Foods 70% of Sadot Zambia, documentation required to transfer the Farm to Sadot Zambia and USD \$3.5 million contributed by Sadot Agri-Foods. At closing, the Escrow Agent will release the required funds to ABSA Bank and release the required documentation with respect to the allocation of Sadot Agri-Foods' interest in Sadot Zambia and the transfer of the Farm. Closing is subject to obtaining clearance from the Zambian Competition and Consumer Protection Commission.

## Muscle Maker, Inc.

### Notes to the Condensed Consolidated Financial Statements (Unaudited)

**funds paid as a deposit with the intent to acquire farmland in Africa by our Sadot subsidiary. The Company has entered into a letter of intent with a deposit to purchase undeveloped farmland. The Company is still in final negotiations with the intent to finalize the agreement by the end of the second quarter of 2023.**

## 6. Property and Equipment, Net

As of March 31, 2023 June 30, 2023 and December 31, 2022, Property and equipment consist of the following:

		As of		As of	
		March 31, 2023		December 31, 2022	
		\$'000	\$'000	\$'000	\$'000
Furniture and equipment	Furniture and equipment	1,312	1,266	Furniture and equipment	1,170
Vehicles	Vehicles	55	55	Vehicles	55
Leasehold improvements	Leasehold improvements	2,102	2,062	Leasehold improvements	1,774
Construction in process	Construction in process	27	5	Construction in process	—
Property and equipment, gross	Property and equipment, gross	3,496	3,388	Property and equipment, gross	2,999
Less: accumulated depreciation	Less: accumulated depreciation	(1,816)	(1,493)	Less: accumulated depreciation	(1,502)
Property and equipment, net	Property and equipment, net	1,680	1,895	Property and equipment, net	1,497

Depreciation expense amounted to \$0.3 \$0.2 million and \$0.1 million \$0.5 million for the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$0.1 million and \$0.3 million during the three and six months ended June 30, 2022, respectively. During the three and six months ended March 31, 2023 there were no write off's related to Property and equipment. For the three months ended March 31, 2022, June 30, 2023 the Company wrote off Property and equipment with an original cost value of \$0.4 million, \$0.5 million and \$0.5 million, respectively and \$36.7 thousand and \$0.4 million for the three and six months ended June 30, 2022. For the three and six months ended June 30, 2022, the Company wrote off Property and equipment related to closed locations and future locations that were terminated due to the economic environment as a result of COVID-19 and increased Labor and Food cost and recorded a loss on disposal of \$0.2 million, after accumulated depreciation of \$0.1 million, \$26.9 thousand and \$0.3 million, respectively, and \$0.1 million and \$0.1 million for the three and six months ended June 30, 2023, respectively, in the Unaudited Condensed Statement of Operations.

## 7. Goodwill and Other Intangible Assets, Net

The Company's intangible assets include trademarks, franchisee agreements, franchise license, domain names, customer list, proprietary recipes and non-compete agreements. Intangible assets are amortized over useful lives ranging from 2 to 13 years.

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

A summary of the intangible assets is presented below:

		Intangible assets, net at December 31, 2021				Intangible assets, net at December 31, 2022				Intangible assets, net at March 31, 2023				Intangible assets, net at December 31, 2021				Intangible assets, net at June 30, 2022						
		Impairment of intangible assets		Amortization expense		Impairment of intangible assets		Amortization expense		Impairment of intangible assets		Amortization expense		Impairment of intangible assets		Amortization expense		Impairment of intangible assets		Amortization expense				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000					
Trademark Muscle Maker Grill	Trademark Muscle Maker Grill	1,526	—	(125)	1,401	670	—	(83)	587	Trademark Muscle Maker Grill	1,526	—	(252)	1,274	Franchise Agreements Muscle Maker Grill	162	—	(13)	143					
Franchise Agreements Muscle Maker Grill	Franchise Agreements Muscle Maker Grill	162	—	(6)	156	136	—	(7)	129	Trademark SuperFit	38	—	(2)	33	Domain Name SuperFit	106	—	(12)	94					
Trademark SuperFit	Trademark SuperFit	38	—	(2)	36	29	—	(2)	27	Domain Name SuperFit	106	—	(7)	95	Customer List SuperFit	118	—	(14)	104					
Domain Name SuperFit	Domain Name SuperFit	106	—	(6)	100	81	—	(6)	75	Customer List SuperFit	118	—	(7)	83	Proprietary Recipes SuperFit	135	—	(16)	119					
Customer List SuperFit	Customer List SuperFit	118	—	(7)	111	90	—	(7)	83	Proprietary Recipes SuperFit	135	—	(8)	95	Non-Compete Agreement SuperFit	193	—	(21)	172					
Proprietary Recipes SuperFit	Proprietary Recipes SuperFit	135	—	(8)	127	103	—	(8)	95	Non-Compete Agreement SuperFit	193	—	(21)	86	Trademark Pokemoto	153	—	(9)	109					
Non-Compete Agreement SuperFit	Non-Compete Agreement SuperFit	193	—	(21)	172	107	—	(21)	86	Trademark Pokemoto	153	—	(9)	109	Franchisee License Pokemoto	2,599	—	(68)	2,322					
Trademark Pokemoto	Trademark Pokemoto	153	—	(9)	144	118	—	(9)	109	Franchisee License Pokemoto	2,599	—	(68)	2,254	Proprietary Recipes Pokemoto	1,028	—	(40)	867					
Franchisee License Pokemoto	Franchisee License Pokemoto	2,599	—	(68)	2,531	2,322	—	(68)	2,254	Proprietary Recipes Pokemoto	1,028	—	(40)	827	Non-Compete Agreement Pokemoto	328	—	(59)	269					
Proprietary Recipes Pokemoto	Proprietary Recipes Pokemoto	1,028	—	(40)	988	867	—	(40)	827	Non-Compete Agreement Pokemoto	328	—	(59)	29	Trademark Pokemoto	328	—	(119)	200					
Non-Compete Agreement Pokemoto	Non-Compete Agreement Pokemoto	328	—	(59)	269	88	—	(59)	29	Non-Compete Agreement Pokemoto	328	—	(119)	200	Franchisee License Pokemoto	6,386	—	(351)	6,035					
										Franchisee License Pokemoto	6,386	—	(351)	6,035	Proprietary Recipes Pokemoto	4,611	—	(310)	4,301	Trademark Pokemoto	6,387	—	(708)	5,671

Amortization expense related to intangible assets was \$0.3 million and \$0.4 million for the three and six months ended March 31, 2023 June 30, 2023 and 2022, \$0.4 million and \$0.7 million for the three and six months ended June 30, 2022, respectively.

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

The estimated future amortization expense is as follows:

		Three Months Ended March 31,							Six Months Ended June 30,							
		2024	2025	2026	2027	2028	Thereafter	Total	2024	2025	2026	2027	2028	Thereafter	Total	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Trademark Muscle Maker Grill	Trademark Muscle Maker Grill	252	335	—	—	—	—	587	Trademark Muscle Maker Grill	169	334	—	—	—	503	
Franchise Agreements Muscle Maker Grill	Franchise Agreements Muscle Maker Grill	20	27	27	27	27	1	129	Franchise Agreements Muscle Maker Grill	14	27	27	27	27	123	
Trademark SuperFit	Trademark SuperFit	7	9	9	2	—	—	27	Trademark SuperFit	5	9	9	2	—	25	
Domain Name SuperFit	Domain Name SuperFit	19	25	25	6	—	—	75	Domain Name SuperFit	13	25	25	6	—	69	
Customer List SuperFit	Customer List SuperFit	21	28	28	6	—	—	83	Customer List SuperFit	14	28	28	6	—	76	
Proprietary Recipes SuperFit	Proprietary Recipes SuperFit	24	32	32	7	—	—	95	Proprietary Recipes SuperFit	16	32	32	7	—	87	
Non-Compete Agreement SuperFit	Non-Compete Agreement SuperFit	65	21	—	—	—	—	86	Non-Compete Agreement SuperFit	44	20	—	—	—	64	
Trademark Pokemoto	Trademark Pokemoto	26	35	35	13	—	—	109	Trademark Pokemoto	18	35	35	13	—	101	
Franchisee License Pokemoto	Franchisee License Pokemoto	209	278	277	277	277	936	2,254	Franchisee License Pokemoto	140	278	277	277	277	935	2,184
Proprietary Recipes Pokemoto	Proprietary Recipes Pokemoto	122	162	161	161	161	60	827	Proprietary Recipes Pokemoto	81	162	161	161	161	61	787
Non-Compete Agreement Pokemoto	Non-Compete Agreement Pokemoto	29	—	—	—	—	—	29	Non-Compete Agreement Pokemoto	—	—	—	—	—	—	—
		794	952	594	499	465	997	4,301		514	950	594	499	465	997	4,019

The Company determined that no impairment testing of the Company's intangible assets was required as of **March 31, 2023** **June 30, 2023**. Therefore, no impairment charge was recorded.

A summary of the goodwill assets is presented below:

		Muscle				Muscle			
		Maker Grill		Pokemoto		SuperFit Food		SuperFit Food	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Goodwill, net at December 31, 2021	Goodwill, net at December 31, 2021	570	1,798	258	2,626	570	1,798	258	2,626
Impairment of goodwill	Impairment of goodwill	—	—	—	—	—	—	—	—
Goodwill, net at March 31, 2022	Goodwill, net at June 30, 2022	570	1,798	258	2,626	570	1,798	258	2,626

Goodwill, net at December 31 2022	Goodwill, net at December 31 2022	570	1,798	258	2,626	Goodwill, net at December 31 2022	570	1,798	258	2,626
Impairment of goodwill	Impairment of goodwill	—	—	—	—	Impairment of goodwill	—	—	—	—
Goodwill, net at March 31, 2023	Goodwill, net at March 31, 2023	570	1,798	258	2,626	Goodwill, net at June 30, 2023	570	1,798	258	2,626
Goodwill, net at June 30, 2023	Goodwill, net at June 30, 2023									

The Company determined that no impairment testing of the Company's goodwill was required as of **March 31, 2023** **June 30, 2023**. Therefore, no impairment charge was recorded.

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

## 8. Accounts Payables and Accrued Expenses

Accounts payables and accrued expenses consist of the following:

	As of		As of			
	March 31, 2023		December 31, 2022			
	\$'000	\$'000	\$'000	\$'000		
Accounts payable	Accounts payable	699	1,085	Accounts payable	860	1,085
Accrued payroll and bonuses	Accrued payroll and bonuses	102	551	Accrued payroll and bonuses	95	551
Accrued expenses	Accrued expenses	102	87	Accrued expenses	170	87
Accrued interest expenses				Accrued interest expenses	21	—
Accrued professional fees	Accrued professional fees	73	185	Accrued professional fees	166	185
Accounts payable commodities	Accounts payable commodities	34,830	—	Accounts payable commodities	39,615	—
Sales taxes payable	Sales taxes payable	57	45	Sales taxes payable	40	45
(1)	(1)	35,863	1,953	(1)	40,967	1,953

(1) See Note 15 – Commitments and contingencies for details related to delinquent sales taxes.

## 9. Accrued Stock-Based Consulting Expenses Due to Related Party

At **March 31, 2023** **June 30, 2023**, there were no Accrued stock-based consulting expenses due to related party was \$3.4 million. At December 31, 2022, Accrued stock-based consulting expenses was were \$3.6 million. Accrued stock-based consulting expenses are were related to consulting fees due to our newly established related party, Aggia, for Sadot Agri-Foods operations. See Note 18 – Related party transactions for details. Based on the servicing agreement with Aggia, the consulting fees are were calculated at approximately 80.0% of the Net income generated by the Sadot Agri-Foods business segment. For the three and six months ended **March 31, 2023** **June 30, 2023**, \$3.4 \$1.1 million and \$4.4 million are also recorded as Stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Statements of Operations. The Stock-based consulting expense that was due to related party is expected to be paid in stock in 2023.

## 10. Notes Payable

### Line of Credit

On April 28, 2023 the Company entered into a line of credit agreement with a bank whereby it may borrow up to \$3.5 million at 3.00% per year. The line of credit commitment expires August 2023. At June 30, 2023, the balance outstanding on the line of credit was \$3.5 million.

### Convertible Notes Payable

On April 6, 2018, the Company issued a \$0.5 million convertible promissory note (the "2018 ARH Note") to the Former Parent for services rendered and expense paid on behalf of the Company. The 2018 ARH Note has no stated interest rate or maturity date and is convertible into shares of the Company's common stock at a conversion price of \$3.50 per share at a time to be determined by the lender.

On April 11, 2018, the Former Parent elected to partially convert the 2018 ARH Note for the principal of \$0.4 million into 0.1 million shares of the Company's common stock.

The Company had an aggregate gross amount of \$0.1 million and \$0.1 million of convertible notes payable as of **March 31, 2023** **June 30, 2023** and December 31, 2022 included in notes payable on the Unaudited Condensed Consolidated Balance Sheets, respectively.

#### Other Notes Payable

During the three months ended March 31, 2023 and 2022, the Company repaid a total amount of \$0.1 million and \$1.3 million, respectively, of the other notes payable.

As of March 31, 2023, the Company had an aggregate amount of \$0.9 million in other notes payable. The notes had interest rates ranging between 3.75% - 8.00% per annum, due on various dates through May 2027.

**Muscle Maker, Inc.**  
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During the three and six months ended June 30, 2023, the Company repaid a total amount of \$0.1 million and \$0.1 million, and \$0.1 million and \$1.2 million for the three and six months ended June 30, 2022, respectively, of the other notes payable.

As of June 30, 2023, the Company had an aggregate amount of \$4.4 million in other notes payable. The notes had interest rates ranging between 3.00% - 8.00% per annum, due on various dates through May 2027.

The maturities of notes payable as of **March 31, 2023** **June 30, 2023**, are as follows:

		Principal Amount		Principal Amount	
		\$'000		\$'000	
2023	2023	225		2023	3,727
2024	2024	121		2024	105
2025	2025	70		2025	580
2026	2026	531		2026	—
Thereafter	Thereafter	—		Thereafter	—
		947			4,412

#### 11. Leases

The Company's leases consist of restaurant locations. We determine if a contract contains a lease at inception. The leases generally have remaining terms of 1-10 years and most leases included the option to extend the lease for an additional 5 years.

The total lease cost associated with right of use assets and operating lease liabilities for the three and six months ended **March 31, 2023** **June 30, 2023**, was \$0.1 \$0.2 million and \$0.4 million and \$0.2 million and \$0.5 million for the three and six months ended June 30, 2022, respectively, and has been recorded in the Unaudited Condensed Consolidated Statement of Operations as Rent expense within Restaurant operating expenses.

The assets and liabilities related to the Company's leases were as follows:

		As of		As of	
		March 31, 2023		June 30, 2023	
		\$'000	\$'000	\$'000	\$'000
<b>Assets</b>	<b>Assets</b>				
Right to use asset	Right to use asset	2,189	2,433	Right to use asset	2,059
<b>Liabilities</b>	<b>Liabilities</b>				
Operating leases - current	Operating leases - current	505	560	Operating leases - current	511
Operating leases - non-current	Operating leases - non-current	1,800	2,019	Operating leases - non-current	1,673
Total lease liabilities	Total lease liabilities	2,305	2,579	Total lease liabilities	2,184

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

The table below presents the future minimum lease payments under the noncancelable operating leases as of **March 31, 2023** **June 30, 2023**:

<b>Fiscal Year:</b>	<b>Fiscal Year:</b>	<b>Operating Leases</b>		<b>Operating Leases</b>	
		\$'000		\$'000	
2023	2023	565		2023	378
2024	2024	706		2024	706
2025	2025	556		2025	556
2026	2026	386		2026	386
2027	2027	300		2027	300
2028	2028	222		2028	222
Thereafter	Thereafter	368		Thereafter	367
<b>Total lease payments</b>	<b>Total lease payments</b>	<b>3,103</b>		<b>Total lease payments</b>	<b>2,915</b>
Less imputed interest	Less imputed interest	(798)		Less imputed interest	(731)
<b>Present value of lease liabilities</b>	<b>Present value of lease liabilities</b>	<b>2,305</b>		<b>Present value of lease liabilities</b>	<b>2,184</b>

The Company's lease term and discount rates were as follows:

		As of <b>March 31, 2023</b> <b>June 30, 2023</b>
Weighted-average remaining lease term (in years)		
Operating leases		<b>5.01</b> <b>4.89</b>
Weighted-average discount rate		
Operating leases		12.0 %

## 12. Deferred Revenue

The Company's deferred revenue consists of the following:

		<b>As of</b>		<b>As of</b>	
		<b>March 31, 2023</b>		<b>December 31, 2022</b>	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred revenues, net	Deferred revenues, net	1,318	1,371	1,388	1,371
Less: deferred revenue, current	Less: deferred revenue, current	(90)	(95)	(93)	(95)
Deferred revenues, non-current	Deferred revenues, non-current	1,228	1,276	1,295	1,276

## Muscle Maker, Inc. Notes to the Condensed Consolidated Financial Statements (Unaudited)

## 13. Other Current Liabilities

Other current liabilities consist of the following:

		<b>As of</b>		<b>As of</b>	
		<b>March 31, 2023</b>		<b>December 31, 2022</b>	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gift card liability	Gift card liability	26	25	13	25
Co-op advertising fund liability	Co-op advertising fund liability	87	79	99	79

Marketing development brand liability	Marketing development brand liability	41	35	Marketing development brand liability	55	35
Advertising fund liability	Advertising fund liability	41	43	Advertising fund liability	37	43
		<u>195</u>	<u>182</u>		<u>204</u>	<u>182</u>

See Note 2 – Significant accounting policies for details related to the gift card liability and advertising fund liability.

#### 14. Income Taxes

The tax effects of temporary differences that give rise to deferred tax assets and liabilities as of **March 31, 2023** **June 30, 2023** and December 31, 2022 are presented below:

		As of		As of	
		March 31, 2023		June 30, 2023	
		\$'000	\$'000	\$'000	\$'000
Deferred tax assets:	Deferred tax assets:			Deferred tax assets:	
Net operating loss carryforwards	Net operating loss carryforwards	10,693	10,615	Net operating loss carryforwards	10,690
Receivable allowance	Receivable allowance	6	5	Receivable allowance	7
Stock-based compensation	Stock-based compensation	313	15	Stock-based compensation	17
Intangible assets	Intangible assets	38	314	Intangible assets	386
Right to use asset				Right to use asset	471
Deferred revenues	Deferred revenues	273	204	Deferred revenues	267
Leases	Leases	25	32	Leases	—
Gross deferred tax asset	Gross deferred tax asset	11,348	11,185	Gross deferred tax asset	11,838
Deferred tax liabilities:	Deferred tax liabilities:			Deferred tax liabilities:	
Property and equipment	Property and equipment	(103)	(160)	Property and equipment	(163)
Right to use liability				Right to use liability	(442)
Gross deferred tax liabilities	Gross deferred tax liabilities	(103)	(160)	Gross deferred tax liabilities	(605)
Net deferred tax assets	Net deferred tax assets	11,246	11,025	Net deferred tax assets	11,233
Valuation allowance	Valuation allowance	(11,246)	(11,025)	Valuation allowance	(11,233)
Net deferred tax asset, net of valuation allowance	Net deferred tax asset, net of valuation allowance	—	—	Net deferred tax asset, net of valuation allowance	(11,025)

**Muscle Maker, Inc.**  
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The income tax expense for the periods shown consist of the following:

		As of		As of	
		March 31, 2023		June 30, 2023	
		\$'000	\$'000	\$'000	\$'000
<b>Federal:</b>	<b>Federal:</b>			<b>Federal:</b>	
Current	Current	—	—	Current	—
Deferred	Deferred	—	—	Deferred	—
<b>State and local:</b>	<b>State and local:</b>			<b>State and local:</b>	
Current	Current	3	25	Current	6
Deferred	Deferred	—	—	Deferred	—

		3	25		6	25
Change in valuation allowance	Change in valuation allowance	—	—	Change in valuation allowance	—	—
Income tax expense	Income tax expense	3	25	Income tax expense	6	25

A reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the periods shown, are as follows:

		As of				As of			
		March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022	
		Federal income tax benefit at statutory rate	State income tax benefit, net of federal impact	Permanent differences	PPP loan forgiveness	Return to provision adjustments	Deferred tax asset true up- State	Deferred tax asset true up- Federal	Other
Federal income tax benefit at statutory rate	Federal income tax benefit at statutory rate	21.0 %	(0.2) %	(1.9) %	0.4 %	3.3 %	(14.5) %	(6.8) %	0.1 %
State income tax benefit, net of federal impact	State income tax benefit, net of federal impact	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Permanent differences	Permanent differences	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
PPP loan forgiveness	PPP loan forgiveness	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Return to provision adjustments	Return to provision adjustments	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Deferred tax asset true up- State	Deferred tax asset true up- State	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Deferred tax asset true up- Federal	Deferred tax asset true up- Federal	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Other	Other	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Change in valuation allowance	Change in valuation allowance	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %
Effective income tax rate	Effective income tax rate	21.0 %	(0.5) %	(0.1) %	0.4 %	3.3 %	(0.6) %	(0.5) %	— %

The Company has filing obligations in what it considers its U.S. major tax jurisdictions as follows: Nevada, California, Connecticut, Florida, New Jersey, Texas, Virginia, New York State and New York City. The earliest year that the Company is subject to examination is the year ended December 31, 2015.

The Company has approximately \$63.6 million of Federal and State Net operating loss ("NOLs") available to offset future taxable income. The net operating loss carryforwards generated prior to 2018, if not utilized, will expire from 2035 to 2037 for federal and state purposes.

As of **March 31, 2023** **June 30, 2023** and December 31, 2022, the Company has determined that it is more likely than not that the Company will not recognize the future tax benefit of the loss carryforwards and has recognized a valuation allowance of \$11.2 million and \$11.0 million, respectively. The valuation allowance increased by approximately \$0.2 million.

Utilization of the net operating loss carryforwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by Section 382 and Section 383 of the Internal Revenue Code of 1986, as amended, and similar state provisions. Generally, in addition to certain entity reorganizations, the limitation applies when one or more "5 percent stockholders" increase their ownership, in the aggregate, by more than 50 percentage points over a 36-month time period testing period or beginning the day after the most recent ownership change, if shorter.

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## 15. Commitments and Contingencies

### Farmland Purchase Agreement

On May 16, 2023, the Company through its wholly owned subsidiary, Sadot Agri-Foods, entered into the Variation Agreement with ZPG and Cropit pursuant to which ZPG assigned all of its rights, liabilities and obligations of the Put Land Agreement to Sadot Agri-Foods, which provided ZPG with a one year call option to acquire 70% of the Farm for a purchase price of approximately \$8.5 million USD. The Put Land Agreement further provides that Cropit will continue to retain 30% of the Farm and that following closing, Cropit and the purchaser will form a special purpose vehicle in which both parties will contribute their ownership interest in the Farm to the special purpose vehicle for their respective percentage interest.

On May 16, 2023, Sadot Agri-Foods and Cropit entered into 70% of the equity and Cropit holding 30% of the equity. Following its formation, Sadot Zambia will hold 100% of the Farm. Sadot Agri-Foods and Cropit will each have the right to appoint one director to the Board of Directors of Sadot Zambia. Further, upon formation, Sadot Agri-Foods contributed \$3.5 million into escrow for the primary purpose of discharging a loan secured by the Farm held by ABSA Bank.

On May 16, 2023, Sadot Agri-Foods, the Escrow Agent entered into an Escrow Agreement pursuant to which the Escrow Agent will hold all documentation required to allot Sadot Agri-Foods 70% of Sadot Zambia, documentation required to transfer the Farm to Sadot Zambia and USD \$3.5 million contributed by Sadot Agri-Foods. At closing, the Escrow Agent will release the required funds to ABSA Bank and release the required documentation with respect to the allocation of Sadot Agri-Foods' interest in Sadot Zambia and the transfer of the Farm. Closing is subject to obtaining clearance from the Zambian Competition and Consumer Protection Commission.

#### Consulting Agreements

On November 14, 2022 (the "Effective Date"), the Company, Sadot Agri-Foods and Aggia entered into a Services Agreement (the "Services Agreement") whereby Sadot Agri-Foods engaged Aggia to provide certain advisory services to Sadot Agri-Foods for creating, acquiring and managing Sadot Agri-Foods' business of wholesaling food and engaging in the purchase and sale of physical food commodities.

As consideration for Aggia providing the services to Sadot Agri-Foods, the Company agreed to issue shares of common stock of the Company, par value \$0.0001 per share, to Aggia subject to Sadot Agri-Foods generating net income measured on a quarterly basis at per share price of \$1.5625, subject to equitable adjustments for any combinations or splits of the common stock occurring following the Effective Date. Upon Sadot Agri-Foods generating net income for any fiscal quarter, the Company shall issue Aggia a number of shares of common stock equal to the net income for such fiscal quarter divided by the per share price (the "Shares"). The Company may only issue authorized, unreserved shares of common stock. The Company will not issue Aggia in excess of 14.4 million shares representing 49.9% of the number of issued and outstanding shares of common stock as of the Effective Date. Further, once Aggia has been issued a number of shares constituting 19.99% of the issued and outstanding shares of common stock of the Company, no additional shares shall be issued to Aggia unless and until this transaction has been approved by the shareholders of the Company. The shareholders approved the Services Agreement on February 28, 2023. In the event that the shares cap has been reached, then the remaining portion of the net income, if any, not issued as shares shall accrue as debt payable by Sadot Agri-Foods to Aggia until such debt has reached a maximum of \$71.5 million. The Company will prepare the shares earned calculation after the annual audit or quarter review is completed by the auditors. The shares will be issued within 10 days of the final calculation.

On July 14, 2023 (the "Addendum Date"), effective April 1, 2023, the parties entered into Addendum 2 to the Services Agreement ("Addendum 2") pursuant to which the parties amended the compensation that Aggia is entitled.

Pursuant to Addendum 2, on the Addendum Date, the Company issued 8.9 million shares (the "Shares") of common stock, par value \$0.0001 per share, of the Company, which such Shares represent 14.4 million Shares that Aggia is entitled to receive pursuant to the Services Agreement less the 5.6 million Shares that have been issued to Aggia pursuant to the Services Agreement as of the Addendum Date. The Company will not issue Aggia in excess of 14.4 million Shares representing 49.9% of the number of issued and outstanding shares of common stock as of the effective date of the Services Agreement. The Shares shall be considered issued and outstanding as of the Addendum Date and Aggia shall hold all rights.

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associated with such Shares. The Shares vest on a progressive schedule, at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. During the 30 day period after July 14, 2028 (the "Share Repurchase Date"), Aggia may purchase any Shares not vested. All Shares not vested or purchased by Aggia, shall be repurchased by the Company from Aggia at per share price of \$0.001 per share. Further, the parties clarified that the Lock Up Agreement previously entered between the Company and Aggia dated November 16, 2022 shall be terminated on May 16, 2024 provided that any Shares that have not vested or been purchased by Aggia may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly. Following the Share Repurchase Date, in the event that there is net income for any fiscal quarter, then an amount equal to 40% of the net income shall accrue as debt payable by Sadot Agri-Foods to Aggia (the "Debt"), until such Debt has reached a maximum of \$71.5 million.

Additionally, for the three months ended **March 31, 2023** **June 30, 2023**, the Company reimbursed Aggia for all operating costs related to Sadot Agri-Foods operating expenses related to Sadot Agri-Foods including labor and operating expenses of \$0.8 million and \$0.2 million, respectively. For the six months ended **June 30, 2023**, the Company reimbursed Aggia for all operating costs related to Sadot Agri-Foods including labor, operating and general administrative expenses of **\$0.6 million** **\$1.4 million**, **\$0.2 million** **\$0.3 million** and \$0.1 million, respectively.

#### Franchising

During the three and six months ended **March 31, 2023 and 2022** **June 30, 2023**, the Company entered into various Pokemoto franchise agreements for a total of **58** and **11**, **13**, respectively, compared to 4 and 17 during the three and six months ended **June 30, 2022**, respectively. potentially new Pokemoto locations with various franchisees. The Franchisees paid the Company an aggregate of \$0.1 million and **\$0.2** **\$0.1** million for the three and six months ended **June 30, 2023** and this has been recorded in deferred revenue as of **March 31, 2023** and **2022**, respectively. **June 30, 2023**.

#### Master Franchise Agreement

On October 25, 2021, Muscle Maker Development International LLC ("MMDI"), a wholly-owned subsidiary of Muscle Maker Inc., entered into a Master Franchise Agreement (the "Master Franchise Agreement") with Almatrouk Catering Company - OPC ("ACC") providing ACC with the right to grant franchises for the development of 40 "Muscle Maker Grill" restaurants through December 31, 2030 (the "Term") in the Kingdom of Saudi Arabia ("KSA").

Under the Master Franchise Agreement, MMDI has granted to ACC an exclusive right to establish and operate Muscle Maker restaurants in the KSA. MMDI will not own or operate restaurants in KSA, grant franchises for the restaurants in KSA, or grant Master Franchise Rights for the restaurants to other persons within the KSA. ACC will be solely responsible for the development, sales, marketing, operations, distribution and training of all franchise locations sold in the KSA.

ACC is required to pay MMDI \$0.2 million pursuant to the Master Franchise Agreement upon the occurrence of various events. ACC is required to pay MMDI \$20.0 thousand upon the execution of each franchise agreement for each individual restaurant and a monthly royalty fee of \$1.0 thousand for each restaurant. Further, ACC is to adhere to the agreed upon development schedule as outlined in the master franchise agreement. An initial \$20.0 thousand deposit was paid on the agreement and no other amount is due at this time. ACC has not performed against this agreement.

#### Taxes

The Company failed in certain instances in paying past state and local sales taxes collected from customers in specific states that impose a tax on sales of the Company's products during 2017 and 2018. As of the second quarter 2022, all past

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due tax on sales from 2017 and 2018 has been paid in full. The Company had accrued a sales tax liability for approximately \$0.1 million and \$44.6 thousand as of **March 31, 2023** **June 30, 2023**, and December 31, 2022, respectively. All current state and local sales taxes from January 1, 2018, for open Company-owned locations have been fully paid and in a timely manner. The Company has completed all the payment plans with the various state or local entities for these past owed amounts.

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#### Litigations, Claims and Assessments

On April 24, 2022, the Company and a convertible note holder entered into an agreement in which the Company will repay a total of \$0.1 million in connection with the default judgement issued on June 22, 2018, by the Iowa District Court for Polk County #CVCV056029, filed against the Company for failure to pay the remaining balance due on a promissory note in the amount of \$0.1 million, together with interest, attorney fees and other costs of \$0.2 million. The Company agreed to pay \$40.0 thousand on or before May 1, 2022 and to make seven installment payments of \$10.0 thousand per month starting on or before June 1, 2022. As of December 30, 2022, the Company had paid this note in full.

On or about March 7, 2019, the Company was listed as a defendant to a lawsuit filed by a contractor in the State of Texas in El Paso County #2019DCV0824. The contractor is claiming a breach of contract and is seeking \$33.0 thousand in damages for services claimed to be rendered by the contractor. The Company accrued \$30.0 thousand for the liability in accounts payable and accrued expenses as of **March 31, 2023** **June 30, 2023** and December 31, 2022.

On January 23, 2020, the Company was served a judgment issued by the Judicial Council of California in the amount of \$0.1 million for a breach of a lease agreement in Chicago, Illinois, in connection with a Company-owned store that was closed in 2018. As of **March 31, 2023** **June 30, 2023** and December 31, 2022, the Company has accrued for the liability in accounts payable and accrued expenses.

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. In the opinion of management after consulting legal counsel, such matters are currently not expected to have a material impact on the Company's financial statements.

The Company records legal costs associated with loss contingencies as incurred and accrues for all probable and estimable settlements after consulting legal counsel.

#### Employment Agreements

On November 16, 2022, the Company entered into an Executive Employment Agreement with Michael Roper (the "Roper Agreement"), which replaced his prior employment agreement. Pursuant to the Roper Agreement, Mr. Roper will continue to be employed as Chief Executive Officer of the Company on an at-will-basis. During the term of the Roper Agreement, Mr. Roper is entitled to a base salary at the annualized rate of \$0.4 million. Mr. Roper will be eligible for a discretionary performance bonus to be determined by the Board annually. Further, Mr. Roper will be entitled to an additional bonus of \$0.1 million upon the Company obtaining approval of the Shareholder Matters and \$25.0 thousand upon the Designated Directors representing a majority of the Board of Directors. If Mr. Roper is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Mr. Roper is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Roper will be entitled to a severance payment equal to 36 months of salary, which will be reduced to 18 months following the second anniversary of the Roper Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Roper Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On March 21, 2023, the Company entered into an Executive Employment Agreement with Jennifer Black (the "Black Agreement"), which replaced her prior employment agreement. Pursuant to the Black Agreement, Ms. Black will continue to be employed as Chief Financial Officer of the Company on an at-will-basis. During the term of the Black Agreement, Ms. Black is entitled to a base salary at the annualized rate of \$0.2 million. Ms. Black will be eligible for a discretionary performance bonus up to 50% of her annual salary. Further, Ms. Black will be entitled to an additional bonus of \$0.1 million upon the Company obtaining approval of the Shareholder Matters and \$25.0 thousand upon the Designated Directors

representing a majority of the Board of Directors. If Ms. Black is terminated for any reason, she will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to

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exercise any equity compensation rights through the last day of the term applicable to such stock option. If Ms. Black is terminated by the Company for any reason other than cause or resigns for a good reason, Ms. Black will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Black Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not

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approved by the shareholders, the Black Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Kenneth Miller (the "Miller Agreement"), which replaced his prior employment agreement. Pursuant to the Miller Agreement, Mr. Miller will continue to be employed as Chief Operating Officer of the Company on an at-will-basis. During the term of the Miller Agreement, Mr. Miller is entitled to a base salary at the annualized rate of \$0.3 million. Mr. Miller will be eligible for a discretionary performance bonus up to 75% of his annual salary. Further, Mr. Miller will be entitled to an additional bonus of \$25.0 thousand upon the Designated Directors representing a majority of the Board of Directors. If Mr. Miller is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Mr. Miller is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Miller will be entitled to a severance payment equal to 36 months of salary, which will be reduced to 12 months following the second anniversary of the Miller Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Miller Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Kevin Mohan (the "Mohan Agreement"), which replaced his prior employment agreement. Pursuant to the Mohan Agreement, Mr. Mohan will continue to be employed as Chief Investment Officer of the Company on an at-will-basis. During the term of the Employment Agreement, Mr. Mohan is entitled to a base salary at the annualized rate of \$0.2 million. Mr. Mohan will be eligible for a discretionary performance bonus up to 75% of his annual salary. Further, Mr. Mohan will be entitled to an additional bonus of \$0.1 million upon the Company obtaining approval of the Shareholder Matters and \$25.0 thousand upon the Designated Directors representing a majority of the Board of Directors. If Mr. Mohan is terminated for any reason, he will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Mr. Mohan is terminated by the Company for any reason other than cause or resigns for a good reason, Mr. Mohan will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Mohan Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Mohan Agreement will automatically terminate and the prior employment agreement will again be in full effect.

On November 16, 2022, the Company entered into an Executive Employment Agreement with Aimee Infante (the "Infante Agreement"), which replaced her prior employment agreement. Pursuant to the Infante Agreement, Ms. Infante will continue to be employed as Chief Marketing Officer of the Company on an at-will-basis. During the term of the Infante Agreement, Ms. Infante is entitled to a base salary at the annualized rate of \$0.2 million. Ms. Infante will be eligible for a discretionary performance bonus up to 25% of her annual salary. Further, Ms. Infante will be entitled to an additional bonus of \$25.0 thousand upon the Designated Directors representing a majority of the Board of Directors. If Ms. Infante is terminated for any reason, she will be entitled to receive accrued salary and vacation pay, accrued bonus payments, all expense reimbursements and shall be entitled to exercise any equity compensation rights through the last day of the term applicable to such stock option. If Ms. Infante is terminated by the Company for any reason other than cause or resigns for a good reason, Ms. Infante will be entitled to a severance payment equal to 36 months of salary, which will be reduced to six months following the second anniversary of the Infante Agreement, and all equity compensation shall be fully accelerated. In the event the Shareholder Matters are not approved by the shareholders, the Infante Agreement will automatically terminate, and the prior employment agreement will again be in full effect.

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**16. Reportable Operating Segments**

See Note 1 – Business organization and nature of operations for descriptions of our operating segments.

The following table sets forth the results of operations for the relevant segments for the three and six months ended March 31, 2023 June 30, 2023:

For the Three Months Ended March 31, 2023	For the Three Months Ended June 30, 2023
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		Restaurant				Sadot				Corporate				Total			
		division		division		adj.		segments		division		agri-foods		adj.		segments	
		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
<b>Revenues:</b>	<b>Revenues:</b>																
Commodity sales	Commodity sales	—	210,366	—	210,366					Commodity sales	—	157,559	—	157,559			
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,301	—	—	2,301					Company restaurant sales, net of discounts	2,487	—	—	2,487			
Franchise royalties and fees	Franchise royalties and fees	284	—	—	284					Franchise royalties and fees	238	—	—	238			
Franchise advertising fund contributions	Franchise advertising fund contributions	16	—	—	16					Franchise advertising fund contributions	20	—	—	20			
Other revenues	Other revenues	—	—	—	—					Other revenues	13	—	—	13			
<b>Total revenues</b>	<b>Total revenues</b>	<b>2,601</b>	<b>210,366</b>	<b>—</b>	<b>212,967</b>					<b>Total revenues</b>	<b>2,758</b>	<b>157,559</b>	<b>—</b>	<b>160,317</b>			
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>									<b>Operating Costs and Expenses:</b>							
Commodity operating expenses:	Commodity operating expenses:	—	—	—	—					Commodity operating expenses:	—	—	—	—			
Commodity cost	Commodity cost	—	205,055	—	205,055					Commodity cost	—	153,240	—	153,240			
Labor	Labor	—	620	—	620					Labor	—	852	—	852			
Other commodity operating expenses	Other commodity operating expenses	—	154	—	154					Other commodity operating expenses	—	485	—	485			
Total commodity operating expenses	Total commodity operating expenses	—	205,829	—	205,829					Total commodity operating expenses	—	154,577	—	154,577			
<b>Restaurant operating expenses:</b>	<b>Restaurant operating expenses:</b>									<b>Restaurant operating expenses:</b>							
Food and beverage costs	Food and beverage costs	839	—	—	839					Food and beverage costs	867	—	—	867			
Labor	Labor	880	—	—	880					Labor	956	—	—	956			
Rent	Rent	274	—	—	274					Rent	290	—	—	290			
Other restaurant operating expenses	Other restaurant operating expenses	472	—	—	472					Other restaurant operating expenses	551	—	—	551			
Total restaurant operating expenses	Total restaurant operating expenses	2,465	—	—	2,465					Total restaurant operating expenses	2,664	—	—	2,664			
Depreciation and amortization expenses	Depreciation and amortization expenses	316	—	317	633					Depreciation and amortization expenses	153	—	288	441			
Franchise advertising fund expenses	Franchise advertising fund expenses	16	—	—	16					Franchise advertising fund expenses	20	—	—	20			
Pre-opening expenses	Pre-opening expenses	36	—	—	36					Pre-opening expenses	—	—	—	—			

Post-closing expenses	Post-closing expenses	93	—	1	94	Post-closing expenses	19	—	—	19
Stock-based consulting expenses	Stock-based consulting expenses	—	—	3,359	3,359	Stock-based consulting expenses	—	—	1,068	1,068
Sales, general and administrative expenses	Sales, general and administrative expenses	82	286	1,774	2,142	Sales, general and administrative expenses	88	301	1,499	1,888
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>3,008</b>	<b>206,115</b>	<b>5,451</b>	<b>214,574</b>	<b>Total costs and expenses</b>	<b>2,944</b>	<b>154,878</b>	<b>2,855</b>	<b>160,677</b>
(Loss) / income from operations	(Loss) / income from operations	(407)	4,251	(5,451)	(1,607)	(Loss) / income from operations	(186)	2,681	(2,855)	(360)
<b>Other Income:</b>						<b>Other Income / (Expense):</b>				
Interest income / (expense), net		2	—	1	3	Interest income / (expense), net	—	—	251	251
<b>Other Income / (Expense):</b>						Other income	—	—	251	251
Other income						Interest expense, net	(1)	(20)	(1)	(22)
Interest expense, net						Change in fair value of accrued compensation	—	—	324	324
Change in fair value of accrued compensation	Change in fair value of accrued compensation	—	—	541	541	Change in fair value of accrued compensation	—	—	324	324
<b>Total other income, net</b>	<b>2</b>	<b>—</b>	<b>542</b>	<b>544</b>	<b>Total other income / (expense), net</b>	<b>(1)</b>	<b>(20)</b>	<b>574</b>	<b>553</b>	
<b>Total other income / (expense), net</b>					<b>(Loss) / Income Before Income Tax</b>					
(Loss) / Income Before Income Tax	(Loss) / Income Before Income Tax	(405)	4,251	(4,909)	(1,063)	(Loss) / Income Before Income Tax	(187)	2,661	(2,281)	193
Income tax	Income tax	—	—	3	3	Income tax	1	—	2	3
<b>Net (loss) / income</b>	<b>Net (loss) / income</b>	<b>(405)</b>	<b>4,251</b>	<b>(4,912)</b>	<b>(1,066)</b>	<b>Net (loss) / income</b>	<b>(188)</b>	<b>2,661</b>	<b>(2,283)</b>	<b>190</b>

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

	For the Six Months Ended June 30, 2023			
	Restaurant division		Sadot agri-foods	Corporate adj.
	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>				
Commodity sales		—	367,925	—
Company restaurant sales, net of discounts		4,788	—	4,788
Franchise royalties and fees		522	—	522
Franchise advertising fund contributions		36	—	36
Other revenues		13	—	13
<b>Total revenues</b>		<b>5,359</b>	<b>367,925</b>	<b>—</b>
<b>Operating Costs and Expenses:</b>				
Commodity operating expenses:				

Commodity cost	—	358,295	—	358,295
Labor	—	1,472	—	1,472
Other commodity operating expenses	—	639	—	639
Total commodity operating expenses	—	360,406	—	360,406
<i>Restaurant operating expenses:</i>				
Food and beverage costs	1,706	—	—	1,706
Labor	1,836	—	—	1,836
Rent	564	—	—	564
Other restaurant operating expenses	1,023	—	—	1,023
Total restaurant operating expenses	5,129	—	—	5,129
Depreciation and amortization expenses	469	—	605	1,074
Franchise advertising fund expenses	36	—	—	36
Pre-opening expenses	36	—	—	36
Post-closing expenses	112	—	1	113
Stock-based consulting expenses	—	—	4,427	4,427
Sales, general and administrative expenses	171	587	3,272	4,030
<b>Total costs and expenses</b>	<b>5,953</b>	<b>360,993</b>	<b>8,305</b>	<b>375,251</b>
<b>(Loss) / income from operations</b>	<b>(594)</b>	<b>6,932</b>	<b>(8,305)</b>	<b>(1,967)</b>
<b>Other Income:</b>				
Other income	—	—	251	251
Interest income / (expense), net	2	(21)	—	(19)
Change in fair value of accrued compensation	—	—	865	865
<b>Total other income, net</b>	<b>2</b>	<b>(21)</b>	<b>1,116</b>	<b>1,097</b>
<b>(Loss) / Income Before Income Tax</b>	<b>(592)</b>	<b>6,911</b>	<b>(7,189)</b>	<b>(870)</b>
Income tax	2	—	4	6
<b>Net (loss) / income</b>	<b>(594)</b>	<b>6,911</b>	<b>(7,193)</b>	<b>(876)</b>

### Muscle Maker, Inc.

#### Notes to the Condensed Consolidated Financial Statements (Unaudited)

The following table sets forth the results of operations for the relevant segments for the three and six months ended March 31, 2022/June 30, 2022:

		For the Three Months Ended March 31, 2022				For the Three Months Ended June 30, 2022			
		Revenue:		Operating Costs and Expenses:		Revenue:		Operating Costs and Expenses:	
		Restaurant division	Sadot division	Corporate adj.	Total segments	Restaurant division	Sadot agri-foods	Corporate adj.	Total segments
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>	<b>Revenues:</b>					<b>Revenues:</b>			
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,694	—	—	2,694	Company restaurant sales, net of discounts	2,751	—	2,751
Franchise royalties and fees	Franchise royalties and fees	208	—	—	208	Franchise royalties and fees	70	—	93
Franchise advertising fund contributions	Franchise advertising fund contributions	18	—	—	18	Franchise advertising fund contributions	—	—	16
<b>Total revenues</b>	<b>Total revenues</b>	<b>2,920</b>	<b>—</b>	<b>—</b>	<b>2,920</b>	<b>Total revenues</b>	<b>2,821</b>	<b>—</b>	<b>109</b>
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>					<b>Operating Costs and Expenses:</b>			

<i>Restaurant operating expenses:</i>	<i>Restaurant operating expenses:</i>		<i>Restaurant operating expenses:</i>	
Food and beverage costs	Food and beverage costs	1,026	—	1,026
Labor	Labor	1,073	—	1,073
Rent	Rent	340	—	340
Other restaurant operating expenses	Other restaurant operating expenses	650	—	650
<b>Total restaurant operating expenses</b>	<b>Total restaurant operating expenses</b>	<b>3,089</b>	<b>—</b>	<b>3,089</b>
Depreciation and amortization expenses	Depreciation and amortization expenses	119	—	357
Franchise advertising fund expenses	Franchise advertising fund expenses	18	—	18
Sales, general and administrative expenses	Sales, general and administrative expenses	257	—	1,067
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>3,483</b>	<b>—</b>	<b>4,907</b>
<b>Loss from operations</b>	<b>Loss from operations</b>	<b>(563)</b>	<b>—</b>	<b>(1,424)</b>
<b>Other Income:</b>				
<b>Other Income / (Expense):</b>			<b>Other Income / (Expense):</b>	
Other income / (expense)	Other income / (expense)	2	—	(21)
Interest income / (expense), net	Interest income / (expense), net	3	—	(21)
Gain on debt extinguishment	Gain on debt extinguishment	140	—	—
<b>Total other income, net</b>	<b>145</b>	<b>—</b>	<b>(42)</b>	<b>103</b>
Interest expense, net			Interest expense, net	
<b>Total other income / (expense), net</b>			<b>5</b>	<b>—</b>
<b>Loss Before Income Tax</b>	<b>Loss Before Income Tax</b>	<b>(418)</b>	<b>—</b>	<b>(1,466)</b>
Income tax	Income tax	—	—	2
<b>Net loss</b>	<b>Net loss</b>	<b>(418)</b>	<b>—</b>	<b>(1,468)</b>
			<b>Loss Before Income Tax</b>	
			<b>(383)</b>	<b>—</b>
			Income tax	
			—	—
			<b>12</b>	<b>12</b>
			<b>Net loss</b>	
			<b>(383)</b>	<b>—</b>
			<b>(1,391)</b>	<b>(1,774)</b>

### Muscle Maker, Inc.

#### Notes to the Condensed Consolidated Financial Statements (Unaudited)

	For the Six Months Ended June 30, 2022			
	Restaurant division	Sadot agri-foods	Corporate adj.	Total segments
	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>				
Company restaurant sales, net of discounts	5,445	—	—	5,445
Franchise royalties and fees	132	—	239	371
Franchise advertising fund contributions	—	—	34	34
<b>Total revenues</b>	<b>5,577</b>	—	<b>273</b>	<b>5,850</b>
<b>Operating Costs and Expenses:</b>				
<i>Restaurant operating expenses:</i>				
Food and beverage costs	2,145	—	(2)	2,143
Labor	1,976	—	—	1,976
Rent	667	—	—	667
Other restaurant operating expenses	1,338	—	—	1,338
Total restaurant operating expenses	6,126	—	(2)	6,124
Depreciation and amortization expenses	243	—	722	965
Franchise advertising fund expenses	—	—	34	34
Sales, general and administrative expenses	287	—	2,164	2,451
<b>Total costs and expenses</b>	<b>6,656</b>	—	<b>2,918</b>	<b>9,574</b>
<b>Loss from operations</b>	<b>(1,079)</b>	—	<b>(2,645)</b>	<b>(3,724)</b>
<b>Other Income:</b>				
Other income / (expense)	12	—	(46)	(34)
Interest expense, net	(2)	—	(26)	(28)
Gain on debt extinguishment	140	—	—	140
<b>Total other income, net</b>	<b>150</b>	—	<b>(72)</b>	<b>78</b>
<b>Loss Before Income Tax</b>	<b>(929)</b>	—	<b>(2,717)</b>	<b>(3,646)</b>
Income tax	—	—	14	14
<b>Net loss</b>	<b>(929)</b>	—	<b>(2,731)</b>	<b>(3,660)</b>

With the creation of our Sadot Agri-Foods subsidiary in late 2022, we began to transform from a U.S.-centric restaurant business into a global, food-focused organization with two distinct segments. As a result, we have reevaluated and changed our operating segments during the three months ended March 31, 2023, early in 2023. Previously we split out Muscle Maker Grill, Pokemoto, and SuperFit Foods as their own restaurant operating segments. Since Sadot's Sadot Agri-Foods' operations is primarily in commodities trading and is such a large portion of the Company's business, the Company segregated it into its own segment and combined all restaurant operations into a segment.

On June 22, 2023, the Company created the new subsidiary, Sadot Latam LLC, which has expanded its agri-commodity sourcing and trading operations into North, Central and South America, further diversifying the Company's geographic reach beyond its existing operations in Europe, Asia, the Middle East and Africa. This new line of business is included within the Sadot Agri-Foods segment in the tables above.

The Company will continue to evaluate its operating segments and update as necessary.

#### Muscle Maker, Inc.

#### Notes to the Condensed Consolidated Financial Statements (Unaudited)

## 17. Equity

### Stock Option and Stock Issuance Plan

#### 2021 Plan

The Company's board of directors and shareholders approved and adopted on October 7, 2021 the 2021 Equity Incentive Plan ("2021 Plan"), effective on September 16, 2020 under which stock options and restricted stock may be granted to

**Muscle Maker, Inc.**  
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officers, directors, employees and consultants in the form of non-qualified stock options, incentive stock-options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. Under the 2021 Plan, the Company reserved 1.5 million shares of common stock for issuance. As of **March 31, 2023** **June 30, 2023**, **1.2** **0.7** million shares have been issued and **0.3** **0.8** million options to purchase shares have been awarded under the 2021 Plan.

**2023 Plan**

The Company's board of directors and shareholders approved and adopted on February 28, 2023 the 2023 Equity Incentive Plan ("2023 Plan") under which stock options and restricted stock may be granted to officers, directors, employees and consultants in the form of non-qualified stock options, incentive stock-options, stock appreciation rights, restricted stock awards, restricted stock units, stock bonus awards, performance compensation awards (including cash bonus awards) or any combination of the foregoing. Under the 2023 Plan, the Company reserved 2.5 million shares of common stock for issuance. As of **March 31, 2023** **no** **June 30, 2023** **0.2** **million** shares have been issued and **68.9** **thousand** **0.1** **million** option to purchase shares have been awarded under the 2023 Plan.

**Common Stock Issuances**

On January 6, 2022, the Company authorized the issuance of an aggregate of 39.6 thousand shares of common stock to the members of the board of directors as compensation earned during the **first** **second** quarter of 2022. The Company accrued for the liability as of **March 31, 2022** **June 30, 2022**.

On January 18, 2022, the Company issued an aggregate of 30.0 thousand shares of common stock of the Company to a consultant that assisted with the acquisition of SuperFit Foods and Pokemoto, with an aggregate fair value amount of \$15.6 thousand. The Company accrued for the liability as of **March 31, 2022** **June 30, 2022**.

On March 31, 2022, the Company authorized the issuance of an aggregate of 0.1 million shares of common stock to the members of the board of directors as compensation earned during the first quarter of 2022.

On April 4, 2022, the Company authorized the issuance of 20.0 thousand shares of common stock to a member of the executive team per the employment agreement. The stock was not fully earned until April 4, 2022.

On June 8, 2022, the Company authorized the issuance of 5.0 thousand shares of common stock to a contractor for work done at a Company owned location.

On June 30, 2022, the Company recognized 30.9 thousand shares of common stock for book purpose to reconcile the shares outstanding to the transfer agent report.

On July 14, 2022, the Company authorized the issuance of an aggregate of 0.1 million shares of common stock to the members of the board of directors as compensation earned during the second quarter of 2022.

On October 12, 2022, the Company authorized the issuance of an aggregate of 0.1 million shares of common stock to the members of the board of directors as compensation earned during the third quarter of 2022.

On November 29, 2022, the Company authorized the issuance of an aggregate of 0.4 million shares of common stock in connection with the exercise of pre-funded warrants.

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On January 5, 2023, the Company authorized the issuance of an aggregate of 31.3 thousand shares of common stock to the members of the board of directors as compensation earned during the fourth quarter of 2022.

On March 27, 2023, the Company authorized the issuance of 2.8 million shares of common stock to Aggia as consulting fees earned during the fourth quarter of 2022.

On May 25, 2023, the Company authorized the issuance of 2.7 million shares of common stock to Aggia as consulting fees earned during the first quarter of 2023.

Change in fair **vale** **value** of accrued compensation on the Unaudited Condensed Consolidated Statement of Operations is made up of the difference between the agreed upon issuance price, per the servicing agreement with Aggia and the market price

**Muscle Maker, Inc.**  
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on the day of issuance. For three and six months ended **March 31, 2023** **June 30, 2023**, Change in fair value of accrued compensation was **\$0.5 million**, **\$0.3 million** and **\$0.9 million**, respectively.

#### Private Placements

On April 7, 2021, the Company entered into a Securities Purchase Agreement with an accredited investor (the "Securities Purchase Agreement") for a private placement (the "Private Placement") pursuant to which the investor agreed to purchase from the Company for an aggregate purchase price of approximately \$10.0 million (i) 1.3 million shares of common stock of the Company (ii) a common stock purchase warrant to purchase up to 4.1 million shares of common stock (the "Common Warrant") and (iii) a pre-funded common stock purchase warrant to purchase up to 2.9 million shares of common stock (the "pre-funded warrant"). Each share and accompanying common warrant is being sold together at a combined offering price of \$2.43 per share and Common Warrant, and each pre-funded warrant and accompanying common warrant is being sold together at a combined offering price of \$2.42 per pre-funded warrant and accompanying common warrant. The pre-funded warrant is immediately exercisable, at a nominal exercise price of \$0.01 per share, and may be exercised at any time until the pre-funded warrant is fully exercised. The common warrant will have an exercise price of \$2.43 per share, are immediately exercisable and will expire 5.5 years from the date of issuance. The Private Placement closed on April 9, 2021.

The Securities Purchase Agreement contains customary representations, warranties and agreements of the Company and the Purchaser and customary indemnification rights and obligations of the parties thereto. Pursuant to the Securities Purchase Agreement, the Company was required to register the resale of the shares and the shares issuable upon exercise of the common warrant and the pre-funded warrant. The Company prepared and filed a registration statement with the Securities and Exchange Commission within 30 days of the date of the Securities Purchase Agreement and used commercially reasonable efforts to have the registration statement declared effective within 90 days of the closing of the Private Placement.

Pursuant to a placement agency agreement, dated April 6, 2021, between the Company and A.G.P./Alliance Global Partners (the "Placement Agent") entered into in connection with the Private Offering, the Placement Agent acted as the sole placement agent for the Private Placement and the Company has paid customary placement fees to the Placement Agent, including a cash fee equal to 8.0% of the gross proceeds raised in the Private Placement and a common stock purchase warrant to purchase shares of common stock in an amount equal to 4.0% of the Shares and shares of common stock issuable upon exercise of the warrants sold in the Private Placement, the warrant has an exercise price of \$2.916 per share and is exercisable commencing six months from the date of the pricing of the Private Placement for a period of five years after such date. Pursuant to the Placement Agency Agreement, the Company has also agreed to reimburse certain expenses of the placement agent incurred in connection with the Private Placement.

On November 17, 2021, the Company entered into a Securities Purchase Agreement with accredited investors (the "Securities Purchase Agreement") for a private placement (the "Private Placement") pursuant to which the investors (the "Purchasers") agreed to purchase from the Company for an aggregate purchase price of approximately \$15.0 million (i) 6.8 million shares (the "Shares") of common stock, par value \$0.0001 per share, of the Company (the "common stock") (ii) a common stock purchase warrant to purchase up to 10.8 million shares of common stock (the "common warrant") and (iii) a pre-funded common stock purchase warrant to purchase up to 4.1 million shares of common stock (the "pre-funded warrant"). Each share and accompanying common warrant were being sold together at a combined offering price of \$1.385 per share and common warrant, and each pre-funded warrant and accompanying Common Warrant is being sold together at

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

a combined offering price of \$1.3849 per pre-funded warrant and accompanying common warrant. The pre-funded warrant is immediately exercisable, at a nominal exercise price of \$0.0001 per share, and may be exercised at any time until the pre-funded warrant is fully exercised. The common warrant will have an exercise price of \$1.385 per share, are immediately exercisable and will expire 5 years from the date of issuance. The Private Placement closed on November 22, 2021.

The Securities Purchase Agreement contains customary representations, warranties and agreements of the Company and the Purchaser and customary indemnification rights and obligations of the parties thereto. Pursuant to the Securities Purchase Agreement, the Company is required to register the resale of the shares and the shares issuable upon exercise of the common warrant and the pre-funded warrant. The Company was required to prepare and file a registration statement with the Securities and Exchange Commission within 30 days of the date of the Securities Purchase Agreement and used

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

commercially reasonable efforts to have the registration statement declared effective within 90 days of the closing of the Private Placement.

Pursuant to a placement agency agreement, dated November 17, 2021, between the Company and A.G.P./Alliance Global Partners (the "Placement Agent") entered into in connection with the Private Offering, the Placement Agent acted as the sole placement agent for the Private Placement and the Company has paid customary placement fees to the Placement Agent, including a cash fee equal to 8.0% of the gross proceeds raised in the Private Placement and a common stock purchase warrant to purchase shares of Common Stock in an amount equal to 4.0% of the Shares and shares of common stock issuable upon exercise of the warrants sold in the Private Placement, which warrant has an exercise price of \$1.662 per share and is exercisable commencing six months from the date of the pricing of the Private Placement for a period of five years after such date. Pursuant to the Placement Agency Agreement, the Company has also agreed to reimburse certain expenses of the placement agent incurred in connection with the Private Placement. The warrants for the November 17, 2021, private placement for the Placement Agents were issued in the fourth quarter of 2022.

#### Restricted Stock Awards

Per Addendum 2, on July 14, 2023, the Company issued Restricted Share Awards ("RSA's") to Aggia. For further information see Note 19 – Subsequent events. These RSA are considered issued as of the effective date on April 1, 2023. Pursuant to the Services Agreement these RSA's vest on a progressive schedule, at a rate equal to the Net Income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. Shares shall be considered issued and outstanding as of the Addendum Date and Aggia shall hold rights associated with such Shares; provided, however, Shares not earned or purchased may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly.

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At June 30, 2023, there was \$8.0 million restricted stock awards outstanding. A summary of the activity related to the restricted stock awards, is presented below:

	<b>Total RSA's</b>	<b>Weighted-average grant date fair value</b>
	\$	\$
Outstanding at December 31, 2022	—	—
Granted	8,855,452	1.25
Forfeited	—	—
Vested	(854,714)	1.25
Outstanding at June 30, 2023	<u>8,000,738</u>	<u>1.25</u>

See Note 15 – Commitments and contingencies for further details on Restricted Share Awards.

Warrant and Option Valuation

The Company has computed the fair value of warrants granted and options accrued for as accrued compensation expense using the Black-Scholes option pricing model. The expected term used for warrants and options issued to non-employees is the contractual life. The Company is utilizing an expected volatility figure based on a review of the historical volatilities, over a period of time, equivalent to the expected term of the instrument being valued, of similarly positioned public companies within its industry. The risk-free interest rate was determined from the implied yields from U.S. Treasury zero-coupon bonds with a remaining term consistent with the expected term of the instrument being valued.

Options

On February 27, 2023, the Company issued options to purchase an aggregate of 0.5 million shares of the Company's common stock to officers and directors. The options had an exercise price of \$1.51 per share and vest ratably over 20 quarters with the first vesting occurring **March 31, 2023** **June 30, 2023**.

On March 15, 2023, the Company issued options to purchase 0.1 million shares of the Company's common stock. The options had an exercise price of \$1.51 per share and vest ratably over 20 quarters with the first vesting occurring **March 31, 2023** **June 30, 2023**.

A summary of option activity during the three months ended March 31, 2023 and 2022 is presented below:

	<b>Weighted-average exercise price</b>	<b>Number of options</b>	<b>Weighted-average remaining life (in years)</b>	<b>Aggregate intrinsic value</b>
	\$			\$'000
Outstanding, December 31, 2021	5.00	100,000	1.90	—
Issued	—	—	N/A	—
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, March 31, 2022	5.00	100,000	1.66	—
Exercisable, March 31, 2022	5.00	100,000	1.66	—
Outstanding, December 31, 2022	1.52	412,500	3.56	156
Issued	1.51	600,000	6.17	—
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, March 31, 2023	1.52	1,212,500	5.00	206
Exercisable, March 31, 2023	3.00	190,019	1.51	40

**Muscle Maker, Inc.**  
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A summary of option activity is presented below:

	Weighted-average exercise price	Number of options	Weighted-average remaining life (in years)	Weighted-average
				Aggregate intrinsic value
	\$			\$'000
Outstanding, December 31, 2021	5.00	100,000	1.91	—
Granted	0.41	312,500	5.21	12
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, June 30, 2022	1.52	412,500	4.29	—
Expected to vest, June 30, 2022	0.41	296,875	5.21	—
Exercisable and vested, June 30, 2022	4.38	115,625	1.93	—
Outstanding, December 31, 2022	1.52	412,500	3.53	156
Granted	1.51	600,000	5.92	—
Exercised	—	—	N/A	—
Forfeited	—	—	N/A	—
Outstanding, June 30, 2023	1.51	1,012,500	4.75	244
Expected to vest, June 30, 2023	1.17	776,857	5.30	195
Exercisable and vested, June 30, 2023	2.64	235,643	2.92	59

The Company has estimated the fair value of the options using the Black-Scholes model using the following assumptions:

	Three Months Ended March 31, June 30, 2023	Six Months Ended March 31, June 30, 2023
Risk free interest rate	1.53-4.33%	3.54-4.93%
Expected term (years)	5.63	—
Expected volatility	59.10-156.87%	53.99-69.02%
Expected dividends	—	—

#### Warrants

On January 3, 2022, the Company issued 1.2 million shares of common stock in connection with the cashless exercise of the pre-funded warrants. Pursuant to the terms of the pre-funded warrants a total of 1.2 million warrants were exercised.

On February 24, 2022, the Company issued 1.2 million shares of common stock in connection with the cashless exercise of the pre-funded warrants. Pursuant to the terms of the pre-funded warrants a total of 1.2 million warrants were exercised.

On November 29, 2022, the Company issued 0.4 million shares of common stock in connection with the exercising of pre-funded warrants for \$44.

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

A summary of warrants activity during the three six months ended March 31, 2023 June 30, 2023 and 2022 is presented below:

			Number of Warrants	Weighted-average exercise price	Weighted-average remaining life (in years)			Weighted- average exercise price	Weighted- average remaining life (in years)	Weighted- average exercise price
								\$		
Outstanding, December 31, 2021								Outstanding, December 31, 2021		
Issued			20,284,016	\$ 1.60	4.00			20,284,016	1.66	3.99
Granted			—	—	N/A			Granted	—	N/A
Exercised	Exercised		(2,410,110)	—	N/A	Exercised	(2,410,110)	—	N/A	
Forfeited	Forfeited		—	—	N/A	Forfeited	—	—	N/A	
Outstanding, March 31, 2022			17,873,906	\$ 1.90	4.30					
Exercisable, March 31, 2022			17,873,906	\$ 1.90	4.30					
Outstanding, June 30, 2022								Outstanding, June 30, 2022		
Exercisable, June 30, 2022								17,873,906	1.89	4.03
Outstanding, December 31, 2022								Exercisable, June 30, 2022	17,873,906	1.89
Outstanding, December 31, 2022			18,033,640	\$ 1.93	3.51			Outstanding, December 31, 2022	18,033,640	1.93
Issued			—	—	N/A			Granted	—	N/A
Granted								Exercised	—	N/A
Exercised	Exercised		—	—	N/A	Exercised	—	Forfeited	—	N/A
Forfeited	Forfeited		—	—	N/A	Forfeited	—	—	—	N/A
Outstanding, March 31, 2023			18,033,640	\$ 1.93	3.26					
Exercisable, March 31, 2023			18,033,640	\$ 1.93	3.26					
Outstanding, June 30, 2023								Outstanding, June 30, 2023		
Exercisable, June 30, 2023								18,033,640	1.93	3.01

#### Stock-Based Compensation Expense

Stock-based compensation related to restricted stock issued to employees, directors and consultants, warrants and warrants to consultants amounted to \$3.4 million \$1.1 million and \$0.1 million \$4.6 million for the three and six months ended March 31, 2023 and 2022, June 30, 2023 respectively, of which \$58.7 \$0.1 million and \$0.1 million, respectively, was recorded in Sales, general and administrative expenses. Stock-based compensation related to restricted stock issued to employees, directors and consultants, warrants and warrants to consultants amounted to \$44.9 thousand and \$0.1 million, respectively, for the three and six months ended June 30, 2022 of which \$44.9 thousand and \$0.1 million was recorded in Sales, general and administrative expenses. There was \$3.4 \$1.1 million and \$4.4 million recorded in Stock-based consulting expense for the three and six months ended March 31, 2023 June 30, 2023. There were no expenses recorded in Stock-based consulting expense for the three and six months ended March 31, 2022 June 30, 2022.

#### Muscle Maker, Inc. Notes to the Condensed Consolidated Financial Statements (Unaudited)

#### 18. Related Party Transactions

The Company held a Special Meeting on February 28, 2023. Of the 29.3 million shares of Common Stock outstanding on January 19, 2023, the record date, 17.2 million shares were represented at the Special Meeting, in person or by proxy, constituting a quorum. At the meeting, the shareholders approved (i) the Services Agreement whereby Sadot Agria-Foods engaged Aggia, to provide certain advisory services to Sadot Agria-Foods for managing Sadot's Sadot Agria-Foods business of wholesaling food and engaging in the purchase and sale of physical food commodities (the "Sadot Agria-Foods Transaction"); (ii) an amendment of the Company's articles of incorporation to increase the number of authorized shares of common stock from 50.0 million to 150.0 million; (iii) for purposes of complying with NASDAQ Listing Rule 5635(b), the issuance of the Shares pursuant to the Services Agreement entered between the Company, Sadot Agria-Foods and Aggia representing more than 20% of our common stock outstanding, which would result in a "change of control" of the Company under applicable Nasdaq listing rules; (iv) for purposes of complying with NASDAQ Listing Rule 5635(c), the issuance of up to 14.4 million Shares of Common Stock to

Aggia pursuant to the Services Agreement and net income generated thresholds; (v) the right of Aggia to nominate up to eight directors to the Board of Directors subject to achieving net income thresholds as set forth in the Services Agreement; and (vi) the adoption of the 2023 Equity Incentive Plan.

In April of 2023, **MMI** the Company recognized a related party relationship between newly appointed directors of the Company and Aggia. As of **March 31, 2023** **June 30, 2023**, Aggia owned **8.9%** **24.7%** of the Company's common stock. While a related party relationship exists, the amounts recognized during the period are immaterial to the Company's consolidated results.

During the three and six months ended **March 31, 2023** **June 30, 2023**, the Company recorded Stock-based consulting expense of **\$3.4 million** **\$1.1 million** and **\$4.4 million** to its related party, Aggia for consulting services rendered. As of March 31, 2023 the Company accrued stock-based compensation expense due to related party of **\$3.4 million**.

Additionally, for the three and six months ended **March 31, 2023** **June 30, 2023**, the Company reimbursed Aggia for all operating costs related to Sadot including labor, operating Agri-Foods of **\$1.0 million** and general administrative expenses of **\$0.6 million**, **\$0.2 million** and **\$0.1 million** **\$1.8 million**, respectively.

The Company will continue to monitor and evaluate its related party transactions to ensure that they are conducted in accordance with applicable laws and regulations and in the best interests of the Company and its shareholders.

#### **Muscle Maker, Inc.**

#### **Notes to the Condensed Consolidated Financial Statements (Unaudited)**

#### **19. Subsequent Events**

##### Board Issued Stock Issuance

On **April 5, 2023** **July 11, 2023**, the Company authorized the issuance of an aggregate of **29.7** **32.9** thousand shares of common stock to the members of the board of directors as compensation earned during the first quarter of 2023. The Company accrued for the liability as of March 31, 2023.

##### Appointment of Directors Aggia Deal

On April 3, 2023, the Board appointed Marvin Yeo and Paul Sansom to the Board **July 14, 2023** with an effective date of Directors, effective April 10, 2023.

##### Repurchase Program

On April 13, 2023 **April 1, 2023**, the Company announced that amended its Board of Directors had approved a share repurchase program. Under current Services Agreement with AGGIA. The new addendum, among other features, modifies the program, formula by which the Company will issue shares of common stock earned by AGGIA for net income generated through the Company's Sadot Agri-Foods division from 80% of net income to 40% of net income. The overall intended effect will be to reduce, by 50%, the quarterly non-cash expenses related to stock issuances to AGGIA, streamline the reporting processes and is authorized expected to have a favorable impact the Company's financial performance.

On October 19, 2022, the Company formed Sadot Agri-Foods. On November 14, 2022, the Company, Sadot Agri-Foods and Aggia entered into a Services Agreement (the "Services Agreement") whereby Sadot Agri-Foods engaged Aggia to provide certain advisory services to Sadot Agri-Foods for creating, acquiring and managing Sadot Agri-Foods' business of wholesaling food and engaging in the purchase and sale of physical food commodities. The closing date of the Services Agreement was November 16, 2022. The parties entered into Addendum 1 to the Services Agreement on November 17, 2022. Further, on July 14, 2023 (the "Addendum Date"), effective April 1, 2023, the parties entered into Addendum 2 to the Services Agreement ("Addendum 2") pursuant to which the parties amended the compensation that Aggia is entitled.

Pursuant to Addendum 2, on the Addendum Date, the Company issued 8.9 million shares (the "Shares") of common stock, par value \$0.0001 per share, of the Company, which such Shares represent 14.4 million Shares that Aggia is entitled to receive pursuant to the Services Agreement less the 5.6 million Shares that have been issued to Aggia pursuant to the Services Agreement as of the Addendum Date. The Company will not issue Aggia in excess of 14.4 million Shares representing 49.9% of the number of issued and outstanding shares of common stock as of the effective date of the Services Agreement. The Shares shall be considered issued and outstanding as of the Addendum Date and Aggia shall hold all rights associated with such Shares. The Shares vest on a progressive schedule, at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. During the 30 day period after July 14, 2028 (the "Share Repurchase Date"), Aggia may purchase any Shares not vested. All Shares not vested or purchased by Aggia, shall be repurchased by the Company from Aggia at per share price of \$0.001 per share. Further, the parties clarified that the Lock Up Agreement previously entered between the Company and Aggia dated November 16, 2022 shall be terminated on May 16, 2024 provided that any Shares that have not vested or been purchased by Aggia may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly. Following the Share Repurchase Date, in the event that there is net income for any fiscal quarter, then an amount equal to 40% of the net income shall accrue as debt payable by Sadot Agri-Foods to Aggia (the "Debt"), until such Debt has reached a maximum of \$71.5 million.

##### Company Name Change

Effective July 27, 2023, the Company changed its name to Sadot Group Inc. The name change was made in accordance with Section 92A.180 of the Nevada Revised Statutes by merging a wholly-owned subsidiary of the Company with and into the Company, with the Company being the surviving corporation in the merger. The Company effectuated the merger by filing Articles of Merger with the Secretary of State of the State of Nevada. In connection with the merger, the Company amended Article I of its Articles of Incorporation to change the Company's corporate name to Sadot Group Inc. With the exception of the name change, there were no other changes to the Company's Articles of Incorporation.

Additionally, as of the opening of trading on July 27, 2023, the ticker symbol of the Company's common stock on The Nasdaq Capital Market will be "SDOT" and the CUSIP number of the Company's common stock (627333107) will remain unchanged. The Company's name and ticker symbol change do not affect the rights of the Company's security holders, creditors, customers or suppliers. Following the name change, any stock certificates that reflect the Company's prior name, if any, will continue to be valid.

**Muscle Maker, Inc.**  
**Notes to the Condensed Consolidated Financial Statements (Unaudited)**

**Warrant Exercise Agreement**

On July 27, 2023 (the "Closing Date"), the Company entered into a Warrant Exercise Agreement (the "Exercise Agreement") with Altium Growth Fund Ltd. (the "Exercising Holder"), the holder of outstanding warrants to purchase 2.2 million shares of its common stock of the Company issued in November 2021 (collectively, the "Original Warrants"), whereby the Exercising Holder exercised the Original Warrants in consideration of 2.2 million shares of common stock (the "Shares"). The Company received aggregate gross proceeds before expenses of approximately \$2.2 million. In order to induce the Exercising Holder to exercise the Original Warrants, the Company reduced the exercise price on the Original Warrants from \$1.385 to \$1.00 per share.

**Additional Warrants Issued**

In connection with the exercise of the Original Warrants, the Company issued an additional warrant to the Exercising Holder that is exercisable for the number of shares of common stock equal to one hundred percent of the Shares purchased by the Exercising Holder (the "Additional Warrant"). The Additional Warrant is substantially identical to the Original Warrants, except that the exercise price of the Additional Warrant is \$2.40. The Company is obligated to file a value registration statement covering the shares of up common stock underlying the warrants within 30 days and to \$2.0 have the registration statement declared effective within 90 days after filing with the Commission.

**Line of Credit**

On August 1, 2023, the Company paid off its line of credit in the amount of \$3.5 million.

**Promissory Notes**

On July 12, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.6 million in open market transactions at consideration of cash in the discretion amount of management, \$0.5 million. The Convertible Promissory Note was paid off in full on July 31, 2023.

On July 18, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.2 million in consideration of cash in the amount of \$0.2 million. The Convertible Promissory Note was paid off in full on July 31, 2023.

On July 18, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.2 million in consideration of cash in the amount of \$0.2 million. The Convertible Promissory Note was paid off in full on August 2, 2023.

**Strategic Restructuring**

On August 4, 2023 the Company announced its intention to strategically pivot towards the global food supply chain sector. The Company plans to reduce restaurant operating expenses by closing underperforming units while refranchising (selling) most of our remaining company-owned units. We will shift to a franchise, royalty-generating model focused on our successful Pokémoto concept.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Preliminary Note**

The following Management's Discussion and Analysis ("MD&A"), prepared as of May 10, 2023 August 9, 2023, should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements of Sadot Group Inc. (f/k/a Muscle Maker, Inc.), for the three and six months ended March 31, 2023 June 30, 2023 together with the audited financial statements of the Company for the year ended December 31, 2022 and the accompanying MD&A for that fiscal year appearing in our Annual Report on 2022 Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 21, 2023. Unless otherwise indicated or the context otherwise requires, all references to the terms "Company," "company," "Sadot," "Muscle Maker," "we," "us," "our," "Group" and similar terms refer to Muscle Maker, Sadot Group, Inc., together with its consolidated subsidiaries.

Our website address is <http://musclemakerinc.com>, [sadotgroupinc.com](http://sadotgroupinc.com). The information on, or that can be accessed through, our website is not part of this Report. The SEC also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are also available to the public through the SEC's website at [www.sec.gov](http://www.sec.gov).

This MD&A is the responsibility of management. Prior to its release, the Company's Board of Directors (the "Board") approved this MD&A on the Audit Committee's recommendation. The Company presents its financial statements in U.S. Dollars. Amounts in this MD&A are stated in U.S. Dollars unless otherwise indicated.

**Forward-Looking Statements**

*This Report contains forward-looking statements as defined in the federal securities laws. Forward-looking statements generally relate to future events or our future financial or operating performance. These forward-looking statements are not guarantees of future performance, conditions, or results, and involve a number of known and unknown risks, uncertainties,*

assumptions and other important factors, many of which are outside of Muscle Maker's management's control. The words "may," "will," "expect," "believe," "anticipate," "project," "plan," "forecast," "model," "proposal," "should," "may," "intend," "estimate," and "continue," and similar expressions (or the negative versions of such words or expressions), are intended to identify forward-looking statements. These forward-looking statements include, without limitation, information concerning Muscle Maker's Sadot's possible or assumed future results of operations, business strategies, debt levels, competitive position, industry environment and possible growth opportunities. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, which may influence the accuracy of the statements and the projections upon which the statements are based. Reference is made to "Factors That May Affect Future Results and Financial Condition" in this Item 2 for a discussion of some of the uncertainties, risks and assumptions associated with these statements.

## OVERVIEW

Sadot Group Inc. (f/k/a Muscle Maker, Inc.) ("MMI") is our parent company and is headquartered in Ft. Worth, Texas. In late 2022, MMI began a transformation from a U.S.-centric restaurant business into a global, food-focused organization with two distinct business units. Effective July 27, 2023, MMI changed its name to Sadot Group Inc.

1. Sadot LLC (Sadot Agri-Foods) is an international agri-commodities company engaged in trading and shipping of food and feed (e.g., soybean meal, wheat and corn) via dry bulk cargo ships to/from markets such as Argentina, Brazil, Canada, China, Egypt, Guinea, India, Indonesia, Japan, Kenya, Malaysia, Philippines, Poland, Romania, Sri Lanka, Ukraine and Vietnam. Sadot Agri-Foods competes with the ABCD commodity companies (ADM, Bunge, Cargill, Louis-Dreyfus) as well as many regional organizations. Sadot Agri-Foods was formed as part of the Company's diversification strategy to own and operate, through its subsidiaries, the business lines throughout the food value chain. Sadot Agri-Foods is MMI's Sadot Group's largest operating unit.
2. MMI Sadot Restaurant Group has three unique "healthier for you" concepts, including two fast casual restaurant concepts, PokéMoto and Muscle Maker Grill, plus one subscription-based fresh prep meal concept, SuperFit Foods. Our Company was founded on the belief of taking every-day menu options and converting them into "healthier for you" menu choices. Consumers are demanding healthier choices, customization, flavor and convenience. Each of our three concepts offers different menus that are tailored to specific consumer segments. We believe our concepts deliver highly differentiated customer experiences.

The Company has expanded its Sadot Agri-Foods subsidiary within the agri-commodity sourcing and trading operations into North, Central and South America, further diversifying the Company's geographic reach beyond its existing operations in Europe, Asia, the Middle East and Africa. The expansion was facilitated by a strategic agreement between Sadot Agri-

Foods' agri-food operations and newly-formed Buenaventura Trading LLC ("Buenaventura") based in Miami FL. Buenaventura's team brings a wealth of experience and exposure to new trade routes throughout the Americas by adding multiple sourcing and trading consultants to Sadot Agri-Foods with backgrounds from several of the largest international food supply chain organizations.

In order to support the expansion into the Americas and our agreement with Buenaventura, Sadot LLC has formed a new subsidiary, Sadot Latam LLC. This agreement marks a significant milestone for Sadot Agri-Foods as it provides access to new trade routes originating in North America to markets in Central and South America. The planned Americas trade routes are intended to generate accretive value for the Company by tapping into the thriving market demand for agricultural products across Central and South America. This planned expansion is expected to further enhance Sadot Agri-Foods' position as an emerging entity in the global commodity trading industry.

As of March 31, 2023 June 30, 2023, the Company had a cash balance, a working capital surplus and an accumulated deficit of \$6.4 million \$5.1 million, \$6.4 million \$7.7 million and \$80.2 million \$80.2 million, respectively. During the three and six months ended March 31, 2023 June 30, 2023, the Company incurred a Pre-tax net income / loss of \$1.1 million \$0.2 million and \$0.9 million, respectively. Net cash used in operations of \$3.3 million \$4.2 million for the six months ended June 30, 2023. The Company believes that our existing cash on hand and future cash flows from our commodity trades and franchise operations, will be sufficient to fund our operations, anticipated capital expenditures and repayment obligations over the next 12 months.

## Key Financial Definitions

We review a number of financial and operating metrics, including the following key metrics and non-GAAP measures, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Governmental and other economic factors affecting our operations may vary.

	For the Three Months Ended March 31,	
	2023	2022
	\$'000	\$'000
<b>Revenues:</b>		
Commodity sales	210,366	—
Company restaurant sales, net of discounts	2,301	2,694
Franchise royalties and fees	284	208
Franchise advertising fund contributions	16	18
<b>Total revenues</b>	<b>212,967</b>	<b>2,920</b>
<b>Operating Costs and Expenses:</b>		
<i>Commodity operating expenses:</i>		
Commodity cost	205,055	—

Labor	620	—
Other commodity operating expenses	154	—
<b>Total commodity operating expenses</b>	<b>205,829</b>	<b>—</b>
<i>Restaurant operating expenses:</i>		
Food and beverage costs	839	1,026
Labor	880	1,073
Rent	274	340
Other restaurant operating expenses	472	650
<b>Total restaurant operating expenses</b>	<b>2,465</b>	<b>3,089</b>
Depreciation and amortization expenses	633	476
Franchise advertising fund expenses	16	18
Preopening expenses	36	—
Post-closing expenses	94	—
Stock-based consulting expenses	3,359	—
Sales, general and administrative expenses	2,142	1,324
<b>Loss from operations</b>	<b>(1,607)</b>	<b>(1,987)</b>
<b>EBITDA</b>	<b>(427)</b>	<b>(1,426)</b>
<b>Adjusted EBITDA</b>	<b>2,391</b>	<b>(1,547)</b>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023		2022	
	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>				
Commodity sales	157,559	—	367,925	—
Company restaurant sales, net of discounts	2,487	2,751	4,788	5,445
Franchise royalties and fees	238	163	522	371
Franchise advertising fund contributions	20	16	36	34
Other revenues	13	—	13	—
<b>Total revenues</b>	<b>160,317</b>	<b>2,930</b>	<b>373,284</b>	<b>5,850</b>
<b>Operating Costs and Expenses:</b>				
<i>Commodity operating expenses:</i>				
Commodity cost	153,240	—	358,295	—
Labor	852	—	1,472	—
Other commodity operating expenses	485	—	639	—
<b>Total commodity operating expenses</b>	<b>154,577</b>	<b>—</b>	<b>360,406</b>	<b>—</b>
<i>Restaurant operating expenses:</i>				
Food and beverage costs	867	1,117	1,706	2,143
Labor	956	903	1,836	1,976
Rent	290	327	564	667
Other restaurant operating expenses	551	688	1,023	1,338
<b>Total restaurant operating expenses</b>	<b>2,664</b>	<b>3,035</b>	<b>5,129</b>	<b>6,124</b>
Depreciation and amortization expenses	441	489	1,074	965
Franchise advertising fund expenses	20	16	36	34
Preopening expenses	—	—	36	—
Post-closing expenses	19	—	113	—
Stock-based consulting expenses	1,068	—	4,427	—
Sales, general and administrative expenses	1,888	1,127	4,030	2,451
<b>Loss from operations</b>	<b>(360)</b>	<b>(1,737)</b>	<b>(1,967)</b>	<b>(3,724)</b>
<b>EBITDA</b>	<b>656</b>	<b>(1,263)</b>	<b>223</b>	<b>(2,653)</b>

<b>Adjusted EBITDA</b>	1,149	(1,248)	3,534	(2,759)
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The breakout of our main revenue streams by business segment is shown below:

	<b>Three Months Ended March 31,</b>		
	<b>2023</b>	<b>2022</b>	
Sadot Division	98.8 %	—	
Restaurant Division	1.2 %	100.0 %	
<b>For the Three Months Ended June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>For the Six Months Ended June 30,</b>
Sadot agri-foods	98.3 %	—	98.6 %
Restaurant division	1.7 %	100.0 %	1.4 %
			100.0 %

Our key business and financial metrics are explained in detail below.

#### *Revenues*

Our revenues are derived from four primary sources: Physical Commodity sales, Company restaurant sales, Franchise revenues and vendor rebates from Franchisees. Franchise revenues are comprised of Franchise royalty revenues collected based on 2% to 6% of franchisee net sales and other franchise revenues which include initial and renewal franchise fees. Vendor rebates are received based on volume purchases or services from franchise owned locations. In addition, we have Other revenues which consists of gift card breakage, which is recognized when we determine that there is no further legal obligation to remit the unredeemed gift card balance.

#### **Commodity Operating Expenses**

##### *Commodity Cost*

Commodity costs include the direct cost associated with purchasing the physical food commodities. The cost includes the cost of the inventory, insurance, shipping and other cost associated with transporting the physical food commodity. The components of Commodity cost are variable in nature, change with sales volume, logistics and are subject to fluctuations in Commodity costs.

##### *Labor*

Commodity labor cost consists of consulting fees paid for traders, logistics, and operations personnel to perform the purchases and sale of physical food commodities. Similar to other cost items, we expect total Commodity labor costs to increase as our Commodity sales revenues grows.

##### *Other Commodity Operating Expenses*

Other commodity operating expenses consist of food commodity purchase and sales expenses not inclusive of Commodity cost and Labor. These expenses are generally travel and office expenses.

#### **Restaurant Operating Expenses**

##### *Food and Beverage Costs*

Food and beverage costs include the direct costs associated with food, beverage and packaging of our menu items at Company-operated restaurants partially offset by vendor rebates from Company-owned stores. The components of food, beverages and supplies are variable in nature, change with sales volume, are affected by menu mix and are subject to fluctuations in Commodity costs.

##### *Labor*

Restaurant labor costs, consists of Company-operated restaurant-level management and hourly labor costs, including salaries, wages, payroll taxes, workers' compensation expense, benefits and bonuses paid to our Company-operated restaurant-level team members. Like other cost items, we expect total restaurant labor costs at our Company-operated restaurants to increase due to inflation and as our Company restaurant revenues grow. Factors that influence labor costs include minimum wage and employer payroll tax legislation, mandated health care costs and operational productivity established by the management team.

#### *Rent*

Restaurant rent consist of Company-operated restaurant-level rental or lease payments applicable to executed rental or lease agreements. In many cases these rental payments may include payments for common area maintenance as well as property tax assessments. Our rent strategy in some locations consists of a variable rent structure calculated on net sales of the restaurant. While this can have a negative effect on higher volume locations where we cannot leverage a fixed rent, it provides downside protection for lower volume locations.

#### *Other Restaurant Operating Expenses*

Other restaurant operating expenses consist of Company-operated restaurant-level ancillary expenses not inclusive of Food and beverage, Labor and Rent expense. These expenses are generally marketing, advertising, merchant and bank fees, utilities, leasehold and equipment repairs, insurance and maintenance. A portion of these costs are associated with third party delivery services such as Uber Eats, Grub Hub, DoorDash and others. The fees associated with these third-party delivery services can range up to 25% of the total order being delivered. Management believes delivery is a critical component of our business model and industry trends will continue to push consumers towards delivery. We have adjusted our cost structure to reflect different pricing models, portion sizes, menu offerings and other considerations to potentially partially offset these rising costs of delivery.

#### *Depreciation and Amortization Expenses*

Depreciation and amortization expenses primarily consist of the depreciation of property and equipment and amortization of intangible assets.

#### *Franchise Advertising Expenses*

Franchise advertising expenses are recognized sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee incurs the corresponding advertising expense. The Company records the related advertising expenses as incurred under Sales, general and administrative expenses.

#### *Pre-Opening Expenses*

Pre-opening expenses primarily consist of expenses associated with opening a Company-operated location and expenses related to Company-operated locations prior to the location opening.

#### *Post-Closing Expenses*

Post-closing expenses primarily consist of expenses associated with closing a Company-operated location and expenses related to Company-operated locations after the location has closed.

#### *Stock-based Consulting Expenses*

Stock-based consulting expenses are related to consulting fees due to Aggia for Sadot Agri-Foods operations. Based on the servicing agreement with Aggia, the consulting fees are calculated at approximately 80.0% 40.0% of the Net income generated by the Sadot Agri-Foods business segment. For the three and six months ended March 31, 2023 June 30, 2023, \$3.4 million is \$1.1 million and \$4.4 million respectively, are recorded as Stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Statements of Operations and a corresponding liability is recorded as Accrued stock-based consulting expense in the accompanying Unaudited Condensed Consolidated Balance Sheets. This expense is expected to be was paid in stock in 2023, stock.

#### *Sales, General and Administrative Expenses*

Sales, general and administrative expenses include expenses associated with corporate and administrative functions that support our operations, including wages, benefits, travel expense, stock-based compensation expense, legal and professional fees, training, investor relations and other corporate costs. We incur incremental Sales, general and administrative expenses as a result of being a publicly listed company on the NASDAQ capital market. A certain portion of these expenses are related to the preparation of an initial stock offering and subsequent capital raises and should be considered one-time expenses.

#### *Other (Expense) / Income*

Other (expense) / income consists of amortization of debt discounts on the convertible notes, interest expense related to notes payable, Change in fair value of accrued compensation and gains on debt extinguishments in connection with the Paycheck Protection Program, ("PPP") loan forgiveness.

#### *Income Taxes*

Income taxes represent federal, state and local current and deferred income tax expenses.

#### Other (Expense) / Income

Other (expense) / income consists of amortization of debt discounts on the convertible notes, interest expense related to notes payable, Change in fair value of accrued compensation and gains on debt extinguishments in connection with the Paycheck Protection Program, ("PPP") loan forgiveness.

#### Non-GAAP Measures

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin are non-GAAP measures. We define EBITDA as Net loss, adjusted for depreciation, amortization, interest income / (expense), and income taxes. We define Adjusted EBITDA as Net loss, adjusted for depreciation, amortization, net interest (income) expense, income taxes, impairment expenses, stock-based consulting expense, derived from amounts presented in the Unaudited Condensed Consolidated Statement of Operations and the associated Notes to the Unaudited Condensed Consolidated Financial Statements. We believe that EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, (collectively, the "Non-GAAP Measures") are useful metrics for investors to understand and evaluate our operating results and ongoing profitability because they permit investors to evaluate our recurring profitability from our ongoing operating activities.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin, have certain limitations, and you should not consider them in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP. We caution investors that amounts presented in accordance with our definitions of any of the Non-GAAP Measures may not be comparable to similar measures disclosed by other issuers, because some issuers calculate certain of the Non-GAAP Measures differently or not at all, limiting their usefulness as direct comparative measures.

#### Reconciliations of EBITDA, Adjusted EBITDA and Other Non-GAAP Measures

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from the most comparable U.S. GAAP measure, Net loss, and the calculations of the Net loss Margin and Adjusted EBITDA Margin for the three and six months ended March 31, 2023 June 30, 2023 and 2022:

	For the Three Months Ended March 31,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2023		2022		2023	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net loss</b>	(1,066)		(1,886)			
<b>Net income / (loss)</b>				<b>Net income / (loss)</b>		
Adjustments to EBITDA:				Adjustments to EBITDA:		
Depreciation and amortization expenses	Depreciation and amortization expenses	633	476	Depreciation and amortization expenses	441	489
Interest expense, net	Interest expense, net	3	(18)	Interest expense, net	22	10
Income tax	Income tax	3	2	Income tax	3	12
<b>EBITDA</b>	<b>EBITDA</b>	<b>(427)</b>	<b>(1,426)</b>	<b>EBITDA</b>	<b>656</b>	<b>(1,263)</b>
Adjustments to Adjusted EBITDA:				Adjustments to Adjusted EBITDA:		
Other income / (expense)	Other income / (expense)	—	19	Other income / (expense)	(251)	15
Change in fair value of accrued compensation	Change in fair value of accrued compensation	(541)	—	Change in fair value of accrued compensation	(324)	—
Gain on debt extinguishment	Gain on debt extinguishment	—	(140)	Gain on debt extinguishment	—	—
Stock-based consulting expenses	Stock-based consulting expenses	3,359	—	Stock-based consulting expenses	1,068	—
<b>Adjusted EBITDA</b>	<b>Adjusted EBITDA</b>	<b>2,391</b>	<b>(1,547)</b>	<b>Adjusted EBITDA</b>	<b>1,149</b>	<b>(1,248)</b>
<b>Total revenue</b>	<b>Total revenue</b>	<b>212,967</b>	<b>2,920</b>	<b>Total revenue</b>	<b>160,317</b>	<b>2,930</b>
<b>Net loss Margin</b>		<b>(0.5)</b>	<b>%</b>	<b>(64.6)</b>	<b>%</b>	

Net income / (loss)	Net income / (loss)						
Margin	Margin	0.1	%	(60.5)	%	(0.2)	%
Adjusted EBITDA	Adjusted EBITDA						
Margin	Margin	1.1	%	(53.0)	%	0.7	%

**Unaudited Condensed Consolidated Results of Operations - Three Months Ended March 31, 2023 June 30, 2023 Compared to the Three Months Ended March 31, 2022 June 30, 2022**

The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2023 June 30, 2023 and 2022, respectively:

	Revenues:	Three Months Ended March 31,				Three Months Ended June 30,				
		2023		2022		Variance		2023		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenues:</b>	<b>Revenues:</b>									
Commodity sales	Commodity sales	210,366	—	210,366	NM	Commodity sales	157,559	—	157,559	NM
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,301	2,694	(393)	(14.6) %	Company restaurant sales, net of discounts	2,487	2,751	(264)	(9.6) %
Franchise royalties and fees	Franchise royalties and fees	284	208	76	36.5 %	Franchise royalties and fees	238	163	75	46.0 %
Franchise advertising fund contributions	Franchise advertising fund contributions	16	18	(2)	(11.1) %	Franchise advertising fund contributions	20	16	4	24.2 %
Other revenues	Other revenues					Other revenues	13	—	13	NM
<b>Total revenues</b>	<b>Total revenues</b>	<b>212,967</b>	<b>2,920</b>	<b>210,047</b>	<b>7193.4 %</b>	<b>Total revenues</b>	<b>160,317</b>	<b>2,930</b>	<b>157,387</b>	<b>5371.4 %</b>
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>					<b>Operating Costs and Expenses:</b>				
Commodity operating expenses:	Commodity operating expenses:					Commodity operating expenses:				
Commodity cost	Commodity cost	205,055	—	205,055	NM	Commodity cost	153,240	—	153,240	NM
Labor	Labor	620	—	620	NM	Labor	852	—	852	NM
Other commodity operating expenses	Other commodity operating expenses	154	—	154	NM	Other commodity operating expenses	485	—	485	NM
<b>Total commodity operating expenses</b>	<b>Total commodity operating expenses</b>	<b>205,829</b>	<b>—</b>	<b>205,829</b>	<b>NM</b>	<b>Total commodity operating expenses</b>	<b>154,577</b>	<b>—</b>	<b>154,577</b>	<b>NM</b>
Restaurant operating expenses:	Restaurant operating expenses:					Restaurant operating expenses:				
Food and beverage costs	Food and beverage costs	839	1,026	(187)	(18.2) %	Food and beverage costs	867	1,117	(250)	(22.4) %
Labor	Labor	880	1,073	(193)	(18.0) %	Labor	956	903	53	5.9 %
Rent	Rent	274	340	(66)	(19.4) %	Rent	290	327	(37)	(11.3) %

Other restaurant operating expenses	Other restaurant operating expenses	472	650	(178)	(27.4) %	Other restaurant operating expenses	551	688	(137)	(19.9) %
<b>Total restaurant operating expenses</b>	<b>Total restaurant operating expenses</b>	<b>2,465</b>	<b>3,089</b>	<b>(624)</b>	<b>(20.2) %</b>	<b>Total restaurant operating expenses</b>	<b>2,664</b>	<b>3,035</b>	<b>(371)</b>	<b>(12.2) %</b>
Depreciation and amortization expenses	Depreciation and amortization expenses	633	476	157	33.0 %	Depreciation and amortization expenses	441	489	(48)	(9.8) %
Franchise advertising fund expenses	Franchise advertising fund expenses	16	18	(2)	(11.1) %	Franchise advertising fund expenses	20	16	4	24.2 %
Pre-opening expenses	Pre-opening expenses	36	—	36	NM					
Post-closing expenses	Post-closing expenses	94	—	94	NM	Post-closing expenses	19	—	19	NM
Stock-based consulting expenses	Stock-based consulting expenses	3,359	—	3,359	NM	Stock-based consulting expenses	1,068	—	1,068	NM
Sales, general and administrative expenses	Sales, general and administrative expenses	2,142	1,324	818	61.8 %	Sales, general and administrative expenses	1,888	1,127	761	67.5 %
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>214,574</b>	<b>4,907</b>	<b>209,667</b>	<b>4272.8 %</b>	<b>Total costs and expenses</b>	<b>160,677</b>	<b>4,667</b>	<b>156,010</b>	<b>3342.8 %</b>
<b>Loss from operations</b>	<b>Loss from operations</b>	<b>(1,607)</b>	<b>(1,987)</b>	<b>380</b>	<b>(19.1) %</b>	<b>Loss from operations</b>	<b>(360)</b>	<b>(1,737)</b>	<b>1,377</b>	<b>(79.3) %</b>
<b>Other Income:</b>										
<b>Other Income / (Expense):</b>										
Other income / (expense)	Other income / (expense)	—	(19)	19	(100.0) %	Other income / (expense)	251	(15)	266	(1773.3) %
Interest income / (expense), net	Interest income / (expense), net	3	(18)	21	(116.7) %	Interest income / (expense), net	(22)	(10)	(12)	120.0 %
Change in fair value of accrued compensation	Change in fair value of accrued compensation	541	—	541	NM	Change in fair value of accrued compensation	324	—	324	NM
Gain on debt extinguishment	Gain on debt extinguishment	—	140	(140)	(100.0) %					
<b>Total other income, net</b>	<b>Total other income, net</b>	<b>544</b>	<b>103</b>	<b>441</b>	<b>428.2 %</b>					
<b>Loss Before Income Tax</b>	<b>Loss Before Income Tax</b>	<b>(1,063)</b>	<b>(1,884)</b>	<b>821</b>	<b>(43.6) %</b>					
<b>Total other income / (expense), net</b>										
<b>Income / (Loss) Before Income Tax</b>										
Income tax	Income tax	3	2	1	50.0 %	Income tax	3	12	(9)	(75.0) %
<b>Net loss</b>	<b>Net loss</b>	<b>(1,066)</b>	<b>(1,886)</b>	<b>820</b>	<b>(43.5) %</b>					
<b>Net income / (loss)</b>										
NM= not meaningful	NM= not meaningful					NM= not meaningful				

The following table sets forth our results of operations as a percentage of total revenue for each period presented preceding:

		Three Months Ended March 31,		Three Months Ended June 30,	
		2023	2022	2023	2022
Revenues:		Revenues:		Revenues:	
Commodity sales	Commodity sales	98.8 %	—	Commodity sales	98.3 %
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	1.1 %	92.3 %	Company restaurant sales, net of discounts	1.6 %
Franchise royalties and fees	Franchise royalties and fees	0.1 %	7.1 %	Franchise royalties and fees	0.1 %
Franchise advertising fund contributions	Franchise advertising fund contributions	—	0.6 %	Franchise advertising fund contributions	—
Other revenues	Other revenues	—	—	Other revenues	—
<b>Total revenues</b>	<b>Total revenues</b>	100.0 %	100.0 %	<b>Total revenues</b>	100.0 %
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>			
Commodity operating expenses:	Commodity operating expenses:	Commodity operating expenses:			
Commodity cost	Commodity cost	96.3 %	—	Commodity cost	95.6 %
Labor	Labor	0.3 %	—	Labor	0.5 %
Other commodity operating expenses	Other commodity operating expenses	0.1 %	—	Other commodity operating expenses	0.3 %
<b>Total commodity operating expenses</b>	<b>Total commodity operating expenses</b>	96.6 %	—	<b>Total commodity operating expenses</b>	96.4 %
Restaurant operating expenses:	Restaurant operating expenses:	Restaurant operating expenses:			
Food and beverage costs	Food and beverage costs	0.4 %	35.1 %	Food and beverage costs	0.5 %
Labor	Labor	0.4 %	36.7 %	Labor	0.6 %
Rent	Rent	0.1 %	11.6 %	Rent	0.2 %
Other restaurant operating expenses	Other restaurant operating expenses	0.2 %	22.3 %	Other restaurant operating expenses	0.3 %
<b>Total restaurant operating expenses</b>	<b>Total restaurant operating expenses</b>	1.2 %	105.8 %	<b>Total restaurant operating expenses</b>	1.7 %
					103.6 %

Depreciation and amortization expenses	Depreciation and amortization expenses	0.3 %	16.3 %	Depreciation and amortization expenses	0.3 %	16.7 %
Franchise advertising fund expenses	Franchise advertising fund expenses	—	0.6 %	Franchise advertising fund expenses	—	0.5 %
Pre-opening expenses	—	—	—	—	—	—
Post-closing expenses	Post-closing expenses	—	—	Post-closing expenses	—	—
Stock-based consulting expenses	Stock-based consulting expenses	1.6 %	—	Stock-based consulting expenses	0.7 %	—
Sales, general and administrative expenses	Sales, general and administrative expenses	1.0 %	45.3 %	Sales, general and administrative expenses	1.2 %	38.5 %
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>100.8 %</b>	<b>168.0 %</b>	<b>Total costs and expenses</b>	<b>100.2 %</b>	<b>159.3 %</b>
<b>Loss from operations</b>	<b>Loss from operations</b>	<b>(0.8)%</b>	<b>(68.0)%</b>	<b>Loss from operations</b>	<b>(0.2)%</b>	<b>(59.3)%</b>
<b>Other Income:</b>						
<b>Other Income / (Expense):</b>						
Other income / (expense)	Other income / (expense)	—	(0.7)%	Other income / (expense)	—	(0.5)%
Interest income / (expense), net	Interest income / (expense), net	—	(0.6)%	Interest income / (expense), net	—	(0.3)%
Change in fair value of accrued compensation	Change in fair value of accrued compensation	0.3 %	—	Change in fair value of accrued compensation	0.2 %	—
Gain on debt extinguishment	Gain on debt extinguishment	—	4.8 %	Gain on debt extinguishment	—	—
<b>Total other income, net</b>	<b>0.3 %</b>	<b>3.5 %</b>				
<b>Loss Before Income Tax</b>		<b>(0.5)%</b>	<b>(64.5)%</b>			
<b>Total other income / (expense), net</b>				<b>Total other income / (expense), net</b>	<b>0.3 %</b>	<b>(0.9)%</b>
<b>Income / (Loss) Before Income</b>						
<b>Tax</b>						
Income tax	Income tax	— %	0.1 %	Income tax	0.1 %	(60.1)%
<b>Net loss</b>		<b>(0.5)%</b>	<b>(64.6)%</b>			
<b>Net income / (loss)</b>				<b>Net income / (loss)</b>	<b>0.1 %</b>	<b>(60.5)%</b>

Revenues

		Three Months Ended March				Three Months Ended June 30,					
		31,		Variance		2023		2022		Variance	
		2023	2022	\$	%	\$'000	\$'000	\$	%	\$'000	\$'000
<b>Revenues:</b>	<b>Revenues:</b>										
Commodity sales	Commodity sales	210,366	—	210,366	NM	Commodity sales	157,559	—	157,559	NM	
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,301	2,694	(393)	(14.6) %	Company restaurant sales, net of discounts	2,487	2,751	(264)	(9.6) %	
Franchise royalties and fees	Franchise royalties and fees	284	208	76	36.5 %	Franchise royalties and fees	238	163	75	46.0 %	
Franchise advertising fund contributions	Franchise advertising fund contributions	16	18	(2)	(11.1) %	Franchise advertising fund contributions	20	16	4	24.2 %	
Other revenues						Other revenues	13	—	13	NM	
<b>Total revenues</b>	<b>Total revenues</b>	<b>212,967</b>	<b>2,920</b>	<b>210,047</b>	<b>7193.4 %</b>	<b>Total revenues</b>	<b>160,317</b>	<b>2,930</b>	<b>157,387</b>	<b>5371.4 %</b>	
NM= not meaningful	NM= not meaningful					NM= not meaningful					

Our revenues totaled \$213.0 million \$160.3 million for the three months ended March 31, 2023 June 30, 2023, compared to \$2.9 million for the three months ended March 31, 2022 June 30, 2022. The \$210.0 million \$157.4 million increase is primarily attributed to an increase in Commodity sales as a direct result of the formation of Sadot Agri-Foods and its added revenue.

We generated Commodity sales of \$210.4 million \$157.6 million for the three months ended March 31, 2023 June 30, 2023. We did not have any Commodity sales for the three months ended March 31, 2022 June 30, 2022. This represented an increase of \$210.4 million \$157.6 million, which is attributable to Sadot Agri-Foods sales generated from physical food related commodities.

We generated Company restaurant sales, net of discounts, of \$2.3 million \$2.5 million for the three months ended March 31, 2023 June 30, 2023, compared to \$2.7 million \$2.8 million for the three months ended March 31, 2022 June 30, 2022. This represented an decrease of \$0.4 million \$0.3 million, or 14.6% 9.6%, which is mainly attributable to the closures of certain unprofitable Muscle Maker Grill locations.

Franchise royalties and fees for the three months ended March 31, 2023 June 30, 2023 totaled \$0.3 million \$238.0 thousand compared to \$0.2 million \$163.0 thousand for the three months ended March 31, 2022 June 30, 2022. This represents an increase of \$0.1 million, or 36.5% 46.0%. In 2023, the franchise fees were higher, primarily due to termination the sales and opening of one Muscle Maker Grill Franchise agreement, which corresponds to accelerating the recognition of initial franchise fees, new Pokemoto franchises.

Franchise advertising fund contributions for the three months ended March 31, 2023 June 30, 2023 totaled \$16.0 \$20.0 thousand compared to \$18.0 \$16.1 thousand for the three months ended March 31, 2022 June 30, 2022. The Company recognizes these sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee Company incurs the corresponding advertising expense. The decrease increase of \$2.0 \$3.9 thousand or 11.1% 24.2%, is a direct result of the decrease increase in Muscle Maker Grill franchises and the national advertising services to benefit the brand as a whole.

Other revenues for the three months ended June 30, 2023 totaled \$13.0 thousand. There was no other revenues for the three months ended June 30, 2022. Other revenues consisted of gift card breakage recognized.

#### Operating Costs and Expenses

Operating costs and expenses primarily consist of Commodity costs, Restaurant food and beverage costs, Restaurant labor expense, Restaurant rent expense, Other restaurant operating expenses, Depreciation and amortization expenses and Sales, general and administrative expenses.

#### Commodity Costs

	Three Months Ended March 31,				Variance	
	2023		2022		\$	%
	\$'000	\$'000	\$'000	\$'000		
Commodity cost	205,055	—	205,055	—	205,055	NM

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Commodity cost	153,240	—	153,240	NM

Commodity costs for the three months ended **March 31, 2023** June 30, 2023, totaled **\$205.1 million** **\$153.2 million** or **97.5%** **97.3%** as a percentage of Commodity sales. There was no Commodity cost for the three months ended **March 31, 2022** June 30, 2022. The **\$205.1 million** **\$153.2 million** increase resulted from a new line of business operated by **Sadot** **Sadot Agri-Foods**.

#### Commodity Labor Cost

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Labor	620	—	620	NM
Three Months Ended June 30,		Variance		
2023	2022	\$	%	
\$'000	\$'000	\$'000		
Labor	852	—	852	NM

Commodity labor costs for the three months ended **March 31, 2023** June 30, 2023, totaled **\$0.6 million** **\$0.9 million** or **0.3%** **0.5%** as a percentage of Commodity sales. There were no Commodity labor costs for the three months ended **March 31, 2022** June 30, 2022. The **\$0.6 million** **\$0.9 million** increase resulted from a new line of business operated by **Sadot** **Sadot Agri-Foods**.

#### Other Commodity Operating Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Other commodity operating expenses	154	—	154	NM
Three Months Ended June 30,		Variance		
2023	2022	\$	%	
\$'000	\$'000	\$'000		
Other commodity operating expenses	485	—	485	NM

Other commodity operating expenses for the three months ended **March 31, 2023** June 30, 2023 totaled **\$0.2 million** **\$0.5 million** or **0.1%** **0.3%** as a percentage of Commodity sales. There were no Other commodity operating expenses for the three months ended **March 31, 2022** June 30, 2022. The **\$0.2 million** **\$0.5 million** increase resulted from a new line of business operated by **Sadot** **Sadot Agri-Foods**.

#### Restaurant Food and Beverage Costs

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Food and beverage costs	839	1,026	(187)	(18.2)%
Three Months Ended June 30,		Variance		
2023	2022	\$	%	
\$'000	\$'000	\$'000		

	\$'000	\$'000	\$'000
	2023	2022	\$
	\$'000	\$'000	\$'000
Food and beverage costs	867	1,117	(250)
			(22.4)%

Restaurant food and beverage costs for the three months ended March 31, 2023 June 30, 2023 totaled \$0.8 million \$0.9 million or 36.5% 34.9% as a percentage of Company restaurant net sales, and \$1.0 million \$1.1 million or 38.1% 40.6%, as a percentage of Company restaurant net sales, for the three months ended March 31, 2022 June 30, 2022. The \$0.2 million \$0.3 million decrease resulted from a decrease in sales due to the closures of certain unprofitable Muscle Maker Grill locations. Total restaurant food and beverage cost as a percentage of sales decreased by 1.6% 5.7% as a result of higher commodity prices operational efficiencies in 2023.

#### Restaurant Labor Expense

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Labor	880	1,073	(193)	(18.0)%

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Labor	956	903	53	5.9 %

Restaurant labor expense for the three months ended March 31, 2023 June 30, 2023 totaled \$0.9 million \$1.0 million, or 38.2% 38.4%, as a percentage of Company restaurant net sales, and \$1.1 million \$0.9 million, or 39.8% 32.8%, as a percentage of Company restaurant net sales, for the three months ended March 31, 2022 June 30, 2022. The \$0.2 million decrease resulted from a reduction \$0.1 million increase is due to higher cost of labor in Labor expense 2023.

#### Restaurant Rent Expense

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Rent	274	340	(66)	(19.4)%

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Rent	290	327	(37)	(11.3)%

Restaurant rent expense for the three months ended March 31, 2023 June 30, 2023 totaled \$0.3 million, or 11.9% 11.7% as a percentage of restaurant sales, and \$0.3 million, or 12.6% 11.9%, as a percentage of restaurant sales, for the three months ended March 31, 2022 June 30, 2022. The decrease of \$0.1 million \$37.0 thousand is directly attributed to the closure of a nonperforming corporate location. The percentage of total sales decreased by 0.7% 0.2% as sales decreased overall.

#### Other Restaurant Operating Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Other restaurant operating expenses	472	650	(178)	(27.4)%
Three Months Ended June 30,				
2023	2022	\$	%	
\$'000	\$'000	\$'000		

Other restaurant operating expenses	551	688	(137)	(19.9)%
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Other restaurant operating expenses for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$0.5 million** **\$0.6 million**, or **20.5%** **22.2%** as a percentage of restaurant sales, and **\$0.7 million**, or **24.1%** **25.0%** as a percentage of restaurant sales, for the three months ended **March 31, 2022** **June 30, 2022**. The **\$0.2 million** **\$0.1 million** decrease is primarily due to a decrease in insurance costs resulting from a consolidation in insurance companies and a decrease in third party processing fees, partially offset by an increase in merchant processing fees. The Other restaurant operating expenses as a percent of total sales decreased by **3.6%** **2.9%**.

#### Depreciation and Amortization Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Depreciation and amortization expenses	633	476	157	33.0 %

  

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Depreciation and amortization expenses	441	489	(48)	(9.8)%

Depreciation and amortization expenses for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$0.6 million** **\$0.4 million** compared to **\$0.5 million**, for the three months ended **March 31, 2022** **June 30, 2022**. The **\$0.2 million** increase **\$48.0 thousand** decrease is mainly attributed to the **accelerated depreciation** **closing of leasehold improvements for leases that were modified resulting in a shorter life**, **nonperforming locations and the disposal of the corresponding assets**.

#### Franchise Advertising Fund Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Franchise advertising fund expenses	16	18	(2)	(11.1)%

  

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Franchise advertising fund expenses	20	16	4	24.2 %

Franchise advertising fund expenses for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$16.0** **\$20.0** thousand compared to **\$18.0** **\$16.1** thousand, for the three months ended **March 31, 2022** **June 30, 2022**. The **\$2.0** **\$3.9** thousand **decrease** or **24.2%** **increase** is mainly attributed to the **decrease of \$2.0 thousand** or **11.1%**, is a direct result of the **decrease** **increase** in Muscle Maker Grill **franchises and the national advertising services to benefit the brand**.

#### Pre-Opening Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Pre-opening expenses	36	—	36	NM

Pre-opening expenses for the three months ended March 31, 2023 totaled **\$36.0 thousand**. There were no Pre-opening expenses for the three months ended March 31, 2022. The **increase** in pre-opening expense resulted from expenses incurred prior to the opening of our new Company-owned stores.

#### Post-Closing Expenses

Post-Closing Expenses	
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	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Post-closing expenses	94	—	94	NM

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Post-closing expenses	19	—	19	NM

Post-closing expenses for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$0.1 million** **\$19.0 thousand**. There were no Post-closing expenses for the three months ended **March 31, 2022** **June 30, 2022**. The increase in Post-closing expenses resulted from expenses incurred after the closing of underperforming Company-owned stores.

#### Stock-Based Consulting Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Stock-based consulting expenses	3,359	—	3,359	NM

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Stock-based consulting expenses	1,068	—	1,068	NM

Stock-based consulting expenses for the three months ended **March 31, 2023** **June 30, 2023**, totaled **\$3.4 million** **\$1.1 million**. There were no Stock-based consulting expenses for the three months ended **March 31, 2022** **June 30, 2022**. The increase in Stock-based consulting expenses is the result of consulting fees due to Aggia for Sadot Agri-Foods operations. Based on the servicing agreement with Aggia, the consulting fees are calculated at approximately **80.0%** **40.0%** of the Net income generated by the Sadot Agri-Foods business segment. **This** **This** expense is expected to be paid in stock in 2023.

#### Sales, General and Administrative Expenses

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Sales, general and administrative expenses	2,142	1,324	818	61.8 %

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Sales, general and administrative expenses	1,888	1,127	761	67.5 %

Sales, general and administrative expenses for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$2.1 million** **\$1.9 million**, or **1.0%** **1.2%** of total revenue, compared to **\$1.3 million** **\$1.1 million**, or **45.3%** **38.5%** of total revenue, for the three months ended **March 31, 2022** **June 30, 2022**. The \$0.8 million increase was primarily attributable to an increase in professional and consulting fees and employee salaries and benefits.

#### Total Other Income, Net

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	

Total other income / (expense), net	544	103	441	428.2 %
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	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Total other income / (expense), net	553	(25)	578	(2312.0)%

Total other income / (expense), net for the three months ended **March 31, 2023** **June 30, 2023** totaled **\$0.5 million** **\$0.6 million** income compared to **\$0.1 million**, **\$25.0 thousand expense**, for the three months ended **March 31, 2022** **June 30, 2022**. The **\$0.4 million decrease** **\$0.6 million increase** in Total other income / (expense), net was primarily attributable to an increase in the Gain on extinguishment of debt of **\$0.1 million** due to the forgiveness of our PPP loans, a decrease increase of **\$0.5 million** **\$0.3 million** in the Change in fair value of accrued compensation and a **\$0.3 million** increase in Other income, partially offset by a **\$21.0 thousand** **\$12.0 thousand** decrease increase in Interest expense and a **\$19.0 thousand** decrease in Other income expense.

#### Income Tax

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Income tax	3	2	1	50.0 %

	Three Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Income tax	3	12	(9)	(75.0)%

Our Income tax for the three months ended **March 31, 2023** **June 30, 2023**, was **\$3.0 thousand** which was an increase of **\$1.0 thousand** as compared to Income taxes of **\$2.0 thousand** for the three months ended **March 31, 2022** **June 30, 2022** due to an increase in current state taxes.

#### Net Loss

	Three Months Ended March 31,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Net loss	(1,066)	(1,886)	820	(43.5)%

Our Net loss for the three months ended March 31, 2023, was **\$1.1 million** which was a decrease of **\$0.8 million** as compared to a Net loss of **\$1.9 million** for the three months ended March 31, 2022, resulting from an increase of Total revenues of **\$210.0 million**, partially offset by the increase in Total cost and expenses of **\$209.7 million** and a **\$19.0 thousand** decrease in Other income.

The following table represents selected items in our Condensed Consolidated Statements of Operations for the three months ended **March 31, 2023** **June 30, 2023**, by our operating segments:

		Three Months Ended March 31, 2023				Three Months Ended June 30, 2023				
		Restaurant division	Sadot Division	Corporate adj.	Consolidated	Restaurant division	Sadot agri-foods	Corporate adj.	Consolidated	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Revenues:</b>	<b>Revenues:</b>					<b>Revenues:</b>				
Commodity sales	Commodity sales	—	210,366	—	210,366	Commodity sales	—	157,559	—	157,559
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,301	—	—	2,301	Company restaurant sales, net of discounts	2,487	—	—	2,487

Franchise royalties and fees	Franchise royalties and fees	284	—	—	284	Franchise royalties and fees	238	—	—	238
Franchise advertising fund contributions	Franchise advertising fund contributions	16	—	—	16	Franchise advertising fund contributions	20	—	—	20
Other revenues						Other revenues	13	—	—	13
<b>Total revenues</b>	<b>Total revenues</b>	<b>2,601</b>	<b>210,366</b>	<b>—</b>	<b>212,967</b>	<b>Total revenues</b>	<b>2,758</b>	<b>157,559</b>	<b>—</b>	<b>160,317</b>
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>					<b>Operating Costs and Expenses:</b>				
Commodity operating expenses:	Commodity operating expenses:					Commodity operating expenses:				
Commodity cost	Commodity cost	—	205,055	—	205,055	Commodity cost	—	153,240	—	153,240
Labor	Labor	—	620	—	620	Labor	—	852	—	852
Other commodity operating expenses	Other commodity operating expenses	—	154	—	154	Other commodity operating expenses	—	485	—	485
Total commodity operating expenses	Total commodity operating expenses	—	205,829	—	205,829	Total commodity operating expenses	—	154,577	—	154,577
Restaurant operating expenses:	Restaurant operating expenses:					Restaurant operating expenses:				
Food and beverage costs	Food and beverage costs	839	—	—	839	Food and beverage costs	867	—	—	867
Labor	Labor	880	—	—	880	Labor	956	—	—	956
Rent	Rent	274	—	—	274	Rent	290	—	—	290
Other restaurant operating expenses	Other restaurant operating expenses	472	—	—	472	Other restaurant operating expenses	551	—	—	551
Total restaurant operating expenses	Total restaurant operating expenses	2,465	—	—	2,465	Total restaurant operating expenses	2,664	—	—	2,664
Depreciation and amortization expenses	Depreciation and amortization expenses	316	—	317	633	Depreciation and amortization expenses	153	—	288	441
Franchise advertising fund expenses	Franchise advertising fund expenses	16	—	—	16	Franchise advertising fund expenses	20	—	—	20
Preopening expenses	Preopening expenses	36	—	—	36					
Post-closing expenses	Post-closing expenses	93	—	1	94	Post-closing expenses	19	—	—	19
Stock-based consulting expenses	Stock-based consulting expenses	—	—	3,359	3,359	Stock-based consulting expenses	—	—	1,068	1,068
Sales, general and administrative expenses	Sales, general and administrative expenses	82	286	1,774	2,142	Sales, general and administrative expenses	88	301	1,499	1,888

<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	3,008	206,115	5,451	214,574	<b>Total costs and expenses</b>	2,944	154,878	2,855	160,677
<b>(Loss) / income from operations</b>	<b>(Loss) / income from operations</b>	(407)	4,251	(5,451)	(1,607)	<b>(Loss) / income from operations</b>	(186)	2,681	(2,855)	(360)
<b>Other Income:</b>	<b>Other Income:</b>					<b>Other Income:</b>				
Interest income, net		2	—	1	3	Other income	—	—	251	251
Other income						Interest expense, net	(1)	(20)	(1)	(22)
Interest expense, net						Change in fair value of accrued compensation	—	—	324	324
Change in fair value of accrued compensation	Change in fair value of accrued compensation	—	—	541	541	<b>Total other income, net</b>	(1)	(20)	574	553
<b>Total other income, net</b>	<b>Total other income, net</b>	2	—	542	544	<b>(Loss) / Income Before Income Tax</b>	(187)	2,661	(2,281)	193
<b>(Loss) / Income Before Income Tax</b>	<b>(Loss) / Income Before Income Tax</b>	(405)	4,251	(4,909)	(1,063)	Income tax	1	—	2	3
Income tax	Income tax	—	—	3	3	<b>Net (loss) / income</b>	(188)	2,661	(2,283)	190
<b>Net (loss) / income</b>	<b>Net (loss) / income</b>	<b>(405)</b>	<b>4,251</b>	<b>(4,912)</b>	<b>(1,066)</b>					

The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations for the three months ended **March 31, 2022** **June 30, 2022**, by our operating segments:

		Three Months Ended March 31, 2022				Three Months Ended June 30, 2022			
		Revenues:		Operating Costs and Expenses:		Revenues:		Operating Costs and Expenses:	
		Restaurant division	Sadot Division	Corporate adj.	Consolidated	Restaurant division	Sadot agri-foods	Corporate adj.	Consolidated
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>	<b>Revenues:</b>					<b>Revenues:</b>			
Company restaurant sales, net of discounts	Company restaurant sales, net of discounts	2,694	—	—	2,694	Company restaurant sales, net of discounts	2,751	—	—
Franchise royalties and fees	Franchise royalties and fees	208	—	—	208	Franchise royalties and fees	70	—	93
Franchise advertising fund contributions	Franchise advertising fund contributions	18	—	—	18	Franchise advertising fund contributions	—	—	16
<b>Total revenues</b>	<b>Total revenues</b>	<b>2,920</b>	<b>—</b>	<b>—</b>	<b>2,920</b>	<b>Total revenues</b>	<b>2,821</b>	<b>—</b>	<b>109</b>
<b>Operating Costs and Expenses:</b>	<b>Operating Costs and Expenses:</b>					<b>Operating Costs and Expenses:</b>			
Restaurant operating expenses:	Restaurant operating expenses:					Restaurant operating expenses:			
Food and beverage costs	Food and beverage costs	1,026	—	—	1,026	Food and beverage costs	1,137	—	(20)
									1,117

Labor	Labor	1,073	—	—	1,073	Labor	903	—	—	903
Rent	Rent	340	—	—	340	Rent	327	—	—	327
Other restaurant operating expenses	Other restaurant operating expenses	650	—	—	650	Other restaurant operating expenses	688	—	—	688
Total restaurant operating expenses	Total restaurant operating expenses	3,089	—	—	3,089	Total restaurant operating expenses	3,055	—	(20)	3,035
Depreciation and amortization expenses	Depreciation and amortization expenses	119	—	357	476	Depreciation and amortization expenses	124	—	365	489
Franchise advertising fund expenses	Franchise advertising fund expenses	18	—	—	18	Franchise advertising fund expenses	—	—	16	16
Sales, general and administrative expenses	Sales, general and administrative expenses	257	—	1,067	1,324	Sales, general and administrative expenses	30	—	1,097	1,127
<b>Total costs and expenses</b>	<b>Total costs and expenses</b>	<b>3,483</b>	<b>—</b>	<b>1,424</b>	<b>4,907</b>	<b>Total costs and expenses</b>	<b>3,209</b>	<b>—</b>	<b>1,458</b>	<b>4,667</b>
<b>Loss from operations</b>	<b>Loss from operations</b>	<b>(563)</b>	<b>—</b>	<b>(1,424)</b>	<b>(1,987)</b>	<b>Loss from operations</b>	<b>(388)</b>	<b>—</b>	<b>(1,349)</b>	<b>(1,737)</b>
<b>Other Income:</b>	<b>Other Income:</b>					<b>Other Income:</b>				
Other income		2	—	(21)	(19)	Other income / (expense)			(25)	(15)
Interest income/ (expense), net		3	—	(21)	(18)	Interest expense, net			(5)	(10)
Gain on debt extinguishment		140	—	—	140					
Other income / (expense)						Total other income, net	5	—	(30)	(25)
Interest expense, net						<b>Loss Before Income Tax</b>	<b>(383)</b>	<b>—</b>	<b>(1,379)</b>	<b>(1,762)</b>
<b>Total other income, net</b>	<b>Total other income, net</b>	<b>145</b>	<b>—</b>	<b>(42)</b>	<b>103</b>	Income tax	—	—	12	12
<b>Loss Before Income Tax</b>	<b>Loss Before Income Tax</b>	<b>(418)</b>	<b>—</b>	<b>(1,466)</b>	<b>(1,884)</b>	<b>Net loss</b>	<b>(383)</b>	<b>—</b>	<b>(1,391)</b>	<b>(1,774)</b>
Income tax	Income tax	—	—	2	2					
<b>Net loss</b>	<b>Net loss</b>	<b>(418)</b>	<b>—</b>	<b>(1,468)</b>	<b>(1,886)</b>					

#### Unaudited Condensed Consolidated Results of Operations - Six Months Ended June 30, 2023 Compared to the Six Months Ended June 30, 2022

The following table represents selected items in our Unaudited Condensed Consolidated Statements of Operations for the six months ended June 30, 2023 and 2022, respectively:

		For the Six Months Ended June 30,		Variance	
		2023	2022	\$	%
		\$'000	\$'000	\$'000	
<b>Revenues:</b>					
Commodity sales		367,925	—	367,925	NM
Company restaurant sales, net of discounts		4,788	5,445	(657)	(12.1)%
Franchise royalties and fees		522	371	151	40.7 %
Franchise advertising fund contributions		36	34	2	5.9 %

Other revenues	13	—	13	NM
<b>Total revenues</b>	<b>373,284</b>	<b>5,850</b>	<b>367,434</b>	<b>6280.9 %</b>
<b>Operating Costs and Expenses:</b>				
<i>Commodity operating expenses:</i>				
Commodity cost	358,295	—	358,295	NM
Labor	1,472	—	1,472	NM
Other commodity operating expenses	639	—	639	NM
<b>Total commodity operating expenses</b>	<b>360,406</b>	<b>—</b>	<b>360,406</b>	<b>NM</b>
<i>Restaurant operating expenses:</i>				
Food and beverage costs	1,706	2,143	(437)	(20.4) %
Labor	1,836	1,976	(140)	(7.1) %
Rent	564	667	(103)	(15.4) %
Other restaurant operating expenses	1,023	1,338	(315)	(23.5) %
<b>Total restaurant operating expenses</b>	<b>5,129</b>	<b>6,124</b>	<b>(995)</b>	<b>(16.2) %</b>
Depreciation and amortization expenses	1,074	965	109	11.3 %
Franchise advertising fund expenses	36	34	2	5.9 %
Pre-opening expenses	36	—	36	NM
Post-closing expenses	113	—	113	NM
Stock-based consulting expenses	4,427	—	4,427	NM
Sales, general and administrative expenses	4,030	2,451	1,579	64.4 %
<b>Total costs and expenses</b>	<b>375,251</b>	<b>9,574</b>	<b>365,677</b>	<b>3819.5 %</b>
<b>Loss from operations</b>	<b>(1,967)</b>	<b>(3,724)</b>	<b>1,757</b>	<b>(47.2) %</b>
<b>Other Income / (Expense):</b>				
Other income / (expense)	251	(34)	285	(838.2) %
Interest income / (expense), net	(19)	(28)	9	(32.1) %
Change in fair value of accrued compensation	865	—	865	NM
Gain on debt extinguishment	—	140	(140)	(100.0) %
<b>Total other income / (expense), net</b>	<b>1,097</b>	<b>78</b>	<b>1,019</b>	<b>1306.4 %</b>
<b>Income / (Loss) Before Income Tax</b>	<b>(870)</b>	<b>(3,646)</b>	<b>2,776</b>	<b>(76.1) %</b>
Income tax	6	14	(8)	(57.1) %
<b>Net income / (loss)</b>	<b>(876)</b>	<b>(3,660)</b>	<b>2,784</b>	<b>(76.1) %</b>

NM= not meaningful

The following table sets forth our results of operations as a percentage of total revenue for each period presented preceding:

	For the Six Months Ended June 30,	
	2023	2022
<b>Revenues:</b>		
Commodity sales	98.6 %	—
Company restaurant sales, net of discounts	1.3 %	93.1 %
Franchise royalties and fees	0.1 %	6.3 %
Franchise advertising fund contributions	—	0.6 %
Other revenues	—	—
<b>Total revenues</b>	<b>100.0 %</b>	<b>100.0 %</b>
<b>Operating Costs and Expenses:</b>		
<i>Commodity operating expenses:</i>		

Commodity cost	96.0 %	—
Labor	0.4 %	—
Other commodity operating expenses	0.2 %	—
<b>Total commodity operating expenses</b>	<b>96.6 %</b>	<b>—</b>
<i>Restaurant operating expenses:</i>		
Food and beverage costs	0.5 %	36.6 %
Labor	0.5 %	33.8 %
Rent	0.2 %	11.4 %
Other restaurant operating expenses	0.3 %	22.9 %
<b>Total restaurant operating expenses</b>	<b>1.4 %</b>	<b>104.7 %</b>
Depreciation and amortization expenses	0.3 %	16.5 %
Franchise advertising fund expenses	—	0.6 %
Pre-opening expenses	—	—
Post-closing expenses	—	—
Stock-based consulting expenses	1.2 %	—
Sales, general and administrative expenses	1.1 %	41.9 %
<b>Total costs and expenses</b>	<b>100.5 %</b>	<b>163.7 %</b>
<b>Loss from operations</b>	<b>(0.5)</b>	<b>(63.7)%</b>
<b>Other Income:</b>		
Other income / (expense)	0.1 %	(0.6)%
Interest income / (expense), net	—	(0.5)%
Change in fair value of accrued compensation	0.2 %	—
Gain on debt extinguishment	—	2.4 %
<b>Total other income, net</b>	<b>0.3 %</b>	<b>1.3 %</b>
<b>Loss Before Income Tax</b>	<b>(0.2)%</b>	<b>(62.3)%</b>
Income tax	—	0.2 %
<b>Net loss</b>	<b>(0.2)%</b>	<b>(62.6)%</b>

## Revenues

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
<b>Revenues:</b>				
Commodity sales	367,925	—	367,925	NM
Company restaurant sales, net of discounts	4,788	5,445	(657)	(12.1)%
Franchise royalties and fees	522	371	151	40.7 %
Franchise advertising fund contributions	36	34	2	5.9 %
Other revenues	13	—	13	NM
<b>Total revenues</b>	<b>373,284</b>	<b>5,850</b>	<b>367,434</b>	<b>6280.9 %</b>

NM= not meaningful

Our revenues totaled \$373.3 million for the six months ended June 30, 2023, compared to \$5.9 million for the six months ended June 30, 2022. The \$367.4 million increase is primarily attributed to an increase in Commodity sales as a direct result of the formation of Sadot Agri-Foods and its added revenue.

We generated Commodity sales of \$367.9 million for the six months ended June 30, 2023. We did not have any Commodity sales for the six months ended June 30, 2022. This represented an increase of \$367.9 million, which is attributable to Sadot Agri-Foods sales generated from physical food related commodities.

We generated Company restaurant sales, net of discounts, of \$4.8 million for the six months ended June 30, 2023, compared to \$5.4 million for the six months ended June 30, 2022. This represented an decrease of \$0.7 million, or 12.1%, which is mainly attributable to the closures of certain unprofitable Muscle Maker Grill locations.

Franchise royalties and fees for the six months ended June 30, 2023 totaled \$0.5 million compared to \$0.4 million for the six months ended June 30, 2022. This represents an increase of \$0.2 million, or 40.7%. In 2023, the franchise fees were higher, primarily due to termination of one Muscle Maker Grill franchise agreement, which corresponds to accelerating the recognition of initial franchise fees and an increase in Pokemoto franchise sales and store openings.

Franchise advertising fund contributions for the six months ended June 30, 2023 totaled \$36.0 thousand compared to \$34.0 thousand for the six months ended June 30, 2022. The Company recognizes these sales-based advertising contributions from franchisees as franchise revenue when the underlying franchisee Company incurs the corresponding advertising expense. The increase of \$2.0 thousand or 5.9%, is a direct result of the increase in Muscle Maker Grill national advertising services to benefit the brand as a whole.

Other revenues for the six months ended June 30, 2023 totaled \$13.0 thousand. There were no Other revenues for the six months ended June 30, 2022. Other revenues consisted of gift card breakage recognized.

#### Operating Costs and Expenses

Operating costs and expenses primarily consist of Commodity costs, Restaurant food and beverage costs, Restaurant labor expense, Restaurant rent expense, Other restaurant operating expenses, Depreciation and amortization expenses and Sales, general and administrative expenses.

#### Commodity Costs

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	%
Commodity cost	358,295	—	358,295	NM

Commodity costs for the six months ended June 30, 2023, totaled \$358.3 million or 97.4% as a percentage of Commodity sales. There was no Commodity cost for the six months ended June 30, 2022. The \$358.3 million increase resulted from a new line of business operated by Sadot Agri-Foods.

#### Commodity Labor Cost

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	%
Labor	1,472	—	1,472	NM

Commodity labor costs for the six months ended June 30, 2023, totaled \$1.5 million or 0.4% as a percentage of Commodity sales. There were no Commodity labor costs for the six months ended June 30, 2022. The \$1.5 million increase resulted from a new line of business operated by Sadot Agri-Foods.

#### Other Commodity Operating Expenses

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	%
Other commodity operating expenses	639	—	639	NM

Other commodity operating expenses for the six months ended June 30, 2023 totaled \$0.6 million or 0.2% as a percentage of Commodity sales. There were no Other commodity operating expenses for the six months ended June 30, 2022. The \$0.6 million increase resulted from a new line of business operated by Sadot Agri-Foods.

#### Restaurant Food and Beverage Costs

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	%
Food and beverage costs	1,706	2,143	(437)	(20.4)%

Restaurant food and beverage costs for the six months ended June 30, 2023 totaled \$1.7 million or 35.6% as a percentage of Company restaurant net sales, and \$2.1 million or 39.4%, as a percentage of Company restaurant net sales, for the six months ended June 30, 2022. The \$0.4 million decrease resulted from a decrease in sales due to the closures of certain unprofitable Muscle Maker Grill locations. Total restaurant food and beverage cost as a percentage of sales decrease by 3.7% as a result of increased efficiencies in 2023.

#### Restaurant Labor Expense

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Labor	1,836	1,976	(140)	(7.1)%

Restaurant labor expense for the six months ended June 30, 2023 totaled \$1.8 million, or 38.3%, as a percentage of Company restaurant net sales, and \$2.0 million, or 36.3%, as a percentage of Company restaurant net sales, for the six months ended June 30, 2022. The \$0.1 million decrease resulted from the closure of nonperforming corporate locations.

#### *Restaurant Rent Expense*

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Rent	564	667	(103)	(15.4)%

Restaurant rent expense for the six months ended June 30, 2023 totaled \$0.6 million, or 11.8% as a percentage of restaurant sales, and \$0.7 million, or 12.2%, as a percentage of restaurant sales, for the six months ended June 30, 2022. The decrease of \$0.1 million is directly attributed to the closure of nonperforming corporate locations. The percentage of total sales decreased by 0.5% as sales decreased overall.

#### *Other Restaurant Operating Expenses*

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Other restaurant operating expenses	1,023	1,338	(315)	(23.5)%

Other restaurant operating expenses for the six months ended June 30, 2023 totaled \$1.0 million, or 21.4% as a percentage of restaurant sales, and \$1.3 million, or 24.6% as a percentage of restaurant sales, for the six months ended June 30, 2022. The \$0.3 million decrease is primarily due to a decrease in insurance costs resulting from a consolidation in insurance companies and a decrease in third party processing fees, partially offset by an increase in merchant processing fees. The Other restaurant operating expenses as a percent of total sales decreased by 3.2%.

#### *Depreciation and Amortization Expenses*

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Depreciation and amortization expenses	1,074	965	109	11.3 %

Depreciation and amortization expenses for the six months ended June 30, 2023 totaled \$1.1 million compared to \$1.0 million, for the six months ended June 30, 2022. The \$0.1 million increase is mainly attributed to the accelerated depreciation of leasehold improvements for leases that were modified resulting in a shorter life.

#### *Franchise Advertising Fund Expenses*

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	
Franchise advertising fund expenses	36	34	2	5.9 %

Franchise advertising fund expenses for the six months ended June 30, 2023 totaled \$36.0 thousand compared to \$34.0 thousand, for the six months ended June 30, 2022. The \$2.0 thousand increase or 5.9% is mainly attributed to the increase in Muscle Maker Grill national advertising services to benefit the brand.

#### *Pre-Opening Expenses*

	For the Six Months Ended June 30,		Variance	
	2023	2022	\$	%
	\$'000	\$'000	\$'000	

	\$'000	\$'000	\$'000
	2023	2022	Variance
	\$'000	\$'000	\$'000
Pre-opening expenses	36	—	36

Pre-opening expenses for the six months ended June 30, 2023 totaled \$36.0 thousand. There were no Pre-opening expenses for the six months ended June 30, 2022. The increase in pre-opening expense resulted from expenses incurred prior to the opening of our new Company-owned stores.

#### Post-Closing Expenses

	For the Six Months Ended June 30,		Variance
	2023	2022	
	\$'000	\$'000	
Post-closing expenses	113	—	113

Post-closing expenses for the six months ended June 30, 2023 totaled \$0.1 million. There were no Post-closing expenses for the six months ended June 30, 2022. The increase in Post-closing expenses resulted from expenses incurred after the closing of underperforming Company-owned stores.

#### Stock-Based Consulting Expenses

	For the Six Months Ended June 30,		Variance
	2023	2022	
	\$'000	\$'000	
Stock-based consulting expenses	4,427	—	4,427

Stock-based consulting expenses for the six months ended June 30, 2023, totaled \$4.4 million. There were no Stock-based consulting expenses for the six months ended June 30, 2022. The increase in Stock-based consulting expenses is the result of consulting fees due to Aggia for Sadot Agri-Foods operations. Based on the servicing agreement with Aggia, the consulting fees are calculated at approximately 80% and 40.0% of the Net income generated by the Sadot Agri-Foods business segment for the first quarter of 2023 and the second quarter of 2023, respectively.

#### Sales, General and Administrative Expenses

	For the Six Months Ended June 30,		Variance
	2023	2022	
	\$'000	\$'000	
Sales, general and administrative expenses	4,030	2,451	1,579

Sales, general and administrative expenses for the six months ended June 30, 2023 totaled \$4.0 million, or 1.1% of total revenue, compared to \$2.5 million, or 41.9% of total revenue, for the six months ended June 30, 2022. The \$1.6 million increase was primarily attributable to an increase in professional and consulting fees and employee salaries and benefits.

#### Total Other Income, Net

	For the Six Months Ended June 30,		Variance
	2023	2022	
	\$'000	\$'000	
Total other income / (expense), net	1,097	78	1,019

Total other income / (expense), net for the six months ended June 30, 2023 totaled \$1.1 million compared to \$0.1 million, for the six months ended June 30, 2022. The \$1.0 million increase in Total other income / (expense), net was attributable to an decrease in the Gain on extinguishment of debt of \$0.1 million due to the forgiveness of our PPP loans, a increase of \$0.9 million in the Change in fair value of accrued compensation, partially offset by a \$9.0 thousand decrease in Interest expense and a \$0.3 million increase in Other income.

#### Income Tax

	For the Six Months Ended June 30,		Variance
	2023	2022	
	\$'000	\$'000	
Income tax	6	14	(8)

Our Income tax for the six months ended June 30, 2023, was \$6.0 thousand which was an increase of \$8.0 thousand as compared to Income taxes of \$14.0 thousand for the six months ended June 30, 2022 due to an increase in current state taxes.

The following table represents selected items in our Condensed Consolidated Statements of Operations for the six months ended June 30, 2023, by our operating segments:

	Six Months Ended June 30, 2023			
	Restaurant division	Sadot agri-foods	Corporate adj.	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>				
Commodity sales	—	367,925	—	367,925
Company restaurant sales, net of discounts	4,788	—	—	4,788
Franchise royalties and fees	522	—	—	522
Franchise advertising fund contributions	36	—	—	36
Other revenues	13	—	—	13
<b>Total revenues</b>	<b>5,359</b>	<b>367,925</b>	—	<b>373,284</b>
<b>Operating Costs and Expenses:</b>				
<i>Commodity operating expenses:</i>				
Commodity cost	—	358,295	—	358,295
Labor	—	1,472	—	1,472
Other commodity operating expenses	—	639	—	639
<b>Total commodity operating expenses</b>	<b>—</b>	<b>360,406</b>	—	<b>360,406</b>
<i>Restaurant operating expenses:</i>				
Food and beverage costs	1,706	—	—	1,706
Labor	1,836	—	—	1,836
Rent	564	—	—	564
Other restaurant operating expenses	1,023	—	—	1,023
<b>Total restaurant operating expenses</b>	<b>5,129</b>	—	—	<b>5,129</b>
Depreciation and amortization expenses	469	—	605	1,074
Franchise advertising fund expenses	36	—	—	36
Preopening expenses	36	—	—	36
Post-closing expenses	112	—	1	113
Stock-based consulting expenses	—	—	4,427	4,427
Sales, general and administrative expenses	171	587	3,272	4,030
<b>Total costs and expenses</b>	<b>5,953</b>	<b>360,993</b>	<b>8,305</b>	<b>375,251</b>
<b>(Loss) / income from operations</b>	<b>(594)</b>	<b>6,932</b>	<b>(8,305)</b>	<b>(1,967)</b>
<b>Other Income:</b>				
Other income	—	—	251	251
Interest income, net	2	(21)	—	(19)
Change in fair value of accrued compensation	—	—	865	865
<b>Total other income, net</b>	<b>2</b>	<b>(21)</b>	<b>1,116</b>	<b>1,097</b>
<b>(Loss) / Income Before Income Tax</b>	<b>(592)</b>	<b>6,911</b>	<b>(7,189)</b>	<b>(870)</b>
Income tax	2	—	4	6
<b>Net (loss) / income</b>	<b>(594)</b>	<b>6,911</b>	<b>(7,193)</b>	<b>(876)</b>

The following table represents selected items in our Condensed Consolidated Statements of Operations for the six months ended June 30, 2022, by our operating segments:

	Six Months Ended June 30, 2022			
	Restaurant division	Sadot agri-foods	Corporate adj.	Consolidated
	\$'000	\$'000	\$'000	\$'000
<b>Revenues:</b>				
Company restaurant sales, net of discounts	5,445	—	—	5,445
Franchise royalties and fees	132	—	239	371
Franchise advertising fund contributions	—	—	34	34
<b>Total revenues</b>	<b>5,577</b>	<b>—</b>	<b>273</b>	<b>5,850</b>
<b>Operating Costs and Expenses:</b>				
<i>Restaurant operating expenses:</i>				
Food and beverage costs	2,145	—	(2)	2,143
Labor	1,976	—	—	1,976
Rent	667	—	—	667
Other restaurant operating expenses	1,338	—	—	1,338
<b>Total restaurant operating expenses</b>	<b>6,126</b>	<b>—</b>	<b>(2)</b>	<b>6,124</b>
Depreciation and amortization expenses	243	—	722	965
Franchise advertising fund expenses	—	—	34	34
Sales, general and administrative expenses	287	—	2,164	2,451
<b>Total costs and expenses</b>	<b>6,656</b>	<b>—</b>	<b>2,918</b>	<b>9,574</b>
<b>Loss from operations</b>	<b>(1,079)</b>	<b>—</b>	<b>(2,645)</b>	<b>(3,724)</b>
<b>Other Income:</b>				
Other income	12	—	(46)	(34)
Interest expense, net	(2)	—	(26)	(28)
Gain on debt extinguishment	140	—	—	140
<b>Total other income, net</b>	<b>150</b>	<b>—</b>	<b>(72)</b>	<b>78</b>
<b>Loss Before Income Tax</b>	<b>(929)</b>	<b>—</b>	<b>(2,717)</b>	<b>(3,646)</b>
Income tax	—	—	14	14
<b>Net loss</b>	<b>(929)</b>	<b>—</b>	<b>(2,731)</b>	<b>(3,660)</b>

## Liquidity and Capital Resources

### Liquidity

We measure our liquidity in a number of ways, including the following:

	As of		As of			
	March 31, 2023		December 31, 2022			
	\$'000	\$'000	\$'000	\$'000		
Cash	Cash	6,386	9,898	Cash	5,090	9,898
Working capital surplus	Working capital surplus	6,420	4,033	Working capital surplus	7,716	4,033
Notes payable	Notes payable	947	981	Notes payable	4,412	981

### Availability of Additional Funds

Although we have a working capital surplus of \$6.4 million \$7.7 million, we presently have an accumulated deficit of \$80.4 million \$80.2 million, as of December 31, 2022, and we utilized \$3.3 million \$4.2 million of cash in operating activities during the three six months ended March 31, 2023 June 30, 2023. We believe that our existing cash on hand and future cash flows from our franchise operations and commodity trading operations, will be sufficient to fund our operations, anticipated capital expenditures and repayment obligations over the next 12 months.

In the event we are required to obtain additional financing, either through borrowings, private placements, public offerings, or some type of business combination, such as a merger, or buyout, and there can be no assurance that we will be successful in such pursuits. We may be unable to acquire the additional funding necessary to continue operating. Accordingly, if we are unable to generate adequate cash from operations, and if we are unable to find sources of funding, it may be necessary for us to sell one or more lines of

business or all or a portion of our assets, enter into a business combination or reduce or eliminate operations. These possibilities, to the extent available, may be on terms that result in significant dilution to our shareholders or that result in our shareholders losing all of their investment in our Company.

If we need to raise additional capital, we do not know what the terms of any such capital raising would be. In addition, any future sale of our equity securities could dilute the ownership and control of your shares and could be at prices substantially below prices at which our shares currently trade. We may seek to increase our cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to our shareholders. The occurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

#### *Sources and Uses of Cash for the Three Six Months Ended March 31, 2023/June 30, 2023 and March 31, 2022/2022*

For the three six months ended March 31, 2023/June 30, 2023, we used Net cash of \$3.3 million \$4.2 million compared to \$0.9 million \$1.9 million, for the three six months ended March 31, 2022/June 30, 2022, in operations. Our Net cash used for the three six months ended March 31, 2023/June 30, 2023, was primarily attributable to our Net loss of \$1.1 million \$0.9 million, adjusted for net non-cash income in the aggregate amount of \$4.6 million \$5.0 million offset by \$6.8 million \$8.4 million of Net cash provided by changes in the levels of operating assets and liabilities. Our Net cash used for the three six months ended March 31, 2022/June 30, 2022, was primarily attributable to our Net loss of \$1.9 million \$3.7 million, adjusted for net non-cash income in the aggregate amount of \$0.6 million \$1.1 million, partially offset by \$0.3 million \$0.6 million of Net cash used in changes in the levels of operating assets and liabilities.

For the three six months ended March 31, 2023/June 30, 2023, Net cash used in investing activities was \$0.2 million \$4.0 million, of which \$0.1 million \$0.2 million was used to purchase Property and equipment, \$0.1 million was used on the Disposal of property and equipment and \$3.9 million was used for a deposit with the intent to purchase farmland. For the three six months ended March 31, 2022/June 30, 2022, Net cash used in investing activities was \$35.0 thousand, \$0.3 million, of which \$35.0 thousand \$0.3 million was used to purchase Property and equipment.

For the three six months ended March 31, 2023/June 30, 2023, Net cash used in provided by financing activities was \$34.0 thousand, \$3.4 million, consisting of repayments of various other notes payable of \$34.0 thousand, \$0.1 million. For the three six months ended March 31, 2022/June 30, 2022, Net cash provided by used in financing activities was \$32.0 thousand, \$0.1 million, partially offset by repayments of various other notes payable of \$32.0 thousand, \$0.1 million.

#### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842), which requires companies to recognize lease liabilities and corresponding right-of-use leased assets on the Balance Sheets and to disclose key information about leasing arrangements. Qualitative and quantitative disclosures will be enhanced to better understand the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 is effective for annual periods beginning after December 15, 2021, with early adoption permitted.

*Additionally, in 2018 and 2019, the FASB issued the following Topic 842-related ASUs:*

ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842, which clarifies the applicability of Topic 842 to land easements and provides an optional transition practical expedient for existing land easements;

ASU 2018-10, Codification Improvements to Topic 842, Leases, which makes certain technical corrections to Topic 842;

ASU 2018-11, Leases (Topic 842): Targeted Improvements, which allows companies to adopt Topic 842 without revising comparative period reporting or disclosures and provides an optional practical expedient to lessors to not separate lease and non-lease components of a contract if certain criteria are met; and

ASU 2019-01, Leases (Topic 842): Codification Improvements, which provides guidance for certain lessors on determining the fair value of an underlying asset in a lease and on the cash flow statement presentation of lease payments received; ASU No. 2019-01 also clarifies disclosures required in interim periods after adoption of ASU No. 2016-02 in the year of adoption.

The Company adopted Topic 842 as of January 1, 2022 and recognized a cumulative-effect adjustment to the opening balance of accumulated deficit of \$15.0 thousand as of the adoption date, and recognized an additional \$7.8 thousand during the second quarter of 2022, based on updated information on two of our leases, for an aggregate cumulative-effect adjustment to accumulated deficit of \$22.8 thousand.

In October 2021, the FASB issued ASU 2021-08 Business Combinations ("Topic 805"): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers", as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The adoption of this guidance did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended subsequently by ASUs 2018-19, 2019-04, 2019-05, 2019-10, 2019-11 and 2020-03. The guidance in the ASUs requires that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used. The standard also establishes additional disclosures related to credit risks. This standard is effective for fiscal years beginning after December 15, 2022. The adoption of this guidance on January 1, 2023 did not have a material impact on the Company's Unaudited Condensed Consolidated Financial Statements and related disclosures.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

#### **Item 4. Controls and Procedures**

##### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15<sup>e</sup> promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of **March 31, 2023** **June 30, 2023**. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of such date our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information requested to be disclosed by us in our reports that we file or submit under the Exchange Act.

##### **Changes in Internal Control over Financial Reporting**

Our Company has added and will continue to add additional internal control procedures, additional resources and software to increase the internal control aspects of the company as we integrate our Sadot Agri-Foods subsidiary into the overall business. Other than above changes, there were no other changes in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three and six months ended **March 31, 2023** **June 30, 2023**, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

#### **Item 1. Legal Proceedings**

From time to time, we are a defendant or plaintiff in various legal actions that arise in the normal course of business. We record legal costs associated with loss contingencies as incurred and have accrued for all probable and estimable settlements.

#### **Item 1.A. Risk Factors**

Not applicable. However, see Item 7 ("Management's Discussion and Analysis of Financial Condition and Results of Operations - Factors that May Affect Future Results and Financial Condition") of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 21, 2023.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

##### **Issuance of Stock**

On **January 5, 2023** **May 25, 2023**, the Company **authorized** issued 2.7 million shares of common stock to Aggia as consulting fees earned during the **issuance** **first quarter of 2023**.

On **July 11, 2023**, the Company **issued** of an aggregate of **31.3** **32.9** thousand shares of common stock to the members of the board of directors as compensation earned during the **fourth** **first quarter of 2022**, **2023**.

On **March 27, 2023** **October 19, 2022**, the Company **authorized** formed Sadot Agri-Foods. On November 14, 2022, the **issuance** Company, Sadot Agri-Foods and Aggia entered into the Services Agreement. The closing date of 2.8 million **the Services Agreement** was November 16, 2022. The parties entered into Addendum 1 to the Services Agreement on November 17, 2022. Further, on July 14, 2023 (the "Addendum Date"), effective April 1, 2023, the parties entered into Addendum 2 to the Services Agreement ("Addendum 2") pursuant to which the parties amended the compensation that Aggia is entitled.

Pursuant to Addendum 2, on the Addendum Date, the Company issued 8.9 million shares of common stock of the Company (the "Shares"), which such Shares represent 14.4 million Shares that Aggia is entitled to receive pursuant to the Services Agreement less the 5.6 million Shares that have been issued to Aggia pursuant to the Services Agreement as consulting fees earned during the fourth quarter Addendum Date. The Company will not issue Aggia in excess of 2022. 14.4 million Shares representing 49.9% of the number of issued and outstanding shares of common stock as of the effective date of the Services Agreement. The Shares shall be considered issued and outstanding as of the

Addendum Date and Aggia shall hold all rights associated with such Shares. The Shares vest on a progressive schedule, at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. During the 30 day period after July 14, 2028 (the "Share Repurchase Date"), Aggia may purchase any Shares not vested. All Shares not vested or purchased by Aggia, shall be repurchased by the Company from Aggia at per share price of \$0.001 per share.

The offers, sales, and issuances of the securities described above were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited or sophisticated person and had adequate access, through employment, business or other relationships, to information about us.

### **Item 3. Defaults Upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

### **Item 5. Other Information**

**None.** Pursuant to Addendum 2, on the Addendum Date, the Company issued 8.9 million shares of common stock of the Company (the "Shares"), which such Shares represent 14.4 million Shares that Aggia is entitled to receive pursuant to the Services Agreement less the 5.6 million Shares that have been issued to Aggia pursuant to the Services Agreement as of the Addendum Date. The Shares vest on a progressive schedule, at a rate equal to the net income of Sadot Agri-Foods, calculated quarterly divided by \$3.125, which for accounting purposes shall equal 40% of the net income of Sadot Agri-Foods, calculated quarterly divided by \$1.25. During the 30 day period after July 14, 2028 (the "Share Repurchase Date"), Aggia may purchase any Shares not vested. All Shares not vested or purchased by Aggia, shall be repurchased by the Company from Aggia at per share price of \$0.001 per share. Further, the parties clarified that the Lock Up Agreement previously entered between the Company and Aggia dated November 16, 2022 shall be terminated on May 16, 2024 provided that any Shares that have not vested or been purchased by Aggia may not be transferred, offered, pledged, sold, subject to a contract to sell, granted any options for the sale of or otherwise disposed of, directly or indirectly. Following the Share Repurchase Date, in the event that there is net income for any fiscal quarter, then an amount equal to 40% of the net income shall accrue as debt payable by Sadot Agri-Foods to Aggia (the "Debt"), until such Debt has reached a maximum of \$71.5 million.

On July 12, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.6 million in consideration of cash in the amount of \$0.5 million. The Convertible Promissory Note was paid off in full on July 31, 2023.

On July 18, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.2 million in consideration of cash in the amount of \$0.2 million. The Convertible Promissory Note was paid off in full on July 31, 2023.

On July 18, 2023, the Company issued a Convertible Promissory Note in the principal amount of \$0.2 million in consideration of cash in the amount of \$0.2 million. The Convertible Promissory Note was paid off in full on August 2, 2023.

Effective July 27, 2023, the Company changed its name to Sadot Group Inc. The name change was made in accordance with Section 92A.180 of the Nevada Revised Statutes by merging a wholly-owned subsidiary of the Company with and into the Company, with the Company being the surviving corporation in the merger. The Company effectuated the merger by filing Articles of Merger with the Secretary of State of the State of Nevada. In connection with the merger, the Company amended Article I of its Articles of Incorporation to change the Company's corporate name to Sadot Group Inc. With the exception of the name change, there will be no other changes to the Company's Articles of Incorporation.

Additionally, as of the opening of trading on July 27, 2023, the ticker symbol of the Company's common stock on The Nasdaq Capital Market was changed to "SDOT" and the CUSIP number of the Company's common stock (627333107) remained unchanged.

On July 27, 2023 (the "Closing Date"), the Company entered into a Warrant Exercise Agreement (the "Exercise Agreement") with Altium Growth Fund Ltd. (the "Exercising Holder"), the holder of outstanding warrants to purchase 2.2 million shares of common stock of the Company issued in November 2021 (collectively, the "Original Warrants"), whereby the Exercising Holder would exercise the Original Warrants in consideration of 2.2 million shares of common stock (the "Altium Shares"). The Company received aggregate gross proceeds before expenses of approximately \$2.2 million. In order to induce the Exercising Holder to exercise the Original Warrants, the Company reduced the exercise price on the Original Warrants from \$1.385 to \$1.00 per share.

In connection with the exercise of the Original Warrants, the Company issued an additional warrant to the Exercising Holder that is exercisable for the number of shares of common stock equal to one hundred percent of the Shares purchased by the Exercising Holder (the "Additional Warrant"). The Additional Warrant is substantially identical to the Original Warrants, except that the exercise price of the Additional Warrant is \$2.40. The Company is obligated to file a registration statement covering the shares of common stock underlying the warrants within 30 days and to have the registration statement declared effective within 90 days after filing with the Commission.

### **Item 6. Exhibits**

Exhibit No.	Exhibit Description
3.1	<a href="#">Certificate of Amendment to Articles of Incorporation of Muscle Maker, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on March 7, 2023)</a>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	Inline XBRL Instance Document*
101.SCH	Inline XBRL Schema Document*
101.CAL	Inline XBRL Calculation Linkbase Document*
101.DEF	Inline XBRL Definition Linkbase Document*
101.LAB	Inline XBRL Label Linkbase Document*
101.PRE	Inline XBRL Presentation Linkbase Document*
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

† Includes management contracts and compensation plans and arrangements

\*Filed herewith.

+Previously filed

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

#### **SADOT GROUP INC. (f/k/a MUSCLE MAKER, INC INC.)**

Dated: **May 10, 2023** **August 9, 2023**

By: /s/ Michael J. Roper

Michael J. Roper

Chief Executive Officer (Principal Executive Officer)

By: /s/ Jennifer Black

Jennifer Black

Chief Financial Officer (Principal Financial Officer)

**5474**

**Exhibit 31.1**

#### **SECTION 302 CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Michael J. Roper, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sadot Group Inc. (f/k/a Muscle Maker, Inc., Inc.);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2023** August 9, 2023

By: /s/ Michael J. Roper

Michael J. Roper  
Chief Executive Officer and Secretary  
(Principal Executive Officer)

**Exhibit 31.2**

**SECTION 302 CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

I, Jennifer Black, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Sadot Group Inc. (f/k/a Muscle Maker, Inc., Inc.);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13-a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 10, 2023** August 9, 2023

By: */s/ Jennifer Black*

Jennifer Black  
Chief Financial Officer  
(Principal Financial Officer)

**Exhibit 32.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Quarterly Report of Sadot Group Inc. (f/k/a Muscle Maker, Inc., Inc.) (the "Company") on Form 10-Q for the three and six months ended **March 31, 2023** June 30, 2023, as filed with the Securities and Exchange Commission (the "Report"), I, Michael J. Roper, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 10, 2023** August 9, 2023

By: */s/ Michael J. Roper*

Michael J. Roper  
Chief Executive Officer and Secretary  
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Exhibit 32.2**

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with the Quarterly Report of Sadot Group Inc. (f/k/a Muscle Maker, Inc., Inc.), (the "Company") on Form 10-Q for the three and six months ended **March 31, 2023** **June 30, 2023**, as filed with the Securities and Exchange Commission (the "Report"), I, Jennifer Black, Chief Financial Officer of the Company certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **May 10, 2023** **August 9, 2023**

By: */s/ Jennifer Black*

Jennifer Black  
Chief Financial Officer  
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

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