



**HAPPY BELLY FOOD GROUP INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2025**

**(Expressed in Canadian Dollars)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2025**  
**KEY HIGHLIGHTS**

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- Happy Belly Food Group Inc. (the “Company” or “Happy Belly”) system wide sales across Quick Service Restaurants (“QSR”) totaled \$63.1M in fiscal 2025, up 108% versus the prior fiscal year (2024 - \$30.30M). The increase is attributed to organic baseline restaurant growth, alongside increased restaurant count, which reached 77 operating restaurants in 2025 versus 43 in the prior fiscal year, representing a 79% increase in operating restaurant count. Total restaurant count includes the acquisitions and investments during fiscal 2025.
- Total operating revenues, rebates, services and interest income totaled \$22.1M in fiscal 2025, up 176% versus the prior fiscal year (2024 - \$8.0M). Year-over-year growth was driven by continued sales growth in the QSR segment, as well as four (4) business acquisitions in 2025, combined with new franchised restaurant openings and royalties collected during 2025 (34 restaurants added to the Happy Belly portfolio).
- Total product sales totaled \$18.1M in fiscal 2025, up 162% versus the prior fiscal year (2024 - \$6.9M). Furthermore, royalties and franchise fee revenues reached \$2.8M, up 195% from the prior fiscal year (2024 - \$0.95M), which was driven by royalties collected from 34 new restaurant additions to the Happy Belly portfolio in 2025.
- Adjusted EBITDA<sup>1</sup> reached \$0.1M or 0.3% in fiscal 2025, a 60% increase versus the prior fiscal year (2024 – adjusted EBITDA loss of \$(0.1)M or (1.2)%). Q4 2025 adjusted EBITDA was \$(0.5)M or negative 8.2% versus \$(0.2)M or negative 6.5% in the same quarter last year.
- Total cash and cash equivalents remain healthy at \$3.0M as of December 31, 2025 (2024 - \$3.5M). One non-brokered private placement was completed during fiscal 2025 for aggregate proceeds of \$500,000.
- Happy Belly made strategic cash and equity investments during fiscal 2025. First, acquiring two (2) QSR brands: Smile Tiger Coffee Roasters, and Salus Fresh Foods Inc. The Company also (i) completed an earn-out transaction in regard to its Via Cibo Restaurants brand, and (ii) acquired the remaining 50% ownership of Heal Wellness. In addition, with a franchise pipeline of over 680 restaurants in development, and expectations of a record number of new restaurant openings in 2026, the Company determined to increase capacity for growth in 2026 and, as a result, investments were made in Q4 2025 to add headcount and infrastructure. As of April 30, 2026, subsequent to fiscal 2025, the Company has opened and is operating 17 additional restaurants. Such investments align with the Company’s strategic growth direction.

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<sup>1</sup>See 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, 2025

This Management's Discussion and Analysis ("MD&A") sets out Happy Belly Food Group Inc.'s (the "**Company**" or "**Happy Belly**") business overview and strategic direction, and provides an analysis of the financial performance and financial condition of the Company for the three months and year ended December 31, 2025. The Company's fiscal year commences on January 1<sup>st</sup> and ends December 31<sup>st</sup> of the same year.

The information in this MD&A should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended December 31, 2025 and 2024, the related notes thereto, and the 2024 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](http://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, is 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.

This MD&A is dated April 30, 2026, which is the date of the press release announcing the Company's results for the year ended December 31, 2025. Disclosure contained in this MD&A is current to that date unless otherwise noted.

### **Forward-Looking Information**

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This MD&A contains certain statements that constitute forward-looking statements (within the meaning of applicable 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 made as of the date of this MD&A, 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.

### **Key Assumptions**

Management's forward-looking information in this MD&A, including statements regarding the Company's growth plans in 2026, restaurant openings and pipeline, anticipated cash flows and liquidity, the expected collection of amounts underlying expected credit losses, and the potential disposition of certain CPG assets (including pursuant to the LOI referenced herein), is based on management's current expectations and assumptions as of the date of this MD&A. These assumptions include, among other things: that consumer demand for the Company's QSR and CPG offerings remains generally consistent with recent trends; that planned corporate and franchised restaurant openings (including subsequent openings referenced herein) proceed substantially on the timelines and costs anticipated; that franchisees and counterparties perform their contractual obligations; that supply chain, labour availability and input costs (including food, packaging, occupancy and wage costs) do not materially deviate from management's expectations; that the Company is able to maintain access to capital and/or other sources of liquidity on terms acceptable to the Company to fund operations and growth (consistent with management's expectation that cash flow sources may include equity financing and revenue generation); that no material adverse regulatory, legal or competitive developments occur; that macroeconomic conditions, including interest rates and foreign exchange rates, do not materially deteriorate from current levels; and that the Company's ability to execute its strategy and integrate acquisitions and investments is not materially impaired by operational disruptions.

### **OVERVIEW**

Happy Belly's mission is to be a leading consolidator and growth engine 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 acquisitions throughout the past several years. Happy Belly's M&A strategy has been to acquire cash flow positive businesses with revenue generating assets that allow the Company to grow organically and leverage business synergies to optimize the operations and drive shareholder value.

Happy Belly currently operates the following 10 QSR and 1 CPG brands: (i) QSR – Smile Tiger Coffee Roasters, Salus Fresh Foods, 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; and (ii) CPG - 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. On December 22, 2025, the Company entered into a binding letter of intent ("**LOI**") to sell its Holy Crap Foods CPG brand, and the transaction closed on February 26, 2026.

The following table highlights the number of QSR opened and operating restaurants (corporate and franchised) at the beginning of 2025 and as at the year ended December 31, 2025. As of April 30, 2026, subsequent to fiscal 2025, the Company has already opened 17 additional restaurants across the brand portfolio. To support the significant growth plans in 2026, the Company further invested in people, infrastructure and resources in Q4 2025. These proactive investments were critical to enabling the restaurants to open on time, on budget, and to effectively service the early growth in 2026.

QSR Brands	Dec 31, 2024 Total System Restaurants	2025 Corporate Restaurants <i>(A)</i>	2025 Franchised Restaurants <i>(B)</i>	Dec 31, 2025 Total Operating Restaurants <i>(A+B)</i>	2026 Subsequent Openings
Heal Lifestyle	16	7	23	30	9
Lettuce Love Café	2	1	2	3	-
Pirho Fresh Greek Grill	4	-	4	4	-
Joey Turks Island Grill	2	1	1	2	-
Rosie's Burgers	4	2	8	10	6
Via Cibo Franchising Inc. <i>(acquired in 2024)</i>	7	1	7	8	-
Yolks Breakfast <i>(acquired in 2024)</i>	3	-	5	5	1
IQ Foods <i>(acquired in 2024)</i>	5	5	2	7	1
Smile Tiger Coffee <i>(acquired on January 27, 2025)</i>	-	1	-	1	-
Salus Fresh Foods <i>(acquired on August 21, 2025)</i>	-	-	7	7	-
<b>Totals</b>	<b>43</b>	<b>18</b>	<b>59</b>	<b>77</b>	<b>17</b>

#### 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 International Accounting Standards Board (“IASB”). 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, 2025	December 31, 2024	December 31, 2025	December 31, 2024
<b>Total comprehensive loss</b>	<b>\$ (6,869,605)</b>	<b>\$ (1,346,599)</b>	<b>\$ (7,314,021)</b>	<b>\$ (2,344,090)</b>
<i>Add back:</i>				
<i>Interest income</i>	<b>(105,254)</b>	<b>(14,554)</b>	<b>(193,322)</b>	<b>(111,027)</b>
<i>Interest and financing costs</i>	<b>365,070</b>	<b>284,754</b>	<b>1,155,865</b>	<b>944,766</b>
<i>Depreciation and amortization</i>	<b>297,405</b>	<b>123,928</b>	<b>962,853</b>	<b>440,545</b>
<i>Deferred income tax recovery</i>	<b>14,137</b>	<b>(106,948)</b>	<b>5,670</b>	<b>(106,948)</b>
<b>EBITDA</b>	<b>(6,298,247)</b>	<b>(1,059,419)</b>	<b>(5,382,955)</b>	<b>(1,176,754)</b>
<i>Adjustments:</i>				
<i>Expected credit loss<sup>1</sup></i>	<b>233,858</b>	<b>239,113</b>	<b>299,195</b>	<b>239,113</b>
<i>(Gain) loss on equity investment</i>	<b>(14,640)</b>	<b>206,495</b>	<b>51,715</b>	<b>190,560</b>
<i>Loss on contingent consideration</i>	<b>586,057</b>	<b>-</b>	<b>586,057</b>	<b>-</b>
<i>Non-recurring events<sup>2</sup></i>	<b>1,572,004</b>	<b>323,508</b>	<b>811,000</b>	<b>361,008</b>
<i>Share-based compensation</i>	<b>3,393,041</b>	<b>143,975</b>	<b>3,692,650</b>	<b>289,815</b>
<b>Adjusted EBITDA</b>	<b>(527,927)</b>	<b>(146,328)</b>	<b>57,662</b>	<b>(96,258)</b>
<b>Adjusted EBITDA Margin %</b>	<b>(8.2)%</b>	<b>(6.5)%</b>	<b>0.3%</b>	<b>(1.2)%</b>

<sup>1</sup>Expected credit loss (ECL) provision is in accordance with IFRS 9 and pertains to loan receivables and accounts receivable balances. While this provision reflects assessed credit risks, the Company actively pursues recovery and anticipates that a portion of the gross receivables will be collected in 2026. Any subsequent collections of amounts previously provided for under the ECL will be recognized as a recovery in the consolidated statement of income upon receipt

<sup>2</sup>Transactions include one-time, non-recurring bonuses, external professional costs, timing of certain discrete, non-recurring items, and IFRS 15 adjustments for franchise fees.

## FREE CASH FLOW

“Free Cash Flow” is defined as cash provided by (used in) operating activities, adjusted for discontinued operations, less net additions to property and equipment, intangible assets and corporate acquisitions, and adjusted for non-recurring investing cash flows such as sublease proceeds.

	For the Three Months Ended		For the Year Ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Cash flow before non-cash working capital related to operations	\$ (2,249,818)	\$ (362,361)	(1,037,626)	(722,362)
Net change in non-cash working capital related to operations	1,898,693	351,516	1,988,101	(221,841)
<b>Cash flow used in operating activities</b>	<b>(351,124)</b>	<b>(10,845)</b>	<b>950,475</b>	<b>(944,203)</b>
Cash flows from (used in) discontinued operating activities	(17,705)	15,751	32,835	55,665
Net addition to property and equipment	(5,584)	(95,917)	(1,275,591)	(141,177)
Net proceeds from sublease	1,575	(9,172)	52,263	51,853
<b>Free Cash Flow</b>	<b>(372,839)</b>	<b>(100,183)</b>	<b>(240,018)</b>	<b>(977,862)</b>

## COMPANY HIGHLIGHTS AND RESULTS OF OPERATIONS

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

Our strategic business investments and transactions completed in fiscal 2025 have already shown positive momentum and growth in top line revenues and positions us exceptionally well in our development pipeline for 2026 and future years. Total operating revenues, rebates, services, rent and interest income totaled \$22.1M in fiscal 2025, up 176% versus the prior fiscal year (2024 - \$8.0M). During fiscal 2025, Happy Belly announced the execution of both area development and franchise agreements by the various subsidiaries throughout its brand portfolio adding 34 locations in 2025 nationwide.

## RESULTS OF OPERATIONS - SELECTED FINANCIAL INFORMATION

### Summary of Quarterly Operating Metrics

(in thousands \$)	Mar 2024	Jun 2024	Sep 2024	Dec 2024	Mar 2025	Jun 2025	Sep 2025	Dec 2025
<b>Product Sales</b>	1,200	1,621	1,641	2,402	2,760	4,562	5,774	<b>4,958</b>
<b>Direct operating costs</b>	574	851	781	1,005	1,250	2,078	2,883	<b>3,794</b>
<b>Gross Margin</b>	626	770	860	1,396	1,510	2,484	2,891	<b>1,164</b>
<b>Gross Margin %</b>	52%	48%	52%	58%	55%	54%	50%	<b>23%</b>
<b>Royalties &amp; Fees</b>	162	225	268	293	387	648	1,064	<b>723</b>
<b>QSR System Sales</b>	\$5,366	\$7,553	\$8,522	\$8,888	\$10,927	\$16,165	\$19,175	<b>\$16,880</b>
<b># QSR Locations</b>	24	26	35	43	50	61	73	<b>77</b>

### 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 \$18.1M in fiscal 2025, up 163% versus prior fiscal year (2024 - \$6.9M). Q4 2025 product sales were \$5.0M, up 108% versus the same quarter last year (2024 - \$2.4M). The strong growth and increase were primarily a result of the organic growth of Heal Lifestyle and the corporate Rosie's Burgers locations.

### Royalties & Fees

Total royalties and fees are royalties collected (as a percentage of sales; 2.5% - 5%) and amortized franchised fees collected over the franchise term (10 years). Royalties and franchise fees in the fourth quarter of fiscal 2025 totaled \$0.7M, up 180% versus the same quarter last year (2024 - \$0.3M). The increase is attributed to new franchised restaurant openings and acquisitions during fiscal 2024, plus 28 net new franchised restaurants in 2025, leading to additional royalties and fees collected. Net new franchised restaurants opened during Q4 2025: Rosie's Burgers opened two locations, Heal Wellness opened three locations, IQ Foods opened one location, Yolk's opened one location, and Salus Fresh Food closed two locations. Total franchised restaurants as of December 31, 2025 were 59 out of the total 77 operating locations.

### 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 the fourth quarter and year ended December 31 2025, were \$12.4M (2024 - \$3.2M) and \$27.8M (2024-\$9.4M) respectively up 285% and 194% versus the same corresponding periods of last year.

The increase is primarily attributable to higher restaurant-level salaries and wages required to support new store openings and to accommodate increased guest traffic across the network. The Company also incurred certain non-recurring legal expenses directly associated with these openings, reflecting the heightened level of development activity during the period. In addition, beginning in Q4 2024, the Company initiated targeted general and administrative investments aimed at strengthening its organizational structure and expanding back-office capacity to support a larger and more rapidly growing portfolio.

These expenditures align with the Company's broader growth strategy and remain consistent with the thesis communicated to stakeholders. The investments made are deliberate and focused on enhancing the operational and financial infrastructure necessary to support accelerated growth from new restaurant openings, franchise agreements, construction activity, and planned expansion into the U.S. and Québec markets.

The Company is also investing in systems and capabilities that ensure this growth is sustainable and scalable. This includes enhancements to technology platforms that support automation, financial reporting visibility, and operational execution, as well as investments in talent to fortify the core team and build the depth required for the next phase of expansion. Collectively, these initiatives represent purposeful, forward-looking investments designed to support national brand scaling while maintaining strong unit economics and ongoing value creation for shareholders.

### General and Administrative Expenses

	For the Three months Ended		For the Year Ended	
	December 2025	December 2024	December 2025	December 2024
	\$	\$	\$	\$
Legal and accounting	794,419	219,426	1,268,710	636,968
Advertising and marketing	699,506	189,080	1,697,268	534,930
Consulting	(2,204)	32,865	25,900	354,764
Management	283,485	162,619	1,091,706	716,018
Office and sundry	374,592	113,093	790,926	165,369
Business development	126,579	59,116	309,094	118,989
Compliance and regulatory	57,156	26,244	123,750	96,318
<b>Total general and administrative*</b>	<b>2,333,533</b>	<b>802,443</b>	<b>5,307,354</b>	<b>2,623,356</b>

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

### Depreciation and Amortization expense

Depreciation and amortization expense for the fourth quarter of fiscal 2025 was \$0.3M, up 140% versus the same quarter last year (2024 - \$0.1M). For the year ended December 31, 2025 depreciation and amortization expense rose 119% year over year from \$0.4M to \$1.0M. The increase is driven by the acquisitions and capital assets from IQ Foods (September 19, 2024), Smile Tiger Coffee Roasters (January 27, 2025), Salus Fresh Foods (August 20, 2025), as well as the opening of two new corporate Rosie's Burgers restaurants in Q2 of 2025. Net property and equipment expenditures were \$1.3M year-to-date in 2025 mostly driven by the build out of the two Rosie's corporate restaurants as well as the new Heal and IQ Foods corporate restaurants.

### 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

The following table shows the results of operations for the QSR segment:

	Three Months Ended December 31		Year Ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Product sales	5,715,751	1,942,988	20,834,670	7,410,318
Direct operating costs	3,703,410	938,996	9,646,534	2,991,753
<b>Gross profit</b>	<b>2,012,341</b>	<b>1,003,992</b>	<b>11,188,136</b>	<b>4,418,565</b>
Salaries and wages	1,904,794	939,146	6,315,433	2,641,398
General and administrative	855,787	456,559	3,441,328	1,494,297
Interest, depreciation and amortization	450,644	190,187	1,513,329	664,315
Other expense (income)	(122,345)	175,152	(131,903)	70,749
<b>Net (loss) gain</b>	<b>(1,076,539)</b>	<b>(757,052)</b>	<b>49,949</b>	<b>(452,194)</b>
<b>Segmented EBITDA</b>	<b>(625,895)</b>	<b>(566,865)</b>	<b>1,563,278</b>	<b>212,121</b>

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, Smile Tiger Coffee Roasters, Salus Fresh Foods, and IQ Foods.

During fiscal 2025 total QSR revenues totalled \$20.8M up 99% compared to prior fiscal year (2024 - \$7.4M). 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 and acceleration of Rosie's Burgers (2023) Via Cibo Franchising Inc. (2024), IQ Foods (2024) and the recent acquisitions of Smile Tiger Coffee Roasters (January 2025) and Salus Fresh Foods (August 2025).

For the year ended December 31, 2025 the QSR segment reported EBITDA of \$1.6M up 637% from \$0.2M in the same period of 2024. The General and administrative investments that were made during Q4 2024 and first half of 2025 continued in Q4 2025, to enhance the organizational capacity to effectively service the Company's rapidly growing QSR business; specifically, to support new restaurant openings throughout 2025.

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

The following table shows the results of operations for the CPG segment:

	Three Months Ended December 31		Year Ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Product sales	121,635	116,086	502,321	407,359
Direct operating costs	86,885	89,388	354,877	264,259
<b>Gross profit</b>	<b>34,750</b>	26,698	<b>147,444</b>	143,100
General and administrative	(4,049)	41,349	85,631	107,353
Interest, depreciation and amortization	1,802	2,096	7,208	8,385
Other expense (income)	-	(10,647)	-	(8,944)
<b>Net gain (loss)</b>	<b>36,997</b>	(6,100)	<b>54,605</b>	36,306
<b>Segmented EBITDA</b>	<b>38,799</b>	(4,004)	<b>61,813</b>	44,691

The CPG segment of the Company is comprised of the Lumber Heads Food Co., producing snack foods. Total revenues totalled \$0.5M, up 23% versus the prior fiscal year (2024 - \$0.4M). Total revenue increase year over year was driven by increased distribution channels and customer base during 2025.

CPG segment EBITDA was \$0.06M in fiscal 2025 (2023 - \$0.04M). 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, 2025	As at December 31, 2024
<b>Total assets</b>	<b>14,356,830</b>	9,341,720
<b>Total liabilities</b>	<b>11,767,759</b>	6,911,197
<b>Working capital</b>	<b>499,943</b>	3,277,962

The Company's cash and cash equivalents on hand as at December 31 2025 was \$3.02M (2024 - \$3.49M), driven by organic growth, as well as one non-brokered private placements of: (i) \$500,000 cash collected as part of a private placement on January 9<sup>th</sup> 2025. The \$2,000,000 convertible debenture of June 24, 2024, was redeemed and converted into common shares on January 16, 2026.

The Company's working capital was \$0.5M at year end (2024 - \$3.3M). 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.

## SHARE-BASED COMPENSATION

### *Strategic Transition to Phase II*

As the Company neared the successful completion of its initial five-year Phase I growth plan, originally launched in June 2021, management actively implemented Phase II of its corporate strategy-aligned growth plan in the fourth quarter of 2025. This next phase is focused on scaling the Company's current brand portfolio, acquiring additional cash-flow-positive businesses as part of its ongoing consolidation strategy within existing categories, and strategically expanding into new food categories to deliver long-term shareholder value.

### *Executive Compensation and Equity Issuance*

To ensure leadership remains fully aligned with shareholder objectives during this next phase of growth, the Company's Compensation Committee and Board of Directors have designed and approved a comprehensive, performance-based incentive plan. This plan utilizes a combination of stock options and performance warrants to be vested and triggered only upon the achievement of sustained business performance and significant share price appreciation.

The Company issued an aggregate of 17,875,000 performance warrants to certain directors and officers. Each performance warrant entitles the holder to acquire one common share of the Company for a period of five years at a strike price of \$2.00 per share, subject to vesting triggers and business performance requirements.

The Company granted an aggregate of 12,187,500 stock options to certain directors and officers of the Company. The options are exercisable for a period of five years at a strike price of \$2.00 per share, subject to vesting triggers and business performance requirements.

Vesting is strictly conditional upon meaningful value creation for shareholders. Triggers require the achievement of sequential share price progression up to \$10.00 per share, representing a significant market capitalization milestone.

Equity grants are intricately tied to continued positive operational performance. Vesting conditions require demonstrable year-over-year growth in royalty and franchise income, alongside sustained positive Adjusted EBITDA.

Vesting provisions mandate that executives and board members remain actively employed or continue serving on the board at the time milestone achievements are realized, reinforcing long-term commitment to the Company's operational execution.

Upon full vesting of the granted instruments, executives and directors will be required to invest over \$60 million in capital back into the Company to fully exercise their options and warrants, thereby directly linking leadership's financial commitment to the ongoing success of the business.

### *Equity Grant Summary*

<u>Recipient</u>	<u>Issued Amount</u>	<u>Vehicle</u>	<u>Vesting Trigger (Share Price)</u>	<u>Strike Price</u>
Sean Black CEO, Director	10,125,000	Options	\$3, \$4, \$5	\$2.00
	16,875,000	Performance Warrants	\$6, \$7, \$8, \$9, \$10	\$2.00
Randall Papineau CRO	1,000,000	Options	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00
John Delutis COO	1,000,000	Options	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00
Shawn Moniz President, Director	250,000	Performance Warrants	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00
Dan Haroun Director	250,000	Performance Warrants	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00
Alex Rechichi Chairman, Director	250,000	Performance Warrants	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00
Kevin Cole Director	250,000	Performance Warrants	\$3, \$4, \$5, \$6, \$7, \$8, \$9, \$10	\$2.00

The table above details the equity grants for the year ended December 31, 2025. Subsequent to year-end, effective February 28, 2026, Kevin Cole's performance warrants were assigned to Matt Appleby.

### Accounting Treatment

Management applied IFRS 2 guidelines to establish an implicit five-year service period for share-based compensation. As the awards do not have an explicit vesting schedule, this estimated timeframe aligns with both the contractual life of the instruments and management's strategic plan for achieving these significant market-based performance targets, ensuring the financial reporting reflects the economic substance of the long-term growth strategy.

For expense recognition, the Company uses a graded vesting approach, treating each share price milestone as a distinct tranche. Because lower price targets have a higher probability of early achievement, this method results in a front-loaded compensation expense profile that accurately captures the delivery of value. The fair value of these instruments was established at the grant date using a probability-weighted approach and is not subsequently remeasured for market conditions. Throughout the five-year period, compensation expense is recognized and adjusted only for actual forfeitures and non-market conditions, such as continued employment and operational business metrics.

Year	Warrants	Options	Total
	\$	\$	\$
2025	1,395,612	2,297,038	3,692,650
2026	9,707,204	5,337,208	15,044,412
2027	5,356,353	2,935,235	8,291,588
2028	3,069,914	1,775,686	4,845,600
2029	1,933,630	980,535	2,914,165
2030	822,760	380,455	1,203,215
<b>Total</b>	<b>22,285,473</b>	<b>13,706,157</b>	<b>35,991,630</b>

### Share Purchase Warrants

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

	December 31, 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	18,208,333	1.99	-	-
Exercised	-	-	(2,995,000)	0.20
Warrants outstanding, end of year	45,203,333	0.92	26,995,000	0.20

On January 9, 2025, the Company issued 333,333 warrants at an exercise price of \$1.50 per share to an investor.

On November 12, 2025, the Company issued 1,000,000 performance warrants at an exercise price of \$2.00 per share to members of its executive team. The options expire on November 12, 2030, and shall vest upon reaching certain market and business conditions.

On November 12, 2025, the Company issued 16,875,000 performance warrants at an exercise price of \$2.00 per share to the Company CEO. The options expire November 12, 2030, and shall vest upon certain market and business conditions.

The Company recognized \$1,395,612 during the year (2024 - \$NIL) in share-based compensation on performance warrants.

As at December 31, 2025, the Company had outstanding warrants as follows:

Expiry date	Exercise Price \$	Remaining life (years)	Warrants outstanding	Warrants exercisable
January 9, 2026	1.50	0.02	333,333	333,333
June 18, 2026	0.20	0.46	26,995,000	26,995,000
November 12, 2030	2.00	4.87	1,000,000	-
November 12, 2030	2.00	4.87	16,875,000	-
	0.92		45,203,333	27,328,333

### Stock Options

The Company has a stock option plan and restricted share unit 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 15% 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, 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	14,187,500	1.87	3,170,000	0.51
Exercised	(585,000)	0.49	(410,000)	0.37
Options outstanding, end of year	17,772,500	1.58	4,170,000	0.43

The Company's weighted-average share price for the year ended December 31, 2025 was \$1.38 (2024- \$0.60).

The share options outstanding as at December 31, 2025 are as follows:

Grant date	Number of options outstanding	Exercise price \$	Expiry date
April 20, 2023	985,000	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	730,000	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
October 3, 2025	10,125,000	2.00	October 3, 2030
October 3, 2025	2,000,000	2.00	October 3, 2030
October 3, 2025	62,500	1.50	October 3, 2030
	17,772,500	1.58	

The Company recognized \$2,297,037 during the year (2024 - \$ 289,815) in share-based compensation on performance options.

### 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, 2025, the Company had 134,000,933 shares issued and outstanding (December 31, 2024 – 129,026,039).

The following is a summary of the share transactions:

	Number	Amount (\$)
Balance at December 31,2024	129,026,039	40,468,178
Shares issued on Smile Tiger business acquisition	104,854	125,000
Shares issued on Salus Fresh Food Franchising Inc. business acquisition	272,479	300,000
Shares issued on Via Cibo earn-out	399,093	674,467
Issuance of common shares on private placement	333,333	409,431
Stock options exercise	585,000	432,837
Non-controlling interest buyout	613,468	895,663
Treasury shares sold	-	222,222
Convertible debenture exercise	2,666,667	2,139,436
<b>Balance at December 31, 2025</b>	<b>134,000,933</b>	<b>45,667,234</b>

## RELATED PARTY TRANSACTIONS

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

	Year ended December 31, 2025	Year ended December 31, 2024
	\$	\$
Consulting and other fees	735,399	565,415
Share-based compensation	3,692,650	88,000
	<b>4,428,049</b>	<b>653,415</b>

\*Consulting and other fees include annual compensation for Chief Executive Officer (“CEO”), Chief Operating Officer (“COO”), Chief Restaurant Officer (“CRO”), and Chief Financial Officer (“CFO”).

As at December 31, 2025, the Company had a net amount of \$7,891 balance owing (December 31, 2024 - \$88,434) to its related parties and \$125,000 convertible debentures payable to the President and COO of the Company.

As at December 31, 2025, the Company had a receivable of \$128,717 from one of the Heal franchisees that is related by the virtue of being controlled by the Board Chair and COO. This receivable relates to invoices for franchise and related fees that were issued in the normal course of business.

## ADDITIONAL INFORMATION

### Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

### Legal proceedings

As of the date of this MD&A, management is not aware of any legal proceedings involving the Company.

### Commitments - Contingent liabilities

As of the date of this MD&A, management is 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%	45.0%
Gross carrying amount	1,034,191	158,341	97,138	140,755	459,558
Loss allowance provision, end of year	-	-	-	-	206,622

### 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, 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 high.

Based on the contractual obligations of the Company as at December 31, 2025, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2026	2027	2028 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,988,213	-	-	3,988,213
Contingent consideration	-	-	-	-
CEBA loan*	60,000	-	-	60,000
Loans payable*	11,875	-	-	11,875
Lease liabilities	1,096,317	1,117,026	5,345,090	7,558,433
Convertible debentures*	-	-	1,645,000	1,645,000
	5,156,405	1,117,026	6,990,090	13,263,521

\*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 Business Development Bank of Canada ("BDC") loan has 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 \$70 impact on the Company's net earnings for the period ended December 31, 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 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 or borrowing additional capital in the past and intends to continue with the issuance of securities or the borrowing of capital 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 for daily operations, long term stability, and in support of M&A activities. 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 efforts 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 appointed audit committee members, which approval financial statements working with management ahead of the board of directors' approval.

The Audit 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 as appropriate by the Company. 2025 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. The Audit 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 April 30, 2026, the directors of the Company are Sean Black, Shawn Moniz, Alex Rechichi, Matt Appleby and Dan Haroun.