



**HAPPY BELLY FOOD GROUP INC.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
(UNAUDITED)**

**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025**

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**HAPPY BELLY FOOD GROUP INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)

<b>As At</b>	Notes	<b>September 30, 2025</b>	<b>December 31, 2024</b>
<i>(Canadian dollars)</i>		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		<b>3,341,380</b>	3,486,038
Receivables	6	<b>1,826,177</b>	720,544
Equity investments	7	<b>10,545</b>	76,899
Inventory	8	<b>630,018</b>	302,543
Prepays		<b>313,376</b>	127,273
<b>Total Current Assets</b>		<b>6,121,496</b>	4,713,297
<b>Non-current assets</b>			
Prepays long-term		<b>439,428</b>	194,111
Property and equipment	9	<b>6,664,561</b>	2,511,601
Intangible assets	10	<b>835,838</b>	413,612
Investment in joint venture	11	<b>258,255</b>	270,278
Interest in sublease	14	<b>143,169</b>	179,108
Goodwill	12	<b>1,059,713</b>	1,059,713
<b>Total non-current assets</b>		<b>9,400,964</b>	4,628,423
<b>TOTAL ASSETS</b>		<b>15,522,460</b>	9,341,720
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	<b>2,538,458</b>	1,058,670
Contingent consideration	5	<b>88,410</b>	88,410
Current portion of long-term debt	15	<b>27,480</b>	27,206
Current portion of lease liabilities	14	<b>514,864</b>	195,049
Current portion of deferred revenue	16	<b>145,310</b>	66,000
<b>Total current liabilities</b>		<b>3,314,522</b>	1,435,335
<b>Non-current liabilities</b>			
Long-term debt	15	<b>198,018</b>	217,628
Convertible debentures	15	<b>3,110,785</b>	2,985,313
Lease liabilities	14	<b>4,629,312</b>	1,779,562
Deferred revenue	16	<b>800,924</b>	388,222
Deferred tax liability		<b>96,670</b>	105,137
<b>Total non-current liabilities</b>		<b>8,835,709</b>	5,475,862
<b>TOTAL LIABILITIES</b>		<b>12,150,231</b>	6,911,197
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	<b>41,302,609</b>	40,468,178
Convertible debenture-equity portion	15	<b>692,495</b>	692,495
Contributed surplus	17	<b>11,993,704</b>	11,603,526
Deficit		<b>(51,530,103)</b>	(50,587,238)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,458,705</b>	2,176,961
Non-controlling interest		<b>913,524</b>	253,562
<b>TOTAL EQUITY</b>		<b>3,372,229</b>	2,430,523
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,522,460</b>	9,341,720

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

Nature of operations (Note 1)  
Subsequent event (Note 23)

**HAPPY BELLY FOOD GROUP INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited)

<i>(Canadian dollars)</i>	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
<b>Revenues</b>					
Product sales		6,042,440	1,865,991	13,940,135	5,268,543
Franchise revenue	16	1,063,671	268,000	2,099,512	690,000
Consulting and services		90,288	312,670	443,865	606,336
<b>Total Revenues</b>		<b>7,196,399</b>	<b>2,446,661</b>	<b>16,483,512</b>	<b>6,564,879</b>
<b>Expenses</b>					
Direct operating costs		2,713,631	922,098	6,007,903	2,549,829
General and administrative	20	1,489,820	731,734	3,837,578	2,177,404
Salaries and wages	20	2,233,571	691,090	5,153,164	1,775,859
Depreciation and amortization	9,10	288,356	136,212	685,906	348,469
Expected credit loss		23,147	-	65,337	-
Share-based compensation	17	131,382	63,280	299,609	145,840
<b>Total Expenses</b>		<b>6,879,907</b>	<b>2,544,414</b>	<b>16,049,497</b>	<b>6,997,401</b>
<b>Net income (loss) from operations</b>		<b>316,492</b>	<b>(97,753)</b>	<b>434,015</b>	<b>(432,522)</b>
<b>Other items</b>					
Financing costs	14,15	(275,902)	(167,681)	(803,948)	(675,980)
Interest income		29,901	96,476	88,024	96,476
Income/(loss) from investment in joint venture	11	(14,106)	-	(12,023)	-
Changes in fair value of equity investment	7	(66,355)	8,857	(66,355)	15,935
<b>Loss and comprehensive loss before taxes</b>		<b>(9,970)</b>	<b>(160,101)</b>	<b>(360,287)</b>	<b>(996,091)</b>
Deferred income tax recovery		2,822	-	8,467	-
<b>Net loss and comprehensive loss</b>		<b>(7,148)</b>	<b>(160,101)</b>	<b>(351,820)</b>	<b>(996,091)</b>
Net loss attributable to the owners of the Company		(257,681)	(160,101)	(942,865)	(1,008,751)
Net income attributable to non-controlling interest		250,533	-	591,045	12,660
<b>Net loss and comprehensive loss</b>		<b>(7,148)</b>	<b>(160,101)</b>	<b>(351,820)</b>	<b>(996,091)</b>
<b>Loss per share</b>					
Net loss per share – basic and diluted		\$(0.00)	\$(0.00)	\$(0.00)	\$(0.01)
Weighted average number of common shares outstanding – basic and diluted		129,585,657	126,678,793	129,483,788	118,951,946

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

**HAPPY BELLY FOOD GROUP INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Unaudited)

<i>(Canadian dollars)</i>	Notes	Number of Common Shares	Share Capital	Contributed Surplus	Convertible Debentures	Accumulated Deficit	Non-Controlling Interest	Total
			\$	\$	\$	\$	\$	\$
Balance at December 31, 2023		110,503,835	35,472,973	11,344,311	690,099	(48,230,606)	162,869	(560,354)
Issued pursuant to business combination and investment in joint venture	5,11	2,285,805	723,387	-	-	-	-	723,387
Warrants exercise	17	2,995,000	599,600	(600)	-	-	-	599,000
Stock options exercise	17	410,000	180,000	(30,000)	-	-	-	150,000
Share based compensation	17	-	-	289,815	-	-	-	289,815
Debt settlement		96,153	37,500	-	-	-	-	37,500
Convertible debentures issued	15	-	-	-	555,537	-	-	555,537
Conversion of convertible debentures	15	12,735,246	3,454,718	-	(453,946)	-	-	3,000,772
Convertible debenture deferred tax impact		-	-	-	(99,195)	-	-	(99,195)
Net loss and comprehensive loss		-	-	-	-	(2,356,632)	90,693	(2,265,939)
Balance at December 31, 2024		129,026,039	40,468,178	11,603,526	692,495	(50,587,238)	253,562	2,430,523
<b>Issued pursuant to business combination</b>	<b>5</b>	<b>377,333</b>	<b>425,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,917</b>	<b>493,917</b>
<b>Issuance of common shares on private placement</b>	<b>17</b>	<b>333,333</b>	<b>409,431</b>	<b>90,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>
<b>Share based compensation</b>	<b>17</b>	<b>-</b>	<b>-</b>	<b>299,609</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>299,609</b>
<b>Net loss and comprehensive loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(942,865)</b>	<b>591,045</b>	<b>(351,820)</b>
<b>Balance at September 30, 2025</b>		<b>129,736,705</b>	<b>41,302,609</b>	<b>11,993,704</b>	<b>692,495</b>	<b>(51,530,103)</b>	<b>913,524</b>	<b>3,372,229</b>

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

**HAPPY BELLY FOOD GROUP INC.**  
**CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited)

<i>(Canadian dollars)</i>	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2025	2024	2025	2024
		\$	\$	\$	\$
<b>Operating Activities</b>					
Net loss and comprehensive loss		(7,148)	(160,101)	(351,820)	(996,091)
Items not affecting cash and cash equivalents:					
Amortization	9,10	288,356	136,212	685,906	348,469
Financing costs	14,15	190,263	34,494	463,488	201,738
Financing income on sublease	14	(4,555)	-	(14,749)	2,853
Expected credit loss		23,147	-	65,337	-
Share-based compensation	17	131,382	63,280	299,609	145,840
Bonuses paid in shares		39,500	-	118,500	-
Deferred tax recovery		(2,822)	-	(8,467)	-
Share of income from investment in joint venture	11	14,106	-	12,023	-
Unrealized loss on equity investment	7	66,355	(8,857)	66,355	(15,935)
		738,584	65,028	1,336,182	(313,126)
Net change in non-cash working capital related to operations	21	18,819	(269,709)	15,958	(580,318)
<b>Cash flows from (used in) operating activities</b>		<b>757,403</b>	<b>(204,681)</b>	<b>1,352,140</b>	<b>(893,444)</b>
<b>Investing Activities</b>					
Intangible asset expenditures	10	-	853	-	-
Property and equipment expenditures	9	(156,543)	(12,226)	(1,270,007)	(45,260)
Proceeds on sale of equity investments	7	-	-	-	(47,270)
Acquired cash	5	4,854	-	5,160	170,823
Proceeds from sublease	14	17,523	37,151	50,688	61,025
Corporate acquisition	5	-	(220,000)	(159,661)	(220,000)
<b>Cash flows used in investing activities</b>		<b>(134,166)</b>	<b>(194,222)</b>	<b>(1,373,820)</b>	<b>(80,682)</b>
<b>Financing Activities</b>					
Proceeds from a share private placement	17	-	-	500,000	-
Proceeds from convertible debentures	15	-	2,000,000	-	3,150,130
Repayment of long-term debt	15	(6,246)	(18,929)	(19,334)	(56,829)
Proceeds from stock option exercises	17	-	-	-	52,000
Proceeds from warrant exercises	17	-	-	-	440,160
Lease liabilities settled	14	(256,042)	(73,958)	(603,644)	(241,852)
Net change in non-cash working capital related to financing activities		-	(2,000,000)	-	-
<b>Cash flows from (used in) financing activities</b>		<b>(262,288)</b>	<b>(92,887)</b>	<b>(122,978)</b>	<b>3,343,609</b>
<b>Increase (decrease) in cash and cash equivalents</b>					
		<b>360,949</b>	<b>(491,790)</b>	<b>(144,658)</b>	<b>2,369,483</b>
Cash and cash equivalents, beginning of period		2,980,431	4,130,318	3,486,038	1,269,045
<b>Cash and cash equivalents, end of period</b>		<b>3,341,380</b>	<b>3,638,528</b>	<b>3,341,380</b>	<b>3,638,528</b>
<b>Cash and cash equivalents consist of:</b>					
Cash				3,341,380	843,997
Cash equivalents				-	2,794,531

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

**HAPPY BELLY FOOD GROUP INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2025**  
(Expressed in Canadian Dollars)

**1. NATURE OF OPERATIONS**

Happy Belly Food Group Inc. (the “Company” or “Happy Belly”) was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia.

The Company operates and franchises Quick Service Restaurants (“QSR”) throughout Canada as well as sells its Consumer Product Goods (“CPG”) through wholesale and retail channels. The Company’s corporate office is located at Suite 400, 1681 Chestnut Street, Vancouver, British Columbia V6J 4M6.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standard Board (“IFRS”) on a going concern basis.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are classified as fair value through profit or loss (“FVTPL”).

Certain comparative amounts have been reclassified to conform with current accounting presentation.

These condensed consolidated interim financial statements were reviewed by the Audit Committee and authorized for issuance by the Board of Directors as of November 25, 2025.

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its controlled entities. Control is achieved when the Company has the power to govern the financial operating policies of an entity to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases.

These condensed consolidated interim financial statements include the accounts of the Company, and its subsidiaries as follows:

<b>Subsidiary name</b>	<b>Jurisdiction</b>	<b>Ownership interest</b>
Plant & Company Brands Group Inc.	British Columbia	100%
Holy Crap Foods Inc.	British Columbia	100%
JBD Innovations Ltd.	Ontario	100%
1000317391 Ontario Inc. (O/A Lettuce Love)	Ontario	100%
Lettuce Love Franchising Inc.	Ontario	100%
Joey Turks Caribbean Grill Restaurants Inc.	Ontario	100%
1000061911 Ontario Inc. (O/A Lumberheads)	Ontario	51%
1000470444 Ontario Inc. (O/A Pirho Fresh Greek Grill Franchising)	Ontario	50%
1000193142 Ontario Inc. (O/A Heal Wellness)	Ontario	50%
Heal Lifestyle Franchising Inc.	Ontario	50%
Heal Lifestyle Inc.	Ontario	50%
1000691946 Ontario Inc. (O/A Rosie’s Burgers)	Ontario	50%
Via Cibo Franchising Inc.	Ontario	100%
Via Cibo Restaurants Inc.	Ontario	100%
2574578 Ontario Inc. (O/A IQ Foods)	Ontario	100%
Happy Belly Coffee Inc. (O/A Smile Tiger Coffee Roasters)	Ontario	100%
Salus Fresh Foods Franchising Inc.	Ontario	50%

**HAPPY BELLY FOOD GROUP INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2025**  
(Expressed in Canadian Dollars)

**Presentation and functional currency**

The functional currency of the Company and its controlled entities are measured using the principal currency of the primary economic environment in which each entity operates. The functional currency of the Company and its subsidiaries is Canadian dollars which is also the presentation currency of these condensed consolidated interim financial statements.

**3. MATERIAL ACCOUNTING POLICIES**

The Company's material accounting policies under IFRS are presented in Note 3 to the Annual Financial Statements. Certain information and disclosures normally required to be included in the notes to the Annual Financial Statements prepared in accordance with IFRS have been condensed or omitted in the Interim Financial Statement.

**4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenue and expenses. The Company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements relate to, but are not limited to the following:

**Expected credit loss**

Management determines the expected credit loss by evaluating individual receivable balances and considering a member's financial condition and current economic conditions. Accounts receivable and loan receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. All accounts receivables are expected to be collected within one year of the statement of financial position date.

**Inventories**

The net realizable value of inventories represents the estimated selling price for inventories in the ordinary course of business, less all estimated costs of completion and costs necessary to make the sale. The determination of net realizable value requires significant judgement, including consideration of factors such as future demand for inventory and expected future selling price the Company expects to realize by selling the inventory. Reserves for excess and obsolete inventory are based upon quantities on hand, projected volumes from demand forecasts and net realizable value. The estimates are judgmental in nature and are made at a point in time, using available information, expected business plans, and expected market conditions. As a result, the actual amount received on sale could differ from the estimated value of inventory. Periodic reviews are performed on the inventory balance. The impact of changes in inventory reserves is reflected in cost of goods sold. In many cases, the products sold by the Company turn over quickly and inventory on-hand values are lower, thus reducing the risk of material misstatement. Management ensures that systems are in place to highlight and properly value inventory that may be approaching "best before" dates.

**Impairment of goodwill**

The values associated with goodwill involve significant estimates and assumptions, including those with respect to the determination of cash generating units, future cash inflows and outflows, discount rates and asset lives. At least annually, the carrying amount of goodwill is reviewed for potential impairment. Among other things, this review considers the recoverable amounts of the CGUs based on the higher of value in use or fair value less costs of disposal using discounted estimated future cash flows. These significant estimates require considerable judgement, which could affect the Company's future results if the current estimates of future performance and fair value change.

**HAPPY BELLY FOOD GROUP INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2025**  
(Expressed in Canadian Dollars)

Impairment of long-lived assets

The Company evaluates the recoverability of long-lived assets, including property and equipment, right of use assets, and definite life intangible assets, whether events or changes in circumstances indicate that the carrying value of the asset, or asset group, may not be recoverable. When the Company determines that the carrying value of the long-lived asset may not be recoverable based upon the existence of one or more of the indicators, the assets are assessed for impairment based on the estimate of future discounted cash flows expected to result from the use of the asset and its eventual disposition. If the carrying value of an asset exceeds its estimated future discounted cash flows, an impairment loss is recorded for the excess of the asset's carrying value over its fair value. Management judgement is required in the determination of indicators of impairment, as well as the estimation of future undiscounted cash flows, and as necessary, the fair value of those assets or asset groups in which indicators of impairment have been identified.

Share-based compensation

Valuation of share-based compensation requires management to make estimates regarding the inputs for option pricing models, such as the expected life of the option, the volatility of the Company's stock price, the vesting period of the option and the risk-free interest rate are used. Actual results could differ from those estimates. The estimates are considered for each new grant of stock options.

Fair value of financial instruments

The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine (a) the values attributed to each component of a transaction at the time of their issuance; (b) the fair value measurements for certain instruments that require subsequent measurement at fair value on a recurring basis; and (c) for disclosing the fair value of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Income taxes

The Company is subject to assessments by tax authorities, who may interpret tax legislation differently than the Company. When there is uncertainty over income tax positions, the Company assesses whether it is probable that the relevant tax authority will accept the uncertain tax position. This assessment affects the amount of income tax expense recognized by the Company. If the Company concludes that it is not probable that a tax authority will accept the uncertain tax position, the effect of the uncertain tax position is reflected in the determination of the Company's income tax expense or recovery based on the most likely amount or, if there are a wide range of possible outcomes, the expected value. Any interest and penalties related to unrecognized tax liabilities are presented within provision for income taxes within the consolidated interim statements of loss and comprehensive loss.

Contingent consideration

Contingent consideration payable as the result of a business combination is recorded at the date of acquisition at fair value. The fair value of contingent consideration is subject to significant judgement and estimates. Subsequent changes to the fair value of contingent consideration are measured at each reporting date, with changes recognized through profit or loss.

Convertible debentures

Convertible debentures are financial instruments which contain a separate financial liability and equity instrument. The identification of such components embedded within a convertible debenture requires significant judgement given that it is based on the interpretation of the substance of the contractual arrangement. The individual fair values attributed to the different components of a financing transaction, and/or derivative financial instruments, are determined using valuation techniques. The Company uses judgement to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributed to each component of a transaction at the time of their issuance. These valuation estimates could be significantly different because of the use of judgement and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

**HAPPY BELLY FOOD GROUP INC.**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
**For the three and nine months ended September 30, 2025**  
(Expressed in Canadian Dollars)

Consolidation

Judgment is applied in assessing whether the Company exercises control over entities in which the Company directly or indirectly owns an interest. The Company has control when it has the power over the subsidiary, has exposure or rights to variable returns, and has the ability to use its power to affect the returns. Where the Company is determined to have control, these entities are consolidated. Additionally, judgment is applied in determining the effective date on which control was obtained.

**5. ACQUISITIONS**

**Salus Fresh Foods Franchising Inc.**

On August 20, 2025, the Company completed the Salus Fresh Foods Restaurant Chain acquisition, Happy Belly issued 272,479 common shares in the capital stock of the Company at a price of \$1.101 per share, equal in value to \$300,000 (based on a 10-day VWAP) for 50% ownership of Salus Fresh Foods in an all-share transaction. Happy Belly has also obtained a three-year option to acquire the remaining 50% of the business. Salus Fresh Foods is a 100% franchised system with nine (9) established street-front and food court real-estate locations in Ontario. Salus serves fresh bowls, sandwiches, wraps, soups, smoothies and healthy treats. The Company determined that the acquisition is a business combination under IFRS 3, Business Combinations.

<b>Fair value of net assets acquired</b>	<b>\$</b>
Cash	4,854
Receivables	151,023
Accounts payable	(86,960)
Trademarks and franchise agreements	300,000
Non-controlling interest	(68,917)
	<u>300,000</u>
<b>Consideration</b>	<b>\$</b>
Shares issued <sup>(i)</sup>	300,000
	<u>300,000</u>

i) The Company issued 272,479 common shares, which were valued at \$300,000.

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

The results of this operation are included in the consolidated interim statements of loss and comprehensive loss.

	<b>\$</b>
Franchise revenue	36,545
Net loss	<u>(4,187)</u>

**HAPPY BELLY FOOD GROUP INC.**  
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**Via Cibo Restaurant**

On April 28, 2025, the Company acquired the assets of one of its Via Cibo restaurant franchises and started managing it as a corporate restaurant. The Company determined that the acquisition is a business combination under IFRS 3, Business Combinations.

<b>Fair value of net assets acquired</b>	<b>\$</b>
Working capital	(12,000)
Inventory	11,586
Property and equipment	30,725
ROU assets	396,616
Lease obligations	(396,616)
	<u>30,311</u>
<b>Consideration</b>	<b>\$</b>
Cash	25,000
Accounts receivable settled*	5,311
	<u>30,311</u>

\*The Company recorded a bad debt expense of \$31,384 on the remaining outstanding accounts receivable with the franchisee.

The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

The results of this operation are included in the consolidated interim statements of loss and comprehensive loss.

	<b>\$</b>
Product sales	658,037
Net loss	(36,446)

**Smile Tiger Coffee Roasters**

On January 27, 2025, the Company completed the acquisition of the net assets of Smile Tiger Coffee Roasters ("Smile Tiger"), which serves rich and bold blended coffee. The coffee roaster is based in Kitchener, Ontario. The Company determined that the acquisition of Smile Tiger Coffee Roasters is a business combination under IFRS 3, Business Combinations.

<b>Fair value of net assets acquired</b>	<b>\$</b>
Working capital	15,650
Inventory	13,533
Trademarks and recipes	188,082
Property and equipment	37,085
ROU assets	340,201
Lease obligations	(340,201)
	<u>254,350</u>
<b>Consideration</b>	<b>\$</b>
Cash	129,350
Common shares issued (i)	125,000
	<u>254,350</u>

i) The Company issued 104,854 common shares, which were valued at \$125,000.

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The above amounts are estimates, which were made by management at the time of preparation of these financial statements based on information available. Amendments may be made to these amounts as values subject to estimate are finalized.

The results of Smile Tiger's operation are included in the consolidated interim statements of loss and comprehensive loss.

	\$
Product sales	612,361
Net loss	(48,473)

**IQ Foods**

On September 18, 2024, the Company completed the acquisition of certain assets of IQ Foods group of companies consisted of four owned restaurants located in Toronto. Prior to the closing of the acquisition, the IQ Foods group of companies was under receivership process. The Company determined that the acquisition of IQ Foods is a business combination under IFRS 3, Business Combinations.

<b>Fair value of net assets acquired</b>	<b>\$</b>
Inventory	88,905
Property and equipment	131,095
Right of use assets	317,732
Lease obligations	(317,732)
	220,000
<b>Consideration</b>	<b>\$</b>
Cash	220,000
	220,000

**Via Cibo Franchising Inc.**

On April 23, 2024, the Company completed the acquisition of 100% shares of Crave It Restaurants Group Inc., which operates and franchises restaurant businesses under the "Via Cibo" name. The Company has determined that the acquisition of Crave It Restaurants Group Inc. is a business combination under IFRS 3, Business Combinations. The former owners of Crave It Restaurants Group Inc. are the Company's related parties (directors of the Company).

<b>Fair value of net assets acquired</b>	<b>\$</b>
Cash	254,772
Accounts receivable	48,989
Accounts payable and accrued liabilities	(209,548)
Franchise agreements	191,000
Trademarks	235,000
Deferred tax liability	(112,890)
Goodwill	154,474
	561,797
<b>Consideration</b>	<b>\$</b>
Common shares issued (i)	473,387
Contingent consideration (ii)	88,410
	561,797

- (i) The Company issued 1,380,834 common shares, which were measured at \$473,387.  
(ii) The Company was also required to make an earn-out payment, based on certain performance targets during the earnout period, which ended on January 5, 2025.

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**6. RECEIVABLES**

The Company's receivables are comprised of the following items:

	<b>September 30, 2025</b>	December 31, 2024
	\$	\$
Trade accounts receivable	<b>1,900,130</b>	602,044
Share subscriptions receivable from related party	-	118,500
	<b>1,900,130</b>	720,544
Expected credit losses (note 19)	<b>(73,953)</b>	(39,113)
	<b>1,826,177</b>	720,544

**7. EQUITY INVESTMENTS**

The Company made an equity investment on September 14, 2023, in a public company for \$250,000 equating to 1,470,590 units. Each unit consists of one common share and one-half of one common share purchase warrant of the issuer. Each warrant is exercisable into one common share of the issuer at a price of \$0.25 for a period of 36 months from the closing date of the offering. In addition, on December 1, 2023, the Company received options to purchase 250,000 common shares of this public company at a purchase price of \$0.17 per share. As at Dec 31, 2024, the Company re-valued its investment in the shares, options and warrants of the public Company. The fair value of shares was estimated using quoted prices, the fair value of warrants was estimated using Black-Scholes pricing model with the following assumptions: share price \$0.05, exercise price \$0.25, volatility 144%, and the fair value of options was estimated using Black-Scholes pricing model with the following assumptions: share price \$0.05, exercise price \$0.17, volatility 152%. In 2024, the Company sold 344,500 shares of the public company, on which it recorded a loss of \$13,625 in 2024.

The fair value of the Company's equity investments as at period end are as follows:

	Valuation method (Note 19)	<b>September 30, 2025</b>	December 31, 2024
		\$	\$
Investment in public Company shares	Level 1	<b>7,883</b>	56,305
Investment in public Company options and warrants	Level 3	<b>2,662</b>	20,594
		<b>10,545</b>	76,899

The Company recognized the following transactions in equity investments:

	<b>September 30, 2025</b>	December 31, 2024
	\$	\$
Opening balance	<b>76,899</b>	309,276
Disposition of investments	-	(55,442)
Changes in fair value of equity investments	<b>(66,355)</b>	(176,935)
	<b>10,545</b>	76,899

**8. INVENTORY**

Inventories on hand consist of raw ingredients and finished goods. Inventory is valued at the lower of cost and net realizable value:

	<b>September 30, 2025</b>	December 31, 2024
	\$	\$
Raw ingredients	<b>368,793</b>	245,847
Finished goods	<b>261,225</b>	56,696
Total	<b>630,018</b>	302,543

The total inventory expensed year-to-date through direct operating costs was \$4,558,432 (December 31, 2024 - \$2,712,620).

# HAPPY BELLY FOOD GROUP INC.

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### 9. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicles	ROU assets	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2023	56,114	764,095	579,597	26,653	1,793,406	3,219,865
Dispositions	-	-	-	-	(245,258)	(245,258)
Acquisition	19,246	45,875	65,974	-	317,732	448,827
Additions	10,964	73,896	56,317	-	121,420	262,597
December 31, 2024	86,324	883,866	701,888	26,653	1,987,300	3,686,031
<b>Acquisition</b>	<b>-</b>	<b>67,810</b>	<b>-</b>	<b>-</b>	<b>736,817</b>	<b>804,627</b>
<b>Additions</b>	<b>12,959</b>	<b>460,728</b>	<b>796,320</b>	<b>-</b>	<b>2,698,376</b>	<b>3,968,383</b>
<b>September 30, 2025</b>	<b>99,283</b>	<b>1,412,404</b>	<b>1,498,208</b>	<b>26,653</b>	<b>5,422,493</b>	<b>8,459,041</b>
<b>Accumulated amortization</b>	<b>Computer equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>ROU assets</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2023	42,717	358,582	186,828	13,007	294,001	895,135
Dispositions	-	-	-	-	(130,206)	(130,206)
Amortization	8,601	68,995	62,977	2,729	266,199	409,501
December 31, 2024	51,318	427,577	249,805	15,736	429,994	1,174,430
<b>Amortization</b>	<b>9,821</b>	<b>91,375</b>	<b>108,976</b>	<b>1,638</b>	<b>408,240</b>	<b>620,050</b>
<b>September 30, 2025</b>	<b>61,139</b>	<b>518,952</b>	<b>358,781</b>	<b>17,374</b>	<b>838,234</b>	<b>1,794,480</b>
<b>Net book value</b>						
December 31, 2024	35,006	456,289	452,083	10,917	1,557,306	2,511,601
<b>September 30, 2025</b>	<b>38,144</b>	<b>893,452</b>	<b>1,139,427</b>	<b>9,279</b>	<b>4,584,259</b>	<b>6,664,561</b>

### 10. INTANGIBLE ASSETS

	Trademarks and brand names	Distribution relationships	Recipe, processes, and formulas	Franchise agreements	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2023	370,579	246,699	177,321	-	794,599
Acquisition	235,000	-	-	191,000	426,000
December 31, 2024	605,579	246,699	177,321	191,000	1,220,599
<b>Acquisition</b>	<b>94,041</b>	<b>-</b>	<b>94,041</b>	<b>300,000</b>	<b>488,082</b>
<b>September 30, 2025</b>	<b>699,620</b>	<b>246,699</b>	<b>271,362</b>	<b>491,000</b>	<b>1,708,681</b>
<b>Accumulated amortization</b>	<b>Trademark and brand names</b>	<b>Distribution relationships</b>	<b>Recipe, processes, and formulas</b>	<b>Franchise agreements</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
December 31, 2023	360,055	246,699	130,166	-	736,920
Amortization	26,664	-	30,285	13,118	70,067
December 31, 2024	386,719	246,699	160,451	13,118	806,987
<b>Amortization</b>	<b>23,894</b>	<b>-</b>	<b>24,250</b>	<b>17,712</b>	<b>65,856</b>
<b>September 30, 2025</b>	<b>410,613</b>	<b>246,699</b>	<b>184,701</b>	<b>30,830</b>	<b>872,843</b>
<b>Net book value</b>					
December 31, 2024	218,860	-	16,870	177,882	413,612
<b>September 30, 2025</b>	<b>289,007</b>	<b>-</b>	<b>86,661</b>	<b>460,170</b>	<b>835,838</b>

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**11. INVESTMENT IN JOINT VENTURE**

**Yolks Breakfast Inc.**

On January 29, 2024, the Company completed the acquisition of 50% ownership in Yolks Breakfast Inc. which operates and franchises restaurant businesses. The Company issued 904,856 common shares, which were measured at \$250,000.

The Company recognized the investment on an equity basis as follows:

	September 30, 2025	December 31, 2024
	\$	\$
Opening balance	270,278	-
Initial investment	-	250,000
Share of (loss) income from investment in joint venture	(12,023)	20,278
<b>Net equity investment</b>	<b>258,255</b>	<b>270,278</b>

**12. GOODWILL**

The movement in the net carrying amount of goodwill is as follows:

<b>Gross carrying amount</b>	September 30, 2025	December 31, 2024
	\$	\$
Opening balance	16,346,429	16,191,955
Acquired through business combinations	-	154,474
<b>Closing balance</b>	<b>16,346,429</b>	<b>16,346,429</b>
<b>Accumulated impairment</b>		
Opening balance	(15,286,716)	(15,286,716)
<b>Closing balance</b>	<b>(15,286,716)</b>	<b>(15,286,716)</b>
<b>Carrying amount at end of year</b>	<b>1,059,713</b>	<b>1,059,713</b>

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. The Company allocated all goodwill balance to two CGUs (Holy Crap Foods Inc. which is part of the Consumer Product Goods segment and Via Cibo Franchising Inc. which is part of the Quick Service Restaurants segment).

The recoverable amount of the CGUs was determined using the fair value less cost of disposal approach (2023 - value in use approach), using level 3 inputs in a discounted cash flow ("DCF") model. The significant assumptions applied in the determination of the recoverable amount are described as follows:

- Cash flows: Estimated cash flows were projected based on actual operating results from internal sources as well as industry and market trends. Expected revenue growth rate was in the range of 3%-11% with the long-term growth rate of 3%.
- Discount rate: The discount rate is reflective of current market assessments of the time value of money and the risks specific to the CGU. A discount rate of 14.5% to 15% (2023 – 15%) was used and reflects appropriate adjustments relating to market risk and specific risk factors of the CGUs.

An increase (decrease) of 1% to the discount rate or the forecasted sales growth rate used in 2024 would not have resulted in any impairment.

**13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	September 30, 2025	December 31, 2024
	\$	\$
Trade accounts payable	1,105,052	601,170
Accrued liabilities	641,018	351,134
HST payable	792,388	106,366
<b>Total</b>	<b>2,538,458</b>	<b>1,058,670</b>

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**14. LEASE LIABILITIES**

On January 27, 2025, the Company acquired one new lease as part of the Smile Tiger acquisitions (see note 5). The lease expires December 14, 2030. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

On February 1, 2025, the Company entered into a new lease under its Rosie's Burgers Brand. The lease expires January 31, 2035. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

On April 28, 2025, the Company acquired one new lease as part of the Via Cibo Restaurant acquisitions (see note 5). The lease expires March 31, 2028. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

On May 1, 2025, the Company entered into a new lease under its Heal Lifestyle Brand. The lease expires April 30, 2035. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

On July 1, 2025, the Company entered into a new lease under its Rosie's Burgers Brand. The lease expires June 30, 2035. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

On September 1, 2025, the Company extended one of its leases under its IQ Foods Brand. The lease expires August 31, 2035. This lease was recognized as a lease liability and was discounted using a 12% incremental borrowing rate.

In 2024, and in conjunction with the IQ Foods acquisitions the Company acquired four new leases. Two of the leases are on a month-to-month basis and have not been recognized as right-of-use assets (total lease expense in 2024 was \$13,776), while the other two expire on September 30, 2029 and Aug 30, 2025 respectively. These leases were recognized as lease liabilities and were discounted using a 12% incremental borrowing rate.

The changes in lease liabilities are as follows:

	<b>September 30, 2025</b>	December 31, 2024
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	<b>1,974,611</b>	1,871,559
Additions	<b>2,940,223</b>	381,484
Lease extension	<b>494,970</b>	
Lease disposition	-	(89,535)
Lease payments	<b>(603,644)</b>	(401,378)
Interest expense	<b>338,016</b>	212,481
Balance, end of period	<b>5,144,176</b>	1,974,611
Current portion	<b>514,864</b>	195,049
Long-term portion	<b>4,629,312</b>	1,779,562
Lease liabilities	<b>5,144,176</b>	1,974,611

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The following is a reconciliation from the undiscounted lease payments to the lease liabilities:

	\$
2025	257,589
2026	1,129,946
2027	1,146,099
2028	1,006,067
2029	827,992
2030	794,415
2031	731,588
2032	748,982
2033	652,011
2034	537,380
2035	207,987
<b>Total contractual cash flows</b>	<b>7,832,069</b>
Less: interest	2,687,893
<b>Lease liabilities</b>	<b>5,144,176</b>

The Company is an intermediate lessor on two of its sub-leased retail spaces. During the year ended December 31, 2024, the Company terminated its sublease on January 1, 2024, for one of the retail spaces. On July 1, 2024, the Company entered a new lease with a sub-tenant with a lease term of 20 months. The lease was valued at the present value of the expected cash flows using an incremental borrowing rate of 12%.

The following table summarizes interest in sublease transactions for the periods ended:

	September 30, 2025	December 31, 2024
	\$	\$
Opening balance	<b>179,108</b>	221,207
Additions	-	45,945
Disposition	-	(57,669)
Payments received	<b>(50,688)</b>	(51,853)
Finance income	<b>14,749</b>	21,478
Closing balance	<b>143,169</b>	179,108

The following table presents the contractual undiscounted cash inflows for lease receivables:

	\$
2025	17,333
2026	43,540
2027	45,940
2028	48,340
2029	16,000
<b>Total contractual cash inflows</b>	<b>171,153</b>
Interest	27,984
<b>Interest in sublease</b>	<b>143,169</b>

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**15. LONG-TERM DEBT**

Long-term debt consists of two CEBA loans and loans payable to financial institutions, which are payable in monthly installments.

As at quarter end, the Company had the following outstanding long-term debt:

	Maturity	Rate	September 30, 2025	December 31, 2024
			\$	\$
CEBA loans	31-Dec-26	5%	117,000	120,000
Bank loan 1	01-Apr-31	TD Prime + 3.00%	92,665	97,126
Bank loan 2	15-Sep-26	BDC Prime + 0.97%	15,833	27,708
			<b>225,498</b>	<b>244,834</b>
Current			<b>27,480</b>	<b>27,206</b>
Long-term			<b>198,018</b>	<b>217,628</b>

Principal payments for the years ended December 31 are as follows:

	\$
2025	6,910
2026	141,402
2027	13,797
2028	15,181
2029	16,736
2030	18,434
2031	13,038
<b>Total payments</b>	<b>225,498</b>

During the period ended September 30, 2025, the Company incurred interest expense of \$15,228 (December 31, 2024-\$26,246) which was recorded in Financing cost in the consolidated interim statements of loss and comprehensive loss.

**Convertible debentures issued**

On July 3, 2024, the Company issued unsecured convertible debentures (the "July 2024 Convertible Debentures") for gross proceeds of \$2,000,000. The July 2024 Convertible Debentures have a term of 36 months and bears interest at the rate of 12% per annum payable quarterly. The July 2024 Convertible Debenture is convertible at the holder's option into common shares of the Company at a conversion price equal to \$0.75 per share.

The present value of the liability component of the July 2024 Convertible Debenture at issuance was \$1,632,611, using a discount rate of 20%, which is the estimated interest rate the Company would pay on a similar debt instrument without a conversion option. The residual value of \$367,389 was allocated to the equity component. Subsequent to initial recognition, the loan liability is accreted over the term of the loan to its face value using effective interest rate of 20%.

On February 23, 2024, the Company issued unsecured convertible debentures (the "February 2024 Convertible Debentures") for gross proceeds of \$1,000,000. The Convertible Debentures have a term of 36 months bears interest at the rate of 12% per annum split into two components:

- a) 6% interest paid in cash on quarterly basis, and
- b) 6% will be deferred until maturity date and at this time will be repaid or converted as detailed below.

The February 2024 Convertible Debenture is convertible at the holder's option into common shares of the Company at a conversion price equal to \$0.5 per share.

The present value of the liability component of the February 2024 Convertible Debenture at issuance was \$811,851, using a discount rate of 20%, which is the estimated interest rate the Company would pay on a similar debt instrument without a conversion option. The residual value of \$188,149 was allocated to the equity component. Subsequent to initial recognition, the loan liability is accreted over the term of the loan to its face value using effective interest rate of 20%. In December 2024, the convertible note was converted to shares (Note 17).

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In Q2 and Q3 2023, the Company closed two non-brokered private placements (the "Private Placement") of unsecured convertible debentures (the "Debentures") for gross proceeds of \$1,000,000 and \$645,000 respectively. The Debentures have a term of 60 months and pay interest at a rate of twelve percent (12%) per annum payable quarterly after the closing dates of April 3, 2023 (Q2 2023 Private Placement) and July 24, 2023 (Q3 2023 Private Placement), maturing on the date that is the second anniversary of the first date that the Debentures are issued (the "Maturity Date").

The Debentures are convertible at the holder's option into common shares of the Company at a conversion price equal to \$0.30 per common share (the "Conversion Price"). On the Maturity Date, any outstanding principal amount of the Debentures, plus any accrued and unpaid interest, shall be paid in cash. All securities issued in connection with the closing of the Private Placement are subject to a four-month and one-day statutory hold period in accordance with applicable securities laws.

The present value of the liability component of the Convertible Debenture issued in 2023, at issuance was \$1,220,698, using a discount rate of 20%, which is the estimated interest rate the Company would pay on similar debt instruments without a conversion option. The residual value of \$424,302 was allocated to the equity component. Subsequent to initial recognition, the loan liability is accreted over the term of the loan to its face value using effective interest rate of 20%.

	<b>September 30, 2025</b>	December 31, 2024
	<b>\$</b>	<b>\$</b>
Balance, beginning of the period	<b>2,985,313</b>	3,155,455
Initial proceeds from debt	-	3,000,000
Debt converted to equity	-	(3,000,772)
Transfer of conversion component to equity	-	(555,538)
Amortization of deferred financing costs	-	13,238
Accrued interest	-	177,723
Accretion on convertible debentures	<b>125,472</b>	195,207
Balance, end of the period	<b>3,110,785</b>	2,985,313

During the period ended September 30, 2025, the Company incurred interest and accretion expense of \$ 450,704 (December 31, 2024 - \$716,439), which was recorded in Financing costs in the consolidated interim statements of loss and comprehensive loss.

**16. DEFERRED REVENUE**

Deferred revenue relates to initial franchise fees paid by franchisees at the inception of a franchise contract. As at September 30, 2025, the Company had deferred \$946,234 of initial franchise fees received from franchisees that will be recognized over the remaining term of the respective franchise agreements (December 31, 2024 - \$454,222). During the period, The Company recognized \$76,500 in revenue (December 31, 2024 - \$40,778).

**17. SHARE CAPITAL**

**a) Common shares**

**Authorized:**

Unlimited number of common shares without par value.

**Issued:**

On May 18, 2023, the Company issued 1,562,500 shares, valued at \$250,000, as part of the PIRHO franchise acquisition agreement (Note 5).

On November 13, 2023, the Company issued 1,724,137 shares, valued at \$250,000, as part of the Rosie's Burger franchise acquisition agreement (Note 5).

On December 4, 2023, the Company issued 10,000 common shares pursuant to warrant exercises for total proceeds of \$2,000.

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During fiscal 2024, the Company issued 2,995,000 common shares pursuant to warrant exercises for total proceeds of \$599,000. The Company also issued 410,000 common shares pursuant to stock option exercises for total proceeds of \$150,000.

On January 30, 2024, the Company issued 904,856 shares, related to the investment in joint venture (Note 11). The common shares were valued using the quoted trading price

From February 22, 2024, to September 28, 2024, a total of 10,633,000 common shares were issued pursuant to the conversion of the 2022 debentures (100% conversion). The total value of the debentures converted was \$2,099,270 inclusive of any unpaid accrued interest.

On April 23, 2024, the Company issued 1,380,952 shares, valued at \$473,387, as part of Via Cibo Franchising Inc. 100% acquisition agreement (Note 5).

On December 31, 2024, the Company issued 2,102,246 common shares pursuant to the conversion of the February 2024 Convertible Debentures (100% conversion). The total value of the debentures converted was \$901,502 inclusive of any unpaid accrued interest.

On January 9, 2025, the Company closed on a non-brokered private placement of 333,333 units for gross proceeds of \$500,000. Each unit consists of one share and one warrant, which entitles the holder to purchase one share of the Company for \$1.50 per share prior to January 9, 2026.

On January 27, 2025, the Company issued 104,854 shares, valued at \$125,000, as part of the Smile Tiger acquisition agreement (Note 5).

On August 20, 2025, the Company issued 272,479 shares, valued at \$300,000, as part of the Salus Fresh Foods Franchising acquisition agreement (Note 5).

**b) Share Purchase Warrants**

A continuity of the share purchase warrants is summarized as follows:

	September 30, 2025		December 31, 2024	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of year	26,995,000	0.20	29,990,000	0.20
Issued	333,333	1.50	-	-
Exercised	-	-	(2,995,000)	0.20
Warrants outstanding, end of period	27,328,333	0.22	26,995,000	0.20

As at September 30, 2025, the Company had outstanding warrants as follows:

Expiry date	Exercise Price \$	Remaining life (years)	Warrants outstanding	Warrants exercisable
January 9, 2026	1.50	0.53	333,333	333,333
June 18, 2026	0.20	0.97	26,995,000	16,045,000
	0.22		27,328,333	16,378,333

**c) Stock options**

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, and consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Stock options granted under the stock options plan are equity settled and exercisable for a period not to exceed five years.

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A summary of the Company's stock option transactions is presented below:

	September 30, 2025		December 31, 2024	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	4,170,000	0.43	1,410,000	0.25
Granted	2,000,000	1.11	3,170,000	0.51
Exercised	-	-	(410,000)	0.37
Options outstanding, end of period	6,170,000	0.65	4,170,000	0.43

The Company's weighted average share price for the year ended December 31, 2024 was \$0.60.

On April 20, 2023, the Company issued 1,000,000 performance options to its President and CEO as part of his compensation package. Each option entitles the holder to acquire one share at a price of \$0.20 for a period of five years from their date of issue and vests upon market conditions.

On February 12, 2024, the Company issued 390,000 stock options an option to acquire common shares of the Company at an exercise price of \$0.50 per share. The options expire February 12, 2026, and vests quarterly over a period of 12 months from the date of grant.

On May 10, 2024, the Company issued 1,000,000 stock options to its CFO. Each option entitles the holder to acquire one share at a price of \$0.40 for a period of two years from their date of issue and vests equally upon the occurrence of certain market conditions. The options expire June 18, 2026.

On May 24, 2024, the Company issued 1,300,000 stock options to members of the Board of Directors. Each option entitles the holder to acquire one share at a price of \$0.50 for a period of two years from their date of issue and vests upon certain market conditions.

On July 3, 2024, the Company issued 480,000 stock options at an exercise price of \$0.75 per share. The options expire July 3, 2027, and shall vest quarterly in equal parts until the expiry date. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 9% and 34% which were applied to the five unvested tranches.

On April 7, 2025, the Company issued 1,000,000 stock options at an exercise price of \$1.11 per share. The options expire June 18, 2026, and shall vest quarterly in equal parts until the expiry date. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 30% and 54% which were applied to the two unvested tranches.

On April 15, 2025, the Company issued 1,000,000 stock options at an exercise price of \$1.14 per share. The options expire June 18, 2026, and shall vest quarterly in equal parts until the expiry date. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 30% and 56% which were applied to the two unvested tranches.

The share options outstanding as at September 30, 2025 are as follows:

Grant date	Number of options outstanding	Exercise price \$	Expiry date
April 20, 2023	1,000,000	0.20	April 20, 2028
February 12, 2024	390,000	0.50	February 12, 2026
May 10, 2024	1,000,000	0.40	June 18, 2026
May 24, 2024	1,300,000	0.50	June 18, 2026
July 3, 2024	480,000	0.75	July 3, 2027
April 7, 2025	1,000,000	1.11	June 18, 2026
April 15, 2025	1,000,000	1.14	June 18, 2026
	6,170,000	0.65	

The Company recognized \$299,609 during the period (2024 - \$145,840) in share-based compensation on performance options. The fair value of options was estimated using an Option Pricing Model based on the date of grant and using the following assumptions:

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<b>Grant date</b>	<b>Risk-free interest rate</b>	<b>Stock Price \$</b>	<b>Expected stock price volatility</b>	<b>Expected life</b>	<b>Fair value option price \$</b>
April 20, 2023	3.15%	0.18	134%	5	0.16
February 12, 2024	4.11%	0.42	94%	2	0.20
May 10, 2024	4.31%	0.40	97%	2	0.21
May 24, 2024	4.24%	0.50	97%	2	0.26
July 3, 2024	3.87%	0.54	86%	3	0.27
April 7, 2025	2.48%	1.08	69%	1.2	0.34
April 15, 2025	2.60%	1.12	69%	1.2	0.32

Expected volatility was based on historical volatility for the corresponding period.

**18. RELATED PARTY TRANSACTIONS**

The Company incurred the following transactions with companies that are controlled by directors and officers of the Company:

	<b>Period ended September 30, 2025</b>	<b>Period ended September 30, 2024</b>
	<b>\$</b>	<b>\$</b>
Consulting and other fees	<b>621,042</b>	565,415
Share-based compensation	<b>110,537</b>	88,000
	<b>731,579</b>	<b>653,415</b>

\*Consulting and other fees include annual compensation for Chief Executive Officer ("CEO"), President and Chief Operating Officer ("COO") and Chief Financial Officer("CFO").

As at September 30, 2025, the Company had a net amount of \$45,100 balance owing (September 30, 2024 - \$88,434) to its related parties and \$125,000 convertible debentures payable to the President and COO of the Company.

**19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value of financial instruments**

The carrying values of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities, and other liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 13 - Fair Value Measurement, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Equity investments where the shares are publicly traded are revalued using level 1 inputs. Non-publicly traded shares and warrants are measured using level 3 inputs.

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Fair values of financial instruments are summarized as follows:

<b>As at September 30, 2025</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cash and cash equivalents</b>	<b>3,341,380</b>	-	-	<b>3,341,380</b>
<b>Equity investments</b>	<b>7,883</b>	-	<b>2,662</b>	<b>10,545</b>
<b>Contingent consideration</b>	-	-	<b>88,410</b>	<b>88,410</b>
	<b>3,397,685</b>	-	<b>109,004</b>	<b>3,506,689</b>

  

<b>As at December 31, 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
Cash and cash equivalents	3,486,038	-	-	3,486,038
Equity investments	56,305	-	20,594	76,899
Contingent consideration	-	-	88,410	88,410
	3,542,343	-	109,004	3,651,347

**Financial risk management**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum credit risk that the Company is exposed to is the carrying value of the cash and cash equivalents, accounts receivable and other receivables. Credit risk exposure to cash and cash equivalents is minimized substantially by ensuring that cash is held with credible financial institutions. The Company mitigates the credit risk associated with accounts receivable by establishing relationships with creditworthy purchasers. Other receivables mostly relate to amounts receivable from long-term investors in the Company; the Company mitigates the credit risk by only establishing relationships with creditworthy investors.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and business development. The Company manages liquidity risk by maintaining adequate cash balances. The Company's expected source of cashflow in the upcoming year will be through equity financing and revenue generation. Cash on hand as at September 30, 2025 and expected cashflows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as low.

Based on the contractual obligations of the Company as at September 30, 2025 cash outflows of those obligations are estimated and summarized as follows:

<b>Payment due by year</b>	<b>2025</b>	<b>2026</b>	<b>2027 and beyond</b>	<b>Total</b>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,538,458	-	-	2,538,458
Contingent consideration	88,410	-	-	88,410
CEBA loan	-	120,000	-	120,000
Loans payable	6,910	21,402	77,186	105,498
Lease liabilities	257,589	1,129,946	6,444,534	7,832,069
Convertible debentures	-	-	3,645,000	3,645,000
	2,891,367	1,271,348	10,166,720	14,329,435

\*These amounts do not include interest payable.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

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(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest risk as its TD and BDC loans have a variable interest rate. The Company does not believe the exposure to interest rate risk is significant. When assessing interest rate risk the Company believes 1% volatility is a reasonable measure. The effect of a 1% change in interest rates would have had a \$307 impact on the Company's net earnings for the period ended September 30, 2025 (December 31, 2024 – \$1,556).

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency. Foreign currency risk is assessed as low as the Company has no material expenses denominated in foreign currencies.

**Capital management**

The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity. There were no changes in the Company's approach to capital management during the period. The Company is not subject to any externally imposed capital requirements. The Company has been successful in raising additional capital in the past and intends to continue with the issuance of securities to finance its operations if required.

**20. GENERAL AND ADMINISTRATIVE EXPENSES**

The following table provides a breakdown of general and administrative expense:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Legal and accounting	40,317	162,708	474,291	401,502
Advertising and marketing	579,130	181,780	1,132,192	464,011
Consulting	1,183	143,872	28,104	352,890
Management	252,786	159,276	808,221	553,399
Office and sundry	504,711	53,743	1,133,308	260,285
Business development	82,234	12,993	183,302	65,744
Compliance and regulatory	29,459	17,362	78,160	79,573
<b>Total general and administrative</b>	<b>1,489,820</b>	<b>731,734</b>	<b>3,837,578</b>	<b>2,177,404</b>

For the three-month and nine-month periods ended September 30, 2025 salaries and wages were \$2,233,571 (2024 - \$691,090) and \$5,153,164 (2024 - \$1,775,859) respectively, which includes corporate salaries and wages at restaurant level.

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**21. SUPPLEMENTAL CASH FLOW INFORMATION**

The changes in non-cash working capital related to operations are summarized below:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Accounts receivable	(627,272)	(100,353)	(1,096,498)	(329,747)
Inventory	73,012	(74,373)	(302,356)	(80,696)
Prepays	(167,245)	364	(415,770)	(6,404)
Accounts payable and accrued liabilities	511,686	(35,347)	1,343,157	(170,088)
Deferred revenue	228,638	(60,000)	492,012	(60,000)
Other liabilities	-	-	(4,587)	66,617
<b>Net change in non-cash working capital related to operations</b>	<b>18,819</b>	<b>(269,709)</b>	<b>15,958</b>	<b>(580,318)</b>

**22. SEGMENTED INFORMATION**

As at	September 30, 2025			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
<b>Current assets</b>	<b>4,623,667</b>	<b>441,902</b>	<b>1,055,927</b>	<b>6,121,496</b>
Property and equipment	6,556,297	98,057	10,207	6,664,561
Intangible assets	835,838	-	-	835,838
Goodwill	154,474	905,239	-	1,059,713
Other non-current assets	582,598	-	258,254	840,852
<b>Total assets</b>	<b>12,752,874</b>	<b>1,445,198</b>	<b>1,324,388</b>	<b>15,522,460</b>
<b>Current liabilities</b>	<b>2,927,950</b>	<b>71,522</b>	<b>315,050</b>	<b>3,314,522</b>
<b>Long-term liabilities</b>	<b>5,650,667</b>	<b>74,256</b>	<b>3,110,786</b>	<b>8,835,709</b>
<b>Total liabilities</b>	<b>8,578,617</b>	<b>145,778</b>	<b>3,425,836</b>	<b>12,150,231</b>

As at	December 31, 2024			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Current assets	1,144,009	353,917	3,215,371	4,713,297
Long-term receivables	2,377,188	121,421	12,992	2,511,601
Property and equipment	413,612	-	-	413,612
Goodwill	154,474	905,239	-	1,059,713
Other non-current assets	373,219	-	270,278	643,497
<b>Total assets</b>	<b>4,462,502</b>	<b>1,380,577</b>	<b>3,498,641</b>	<b>9,341,720</b>
Current liabilities	897,528	64,238	473,569	1,435,335
Long-term liabilities	2,379,024	111,525	2,985,313	5,475,862
<b>Total liabilities</b>	<b>3,276,552</b>	<b>175,763</b>	<b>3,458,882</b>	<b>6,911,197</b>

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Three months ended	September 30, 2025			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	6,740,995	376,875	78,529	7,196,399
Direct operating costs	2,397,047	245,065	71,519	2,713,631
General and administrative	3,326,183	97,384	299,824	3,723,391
Impairment, interest, depreciation, and amortization	491,469	12,863	83,073	587,405
Other (income)/expense	13,273	4,726	161,121	179,120
<b>Net income/(loss)</b>	<b>513,023</b>	<b>16,837</b>	<b>(537,008)</b>	<b>(7,148)</b>

Three months ended	September 30, 2024			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	2,127,883	318,778	-	2,446,661
Direct operating costs	711,361	210,737	-	922,098
General and administrative	1,116,232	101,676	204,916	1,422,824
Impairment, interest, and amortization	212,281	16,897	74,715	303,893
Other (income)/expense	(108,448)	(2,554)	68,949	(42,053)
<b>Net income/(loss)</b>	<b>196,457</b>	<b>(7,978)</b>	<b>(348,580)</b>	<b>(160,101)</b>

Nine Months ended	September 30, 2025			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	15,118,919	1,227,045	137,548	16,483,512
Direct operating costs	5,269,808	738,095	-	6,007,903
General and administrative	7,669,496	339,685	981,561	8,990,742
Impairment, interest, depreciation, and amortization	1,062,685	39,017	453,489	1,555,191
Other (income)/expense	(9,558)	44	291,010	281,496
<b>Net income/(loss)</b>	<b>1,126,488</b>	<b>110,204</b>	<b>(1,588,512)</b>	<b>(351,820)</b>

Nine Months ended	September 30, 2024			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	5,467,330	1,097,549	-	6,564,879
Direct operating costs	1,856,996	692,833	-	2,549,829
General and administrative	2,935,751	305,101	712,411	3,953,263
Impairment, interest, and amortization	474,128	54,109	496,212	1,024,449
Other (income)/expense	(104,403)	1,700	136,132	33,429
<b>Net income/(loss)</b>	<b>304,858</b>	<b>43,806</b>	<b>(1,344,755)</b>	<b>(996,091)</b>

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**23. SUBSEQUENT EVENT**

**Phase II Executive and Board Compensation Plan**

Subsequent to quarter end, on October 3, 2025, the Company issued a combination of stock options and performance warrants to the executives and directors of the Company. A total of 12,125,000 share options and 17,875,000 performance warrants were issued with a strike price of \$2 each and a performance vesting trigger tied to the share price ranging from \$3 to \$10/share.

The plan is intended to align the executives' and board members' interests with those of the shareholders, as well as ensuring long-term retention and commitment to the Company on behalf of the executives and the board of directors.

**Heal Lifestyle Buy-Out**

Subsequent to quarter end, on October 9, 2025, the Company closed a share purchase agreement (the SPA), pursuant to which it acquired the remaining 50% ownership interest in Heal Lifestyle Inc.

Pursuant to the SPA, the Company acquired 200 JVCo Shares from the Vendors for an aggregate purchase price of \$3,896,948 CDN (the "Purchase Price"), subject to certain adjustments. The Purchase Price was settled through (a) the transfer of an aggregate of 2,777,777 previously issued HBFG Shares held by JVCo to the Vendors and (b) the issuance of an aggregate of 613,469 HBFG Shares from treasury to the Vendors. Upon closing of the transaction, both JVCo and the Heal operating entity are wholly owned subsidiaries of Happy Belly.

Heal Wellness is a quick-service restaurant brand specializing in fresh smoothie bowls, açai bowls, and smoothies.

**Via Cibo Earn-Out**

Subsequent to quarter end, on October 24, 2025, the Company closed the earn-out agreement regarding the acquisition of Via Cibo Restaurant Chain (see note 5).

The Via Cibo business entity recognized, on a normalized EBITDA basis for the 2024 earn-out year, an increase of \$85,805 above the estimated \$75,000 of forecasted EBITDA. As per the terms of the agreement the increase in normalized EBITDA is to be paid out at a 6x multiple. This yields a \$514,830 amount owed to the sellers who have elected to receive the payment in shares of Happy Belly at a recorded 10-day VWAP of \$1.29 leading up to the signing and finalization of the agreement. Happy Belly issued 399,093 common shares to satisfy the closure of the agreement.

Via Cibo delivers fast-casual Italian street food crafted with the finest traditional ingredients, offering a chef-driven culinary experience for anyone seeking fresh, authentic flavour.