



HAPPY BELLY FOOD GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024
KEY HIGHLIGHTS

- System wide sales across Quick Service Restaurants (QSR) totalled \$30.30M in fiscal 2024, up 419% versus the prior fiscal year (2023 - \$5.84M). Q4 2024 system sales were \$8.88M, up 377% versus the same quarter last year (2023 - \$1.86M). The increase is attributed to organic baseline restaurant growth, alongside increased restaurant count, which reached 43 operating restaurants in 2024 versus 13 in the prior fiscal year. Total restaurant count includes the acquisitions and investments during fiscal 2024, which provides for Via Cibo Franchising Inc. – seven (7) restaurants, IQ Foods – four (4) restaurants and Yolks Breakfast Inc. – three (3) restaurants.
- Total operating revenues, rebates, rent and interest income totalled \$9.38M in fiscal 2024, up 72% versus the prior fiscal year (2023 - \$5.45M). Q4 2024 revenues and income were \$2.56M, up 62% versus the same quarter last year (2023 - \$1.58M). Year-over-year growth was driven by continued sales growth in both the QSR and Consumer Product Goods (CPG) segments, three (3) business acquisitions in 2024, combined with new franchised restaurant openings and royalties collected during 2024 (16 net new openings).
- Total product sales totalled \$7.93M in fiscal 2024, up 56% versus the prior fiscal year (2023 - \$5.07M). Furthermore, royalties and franchise fee revenues reached \$0.95M, up 400% from the prior fiscal year (2023 - \$0.19M), which was driven by royalties collected from 16 new restaurant openings in 2024.
- Adjusted EBITDA¹ reached \$0.26M or 2.7% in fiscal 2024, up 144% versus the prior fiscal year (2023 – adjusted EBITDA loss of \$0.58M or negative 10.6%). Q4 2024 adjusted EBITDA was flat versus a loss of \$0.10M or negative 6.4% in the same quarter last year.
- Net working capital remains healthy at \$3.28M as of December 31, 2024 (2023 - \$0.80M). Total cash and cash equivalents were \$3.49M in 2024. Two separate non-brokered private placements were completed during fiscal 2024 for the sum of \$3M total.
- Happy Belly Food Group Inc. made accretive cash and equity investments during fiscal 2024. First, acquiring three (3) QSR brands: Via Cibo Franchising Inc., IQ Foods and Yolks Breakfast Inc. Secondly, to increase capacity for growth in 2025, investments were made in Q4 2024 to add headcount and infrastructure that will support the build and servicing of the new restaurant pipeline in 2025. Subsequent to fiscal 2024, the Company has already opened and operating 10 additional restaurants and acquired Smile Tiger Coffee Roasters on January 27, 2025. Such investments are aligned with the Company's direction for strategic growth.

¹See section definition of "Non-IFRS Measures and Ratios" within the Compliance with International Financial Reporting Standards ("IFRS") section of the MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2024

This Management's Discussion and Analysis ("MD&A") comments on the financial performance and financial condition of Happy Belly Food Group Inc. (the "**Company**" or "**Happy Belly**," for the three months and year ended December 31, 2024. The Company's fiscal year commences on January 1st and ends December 31st of the same year.

The information in this MD&A should be read in conjunction with (i) the Company's audited annual consolidated financial statements for the years ended December 31, 2023 and 2022, along with the related notes thereto; and (ii) the Company's MD&A for the years ended December 31, 2023 and 2022 (the "**Annual MD&A**").

Additional information relating to Happy Belly, including our most recently filed Annual Information Form ("**AIF**"), can be found on SEDAR+ at www.sedarplus.com. All amounts are in Canadian dollars unless otherwise indicated.

Management of the Company is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A are complete and reliable. The Company's Board of Directors (the "**Board**") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Company's Audit Committee meets with management quarterly to review the financial statements, MD&A and to discuss other financial, operating and internal control matters.

Forward-Looking Information

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions or results "will", "may", "could", or "should" occur or be achieved. The forward-looking statements may include statements regarding capital expenditures, timelines, strategic plans or other statements that are not of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, uncertainty of estimates in capital and operating costs, the need to obtain additional financing to develop projects and uncertainty as to the availability and terms of future financing; uncertainty regarding changes in laws, regulations and guidelines; and uncertainty as to timely availability of licenses, permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as at April 29, 2025 and are subject to change after this date and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is a significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

Overview

Happy Belly's mission is to be a leading consolidator and accelerator of emerging food brands. Happy Belly's portfolio consists of two operating divisions: Quick Service Restaurants ("**QSR**") and Consumer Product Goods ("**CPG**"). Our growth strategy and continued commitment to shareholders is to improve company-wide profitability, while staying financially disciplined in

achieving organic and inorganic growth. Happy Belly has continued to grow systemwide sales organically, combined with new restaurant openings (QSR segment) and accretive M&A's throughout the past three years. Happy Belly's M&A strategy has been to acquire cash flow positive businesses with revenue generating assets that allows the Company to grow organically and leverage business synergies to optimize the operations and drive shareholder value.

Happy Belly currently operates the following QSR (8) and CPG brands (2): (i) QSR - Heal Lifestyle, Lettuce Love Café, Pirho Fresh Greek Grill, Joey Turks Island Grill, Rosie's Burgers, Via Cibo Italian Street Food, Yolks Breakfast Inc., and IQ Foods (ii) CPG - Holy Crap Foods and Lumber Heads Food Co.

The Company's CPG segment continues to focus on increasing distribution and gaining users, while improving overall profitability year over year. As part of the sales growth strategy, the brands continue to implement both a B2B and B2C revenue model to reach more consumers and accelerate growth.

The following table highlights the number of QSR opened restaurants (corporate and franchised) at the beginning of 2024 and as at the year ended December 31, 2024. Subsequent to year end, the Company has already opened 10 additional restaurants across the Heal Lifestyle, Lettuce Love Café, Rosie's Burgers, Via Cibo and Yolks Breakfast brands. In addition, the Company acquired Smile Tiger Coffee Roaster on January 27, 2025. To support the significant growth plans in 2025, the Company further invested in people, infrastructure and resources in Q4 2024. These proactive investments were critical to enable the restaurants to open on time, on budget, and to effectively service the accretive M&A in 2025.

QSR Brands	Dec 31, 2023 Total System Restaurants	2024 Franchised Restaurants (A)	2024 Franchised Restaurants (B)	Dec 31, 2024 Total Operating Restaurants (A+B)	2025 Subsequent Openings & Acquisitions
Heal Lifestyle	6	6	10	16	5
Lettuce Love Café	1	1	1	2	1
Pirho Fresh Greek Grill	3	-	4	4	-
Joey Turks Island Grill	1	1	1	2	-
Rosie's Burgers	2	-	4	4	1
Via Cibo Franchising Inc. <i>(acquired in 2024)</i>	NA	-	7	7	1
Yolks Breakfast <i>(acquired in 2024)</i>	NA	-	3	3	1
IQ Foods <i>(acquired in 2024)</i>	NA	4	1	5	-
Smile Tiger Coffee <i>(acquired on January 27, 2025)</i>	NA	-	-	-	1
Totals	13	12	31	43	10

* QSR brands are currently opened and operating in the provinces of Ontario, Alberta and British Columbia.

** Total restaurants count by quarter in 2024 were: Q1 – 18, Q2 – 27, Q3 – 36 and Q4 – 43.

*** Number of CPG brands remains unchanged during fiscal 2024 versus prior year (Holy Crap and Lumber Heads).

Compliance with International Financial Reporting Standards (“IFRS”)

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS as issued by the IASB (“**International Accounting Standards Board**”). The information presented within this MD&A refers to certain non-IFRS financial measures including Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow. These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. These financial measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations, financial performance and liquidity from management’s perspective and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company’s management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period, to prepare annual operating plans, budgets and forecasts, and to assess our ability to meet our capital expenditures and working capital requirements.

Non-IFRS Measures and Ratios Include:

Adjusted EBITDA

“**Adjusted EBITDA**” is defined as net comprehensive income or (loss), excluding interest, taxes, depreciation and amortization (EBITDA), adjusted for share-based compensation, gain (loss) on equity investments and sublease, expected credit loss and non-recurring expenses.

“**Adjusted EBITDA Margin**” is calculated as Adjusted EBITDA as a percentage of total revenue.

Adjusted EBITDA and Adjusted EBITDA Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends impacting the Company’s business. Management believes Adjusted EBITDA are useful measures of operating performance and the Company’s ability to generate cash-based earnings, as they provide a more relevant position of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses as well as other expenses, as described, that are not reflective of the Company’s underlying business.

Reconciliation of Non-IFRS Financial Measures and Ratios

Adjusted EBITDA

	For the Three Months Ended		For the Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Total comprehensive loss	\$ (1,330,470)	\$ (438,740)	\$ (2,265,939)	\$ (1,829,333)
<i>Add back:</i>				
Interest and financing costs	279,186	205,389	955,166	710,181
Depreciation and amortization	131,099	112,058	479,568	440,872
EBITDA	(920,185)	(121,293)	(831,205)	(678,280)
<i>Adjustments:</i>				
Share-based compensation	143,975	-	289,815	55,972
Gain (loss) on sublease	7,818	-	7,818	43,506
Gain (loss) on investment ²	206,495	20,240	190,560	-

²Gain (loss) on investment pertains to equity investment in a public company during fiscal 2023 and recognized as an unrealized loss. The Company has yet to dispose of the equity in full in 2024. The investment is offset by consulting revenue received in full amount during 2023 (\$250,000) with the same public company.

Non-recurring events ³	323,508	-	361,008	-
Expected credit loss ⁴	239,113	-	\$239,113	950
Adjusted EBITDA	724	(101,053)	257,109	(577,852)
Adjusted EBITDA Margin %	0.0%	(6.4%)	2.7%	(10.6%)

Free Cash Flow

“Free Cash Flow” is defined as cash provided by (used in) operating activities less net additions to property, equipment, intangible assts and corporate acquisitions.

	For the Three Months Ended		For the Year Ended	
	December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
	\$	\$	\$	\$
Cash flow used in operating activities	478,292	173,564	(888,539)	(722,923)
Net intangible assets	-	3,016		2,520
Net addition to property and equipment	165,900	(129,824)	(99,360)	(353,200)
Net proceeds from sublease and corporate acquisitions	74,777	-	86,625	-
Free Cash Flow	718,969	46,756	(901,274)	(1,073,603)

COMPANY HIGHLIGHTS AND RESULTS OF OPERATIONS

Happy Belly completed several key initiatives, QSR acquisitions and transactions that have enhanced overall operations over the past three years. Happy Belly has expanded its offerings, diversified its business, created economies of scale within the operations and enhanced its financial growth plans while reducing costs across the system.

Our strategic business investments and transactions completed in fiscal 2024 (includes Via Cibo Franchising Inc., IQ Foods, and Yolks Breakfast Inc.) have already shown positive momentum and growth in top line revenues and positions us exceptionally well in our development pipeline for 2025 and future years. Total operating revenues, rebates, rent and interest income totalled \$9.38M in fiscal 2024, up 72% versus prior fiscal year (2023 - \$5.46M). Q4 2024 revenues and income were \$2.56M, up 62% versus the same quarter last year (2023 - \$1.57M).

During fiscal 2024, Happy Belly announced the execution of both area development and franchise agreements by the various subsidiaries: (i) Yolks Breakfast signs a 25-unit area development agreement in Ontario and a 26-unit area development agreement in Quebec, (ii) Joey Turks Island Grill signs a 30-unit area development agreement in Ontario, and (iii) Heal Wellness signs 40-unit area development agreement.

Net new restaurant growth increased from 13 to 43 (+230%) as at December 31, 2024. The significant growth was driven by both accretive acquisitions and newly opened franchised restaurants throughout Ontario, BC and Alberta (16 total across Heal Lifestyle, Rosie’s Burgers, Pirho Grill, Joey Turks, Lettuce Love and IQ Foods). Subsequently, the Company opened an additional 10 restaurants in early 2025 (9 franchised restaurants and 1 corporate restaurant). The Company also acquired Smile Tiger Coffee Roaster on January 27, 2025, adding to the portfolio and aligning with the Company’s strategy of accretive acquisitions, organic and inorganic restaurant growth.

³Transactions include one-time severance settled, non-recurring bonuses, external legal costs and IFRS 15 adjustments for franchise fees.

⁴Expected credit loss (ECL) provision is in accordance with IFRS 9. Majority of the ECL pertains to a loan receivable, which the Company fully anticipates collection in 2025. Such collections will be recognized as income once received.

RESULTS OF OPERATIONS - SELECTED FINANCIAL INFORMATION

Summary of Quarterly Operating Metrics

(in thousands \$)	Mar 2023	June 2023	Sept 2023	Dec 2023	Mar 2024	June 2024	Sept 2024	Dec 2024
Product Sales	1,039	1,323	1,480	1,229	1,531	1,871	1,866	2,660
Direct operating costs	554	587	696	613	747	881	922	1,210*
Gross Margin	485	736	784	616	784	990	944	1,450
Gross Margin %	47%	56%	53%	50%	51%	53%	51%	55%
Royalties & Fees	-	11	27	193	162	225	268	293
QSR System Sales	693	1,420	1,716	1,908	5,366	7,553	\$8,522	\$8,888
# QSR Locations	6	9	10	13	24	26	35	43

*Add back vendor rebate revenue as financial statements are netted against cost of sales (Q4 2024 - \$0.15M).

Product Sales

Total product sales are primarily driven from restaurant sales from the QSR segment (dining, takeout and delivery), combined with the sale of food products in the CPG segment (distribution, retail, online and regional sales). Total product sales reached \$7.93M in fiscal 2024, up 56% versus prior fiscal year (2023 - \$5.07M). Q4 2024 product sales were \$2.66M, up 116% versus the same quarter last year (2023 - \$1.23M). The strong growth and increase were primarily a result of the organic and inorganic growth of Heal Lifestyle, since the Company's acquisition back in May 2022, Lettuce Love Café year over year sales growth, Joey Turks Island Grill (opened November 27, 2023) and the acquisition of IQ Foods in September 2024.

The CPG segment also realized growth of 13% year over year, driven by increased distribution channels at retail (Holy Crap Foods), alongside increased regional sales by Lumber Heads Food Co. (i.e. farmer's markets and new school orders).

Royalties & Fees

Total royalties and fees are royalties collected (as a percentage of sales) and amortized franchised fees collected over the franchise term. Royalties and franchise fees in fiscal 2024 totalled \$0.95M, up 400% versus the prior fiscal year (2023 - \$0.19M). The increase is attributed to new restaurant openings in 2024, leading to royalties and fees collected. Net new restaurants opened during 2024 were 16 across multiple brands.

Total Operating Expenses

Total operating expenses include the cost of sales (QSR and CPG), general and administration, salaries and wages, depreciation and amortization, expected credit loss and shared based compensation. Operating expenses in fiscal 2024 were \$10.42M, up 60% versus the prior fiscal year (2023 - \$6.50M). The increase is driven by restaurant level salaries and wages to service new restaurant openings and increased traffic. One-time investments made in legal costs pertaining to new restaurant openings and deals executed. Furthermore, general and administration investments were made primarily in Q4 2024 to enhance the organizational structure and to service the Company's growing business. The Company realized positive revenue growth and increases in adjusted EBITDA year over year, inclusive of such investments.

General and Administrative Expenses

	For the Three months Ended		For the Year Ended	
	December 2024	December 2023	December 2024	December 2023
	\$	\$	\$	\$
Legal and accounting	219,426	207,734	620,928	515,085
Advertising and marketing	217,763	200,487	674,274	428,562
Management & Consulting	162,619	182,659	1,070,787	617,568
Office and sundry	214,682	10,868	480,588	265,615
Business development	59,303	51,071	125,047	187,436
Compliance and regulatory	29,273	19,284	108,846	83,136
Total general and administrative*	903,066	672,103	3,080,470	2,097,402

*Excludes restaurant level salaries & wages and shown separately on the statements of loss and comprehensive loss.

Depreciation and Amortization expense

Amortization expense for fiscal 2024 was \$0.48M, up 9% versus the prior fiscal year (2023 - \$0.44M). Net property and equipment expenditures were \$0.10M, down 71% of spending versus the prior fiscal year (2023 - \$0.35M).

BUSINESS SEGMENT PERFORMANCE

Each of the Company's operating segments (QSR and CPG) are managed separately, as each requires different capabilities, technologies, marketing approaches and resources. All inter-segment transfers are carried out at arm's length, based on prices charged to unrelated customers in stand-alone sales of identical goods or services.

Quick Service Restaurants (QSR)

The following table shows the results of operations for the Quick Service Restaurant segment:

	For the Year Ended	
	December 31, 2024	December 31, 2023
	\$	\$
Revenue	7,410,318	3,723,592
Direct operating costs	2,755,112	1,553,752
Gross Profit	4,655,206	2,169,840
General and administrative	4,372,336	1,777,129
Interest, depreciation and amortization	664,315	482,582
Other income / (expense)	70,749	(47,379)
Net gain/(loss)	(452,194)	(42,492)
Segmented EBITDA	212,121	440,090

The QSR segment of the Company is comprised of the following restaurant brands: Heal Lifestyle, Lettuce Love Café, Pirho Fresh Greek Grill, Joey Turks Island Grill, Rosie's Burgers, Via Cibo Italian Street Food, Yolks Breakfast, and IQ Foods.

During fiscal 2024, total QSR revenues totalled \$7.41M, up 99% compared to prior fiscal year (2023 - \$3.72M). The increase was driven by the organic and inorganic growth of Heal Lifestyle and Lettuce Love Cafe since acquiring both brands in 2022, and the acquisitions of Via Cibo Franchising Inc. and IQ Foods during 2024.

The QSR segment had an EBITDA gain of \$0.21M in fiscal 2024 versus \$0.44 in 2023. The gains in 2024 were reinvested back into the company, to further enhance the Company's resources, people and infrastructure (operations and technology). General and administrative investments were made primarily in Q4 2024 to proactively enhance the organizational capacity to effectively service the Company's rapidly growing QSR business; specifically, to support new restaurant openings in 2025. Furthermore, people and resources were brought in earlier to get acquainted with the Company's policies, procedures and operational standards.

The QSR segment of Happy Belly continues to demonstrate strong revenue growth organically, combined with net new restaurant openings resulting in an increase in both franchisee royalties and fees collected.

Consumer Product Goods (CPG)

The following table shows the results of operations for the Consumer Product Goods segment:

	For the Year Ended	
	December 31, 2024	December 31, 2023
	\$	\$
Revenue	1,471,364	1,301,207
Direct operating costs	903,443	863,198
Gross Profit	567,921	438,009
General and administrative	404,600	445,253
Interest, depreciation and amortization	57,808	177,101
Other income / (expense)	8,944	(1,468)
Net gain/(loss)	96,569	(176,671)
Segmented EBITDA	154,377	430

The CPG segment of the Company is comprised of the Holy Crap Foods brand producing breakfast cereals and Lumber Heads Food Co. producing snack foods. Total revenues totalled \$1.47M, up 13% versus prior fiscal year (2023 - \$1.30M). Total revenue increase year over year was driven by increased distribution channels and customer base during 2024.

CPG segment EBITDA was \$0.15M in fiscal 2024 (2023 - \$nil). The Company will continue to drive top line revenue, sustain healthy operating margins, optimize distribution changes and reduce expenses to achieve continuous positive EBITDA.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

	As at December 31, 2024	As at December 31, 2023
Total assets	9,341,720	5,853,248
Total liabilities	6,911,197	6,413,602
Working capital	3,277,962	795,255

The Company's cash and cash equivalents on hand as at December 31 2024 was \$3.49M (2023 - \$1.27M), driven by two separate non-brokered private placements of: (i) \$1,000,000 cash collected as part of the convertible debenture issuance on February 23, 2024 and (ii) \$2,000,000 cash collected on June 24, 2024 as part of the convertible debenture issuance, which closed on July 3, 2024. The \$1,000,000 convertible debenture was redeemed and converted into common shares at December 31, 2024.

The Company's working capital is healthy at \$3.28M at year end (2023 - \$0.80M). As at the date of this MD&A, Management believes the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

Outstanding Share Data

The Company shares trade on the CSE and on the OTCQB market exchange in the US under the symbol “HBFG”. As at December 31, 2024, the Company had 129,026,039 shares issued and outstanding (December 31, 2023 – 110,503,835).

The following is a summary of the share transactions:

	Number	Amount (\$)
Balance at December 31, 2023	110,503,835	35,472,973
Share exchange - corporate acquisitions	2,285,805	723,387
Share issuance – exercise of warrants	2,995,000	599,600
Share issuance – exercise of stock options	410,000	180,000
Debt settled	96,153	37,500
Convertible debenture	12,735,246	3,454,718
Balance at December 31, 2024	129,026,039	40,468,178

Share Purchase Warrants

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

	December 31, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of year	29,990,000	0.20	30,200,000	0.20
Exercised	(2,995,000)	0.20	(10,000)	0.20
Expired/forfeited	-	-	(200,000)	0.75
Warrants outstanding, end of year	26,995,000	0.20	29,990,000	0.20

As at December 31, 2024 the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life(years)	Warrants outstanding	Warrants exercisable
June 18, 2026	0.20	1.46	26,995,000	5,195,000

Stock Options

The Company has a stock option plan and restricted share units plan that allows it to grant options to its directors, officers, employees, and consultants, provided that the aggregate number of options granted shall not at any time exceed 10% of the total number of issued and outstanding common shares of the Company.

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

	December 31, 2024		December 31, 2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	1,410,000	0.25	7,585,000	0.28
Granted	3,170,000	0.51	1,050,000	0.20
Expired	-	-	(7,225,000)	0.28
Exercised	(410,000)	0.37	-	-
Options outstanding, end of year	4,170,000	0.43	1,410,000	0.25

The Company's weighted average share price for the year ended December 31, 2024 was \$0.60 (2023 - \$0.15).

The share options outstanding as at December 31, 2024 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
	4,170,000	0.43	

RELATED PARTY TRANSACTIONS

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

	Period ended December 31, 2024	Year ended December 31, 2023
	\$	\$
Consulting and other fees*	724,164	488,834
Share-based compensation	158,521	52,713
	882,685	541,547

* Consulting and other fees include annual compensation for CEO, President & COO, CFO and Board Chair.

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Legal proceedings

As of the current date, management is not aware of any legal proceedings involving the Company.

Commitments - Contingent liabilities

As of the current date, management was not aware of any outstanding contingent liabilities or commitments relating to the Company's activities.

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.

	Current	1-30	31-60	61-90	91 and over
Expected loss rate	0.0%	0.0%	0.0%	0.0%	20%
Gross carrying amount	394,940	14,597	23,390	95,094	192,523
Loss allowance provision, end of year	-	-	-		39,113

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 at December 31, 2024 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 high.

Based on the contractual obligations of the Company as at December 31, 2024, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2025	2026	2027 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,058,670	-	-	1,058,670
Contingent consideration	88,410			88,410
CEBA loan	-	120,000	-	120,000
Loans payable	27,206	24,402	73,226	124,834
Lease liabilities	411,805	461,985	2,047,288	2,921,078
Convertible debentures	-	-	3,645,000	3,645,000
	1,586,091	606,387	5,765,514	7,957,992

**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.

(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 \$1,556 impact on the Company's net earnings for the year ended December 31, 2024 (2023 – \$1,260).

(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 risk 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.

CAPITAL DISCLOSURE

The Company manages its capital structure and adjusts it based on the funds available to the Company, to support the acquisition of a new business. The Board does not establish quantitative return on capital criteria for management but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the current period. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility. Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board supervises the financial statements and other financial information through its audit committee.

This committee's role is to examine the financial statements and recommend that the Board approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. Identified control deficiencies or material weaknesses are shared with the committee. As such, any control remedies will be discussed and actioned by the Company. 2024 deficiencies include the Company's accounting team being understaffed and not formalizing reconciliations to support the consolidated financial statements. The Company will continue to enhance internal control processes and assess the organizational structure, particularly within the accounting function. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

As of the date of this MD&A, the directors of the Company are Sean Black, Shawn Moniz, Alex Rechichi, Mark Rechichi and Kevin Cole.