



HAPPY BELLY FOOD GROUP INC.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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To the Shareholders of Happy Belly Food Group Inc.:

Opinion

We have audited the consolidated financial statements of Happy Belly Food Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Goodwill

Key Audit Matter Description

As described in Note 11 to the consolidated financial statements, the Company performed impairment test of goodwill. To determine whether the goodwill is impaired, the Company estimated the recoverable amount that was determined based on a fair value less costs of disposal calculated for the related cash generating units ("CGUs"). As a result of the impairment analysis, the Company determined that the carrying value of the CGUs does not exceed their recoverable amount, therefore no impairment has been recognized.

We identified the estimation of goodwill impairment as a key audit matter. Evaluating the Company's determination of the recoverable amount required a high degree of auditor judgement. Specifically, the key assumptions in the assessment are future operating results, including revenue, gross profit, operating margins, growth rates, terminal growth rate and discount rates used to measure the fair value less costs of disposal, which involve a high degree of subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates.

Audit Response

We responded to this matter by performing procedures over the impairment of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- Utilized internal valuation experts to evaluate the reasonability of the impairment model used by management and the appropriateness of the Company's discount rates.
- Assessed management's assumptions about revenue forecasts, gross profit, operating margins and terminal growth rates in light of historical results and projected future economic and market conditions.
- Assessed the discount rates applied, including comparison of underlying components in management's calculations to external benchmarks and publicly available data, as applicable.
- Tested the mathematical accuracy of management's impairment model and supporting calculations.
- Assessed the appropriateness and completeness of related disclosures in the consolidated financial statements

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shaila Rani Mehta.

Mississauga, Ontario
April 30, 2026

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At	Notes	December 31, 2025	December 31, 2024
<i>(Canadian dollars)</i>		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		3,020,627	3,486,038
Receivables	6	1,683,360	720,544
Equity investments		25,184	76,899
Inventory	7	327,484	302,543
Prepays		232,400	127,273
Total Current Assets		5,289,055	4,713,297
Assets held for sale	22	1,208,216	-
Non-current assets			
Prepays long-term		284,546	194,111
Property and equipment	8	6,207,796	2,511,601
Intangible assets	9	354,142	413,612
Investment in joint venture	10	254,513	270,278
Interest in sublease	12	125,555	179,108
Goodwill	11	633,007	1,059,713
Total non-current assets		7,859,559	4,628,423
TOTAL ASSETS		14,356,830	9,341,720
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		3,988,212	1,058,670
Contingent consideration	5	-	88,410
Current portion of long-term debt	13	71,875	27,206
Current portion of lease liabilities	12	544,871	195,049
Current portion of deferred revenue	14	184,154	66,000
Total current liabilities		4,789,112	1,435,335
Liabilities held for sale	22	122,993	-
Non-current liabilities			
Long-term debt	13	-	217,628
Convertible debentures	13	1,377,462	2,985,313
Lease liabilities	12	4,355,323	1,779,562
Deferred revenue	14	1,029,021	388,222
Deferred tax liability	21	48,492	105,137
Total non-current liabilities		6,810,298	5,475,862
TOTAL LIABILITIES		11,722,403	6,911,197
SHAREHOLDERS' EQUITY			
Share capital	15	45,667,234	40,468,178
Convertible debenture-equity portion	13	387,422	692,495
Contributed surplus	15	14,623,702	11,603,526
Deficit		(58,278,487)	(50,587,238)
TOTAL SHAREHOLDERS' EQUITY		2,399,871	2,176,961
Non-controlling interest		234,556	253,562
TOTAL EQUITY		2,634,427	2,430,523
TOTAL LIABILITIES AND EQUITY		14,356,830	9,341,720

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

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

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

<i>(Canadian dollars)</i>	Notes	Year ended December 31,	
		2025	2024
		\$	\$
Revenues			
Product sales		18,053,167	6,864,145
Franchise revenue	14	2,822,217	947,815
Consulting and services		1,209,959	193,045
Total Revenues		22,085,343	8,005,005
Expenses			
Direct operating costs		10,005,393	3,211,011
General and administrative	18	5,307,354	2,623,356
Salaries and wages	18	7,490,878	2,640,364
Depreciation and amortization	8,9	962,853	440,545
Expected credit loss	6	299,195	239,113
Share-based compensation	15	3,692,650	289,815
Total Expenses		27,758,323	9,444,204
Net loss from operations		(5,672,980)	(1,439,199)
Other items			
Financing costs	12,13	(1,155,865)	(944,766)
Interest income		193,322	111,027
Income/(loss) from investment in joint venture	10	(15,765)	20,278
Loss on recognition/derecognition of sublease		(19,291)	(7,818)
Loss on contingent consideration	5	(586,057)	-
Changes in fair value of equity investment		(51,715)	(190,560)
Loss and comprehensive loss before taxes		(7,308,351)	(2,451,038)
Deferred income tax (expense)/recovery	21	(5,670)	106,948
Net loss and comprehensive loss from continuing operations		(7,314,021)	(2,344,090)
Net income from discontinued operations	22	69,063	78,151
Net loss attributable to the owners of the Company		(7,691,249)	(2,356,632)
Net income attributable to non-controlling interest		446,291	90,693
Net loss and comprehensive loss		(7,244,958)	(2,265,939)
Loss per share			
Net loss per share – basic and diluted		\$(0.06)	\$(0.02)
Weighted average number of common shares outstanding – basic and diluted		129,970,640	120,942,410

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

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<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
Shares issued on Smile Tiger business acquisition	5	104,854	125,000	-	-	-	-	125,000
Shares issued on Salus Fresh Food Franchising Inc. business acquisition	5	272,479	300,000	-	-	-	34,382	334,382
Shares issued on Via Cibo earn-out	5	399,093	674,467	-	-	-	-	674,467
Issuance of common shares on private placement	17	333,333	409,431	90,569	-	-	-	500,000
Share based compensation	17	-	-	3,692,650	-	-	-	3,692,650
Stock options exercise		585,000	432,837	(144,837)	-	-	-	288,000
Non-controlling interest buyout	5	613,468	895,663	(395,984)	-	-	(499,679)	-
Treasury shares sold	5	-	222,222	(222,222)	-	-	-	-
Convertible debenture exercise		2,666,667	2,139,436	-	(367,388)	-	-	1,772,048
Convertible debenture deferred tax impact		-	-	-	62,315	-	-	62,315
Net loss and comprehensive loss		-	-	-	-	(7,691,249)	446,291	(7,244,958)
Balance at December 31, 2025		134,000,933	45,667,234	14,623,702	387,422	(58,278,487)	234,556	2,634,427

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

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Canadian dollars)</i>	Notes	Year ended December 31,	
		2025	2024
		\$	\$
Operating Activities			
Net loss and comprehensive loss		(7,314,021)	(2,344,090)
Items not affecting cash and cash equivalents:			
Amortization	8,9	962,853	440,545
Financing costs	12,13	634,859	563,081
Financing income on sublease	12	(18,001)	(21,478)
Expected credit loss	6	299,195	239,113
Share-based compensation	15	3,692,650	289,815
Bonuses paid in shares		118,500	39,500
Loss on contingent consideration	5	586,057	-
Loss on recognition of sublease asset		19,291	7,818
Deferred tax recovery		5,670	(106,948)
Share of income from investment in joint venture	10	15,765	(20,278)
Gain on settlement of debt		(92,159)	-
Changes in fair value of equity investment		51,715	190,560
		(1,037,626)	(722,362)
Net change in non-cash working capital related to operations	19	1,988,101	(221,841)
Cash flows from (used in) operating activities-continued operations		950,475	(944,203)
Cash flows from operating activities-discontinued operations		32,835	55,665
Investing Activities			
Property and equipment additions	8	(1,275,591)	(141,177)
Proceeds on sale of equity investments		-	41,817
Cash acquired in acquisition	5	5,160	254,772
Proceeds from sublease	12	52,263	51,853
Consideration issued in acquisitions	5	(140,650)	(220,000)
Cash flows used in investing activities		(1,358,818)	(12,735)
Financing Activities			
Proceeds from a share private placement	15	500,000	-
Proceeds from convertible debentures	13	-	3,000,000
Repayment of long-term debt	13	(20,800)	(71,356)
Proceeds from stock option exercises	15	288,000	150,000
Proceeds from warrant exercises	15	-	441,000
Lease payments	12	(826,226)	(370,503)
Cash flows from financing activities- continuing operations		(59,026)	3,149,141
Cash flows used in financing activities – discontinued operations		(30,877)	(30,875)
(Decrease)/increase in cash and cash equivalents		(465,411)	2,216,993
Cash and cash equivalents, beginning of year		3,486,038	1,269,045
Cash and cash equivalents, end of year		3,020,627	3,486,038

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2025 and 2024
(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 consolidated 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 consolidated 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 consolidated financial statements were reviewed by the Audit Committee and authorized for issuance by the Board of Directors as of April 30, 2026.

Basis of consolidation

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

Subsidiary name	Jurisdiction	Ownership interest
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	100%
Heal Lifestyle Franchising Inc.	Ontario	100%
Heal Lifestyle Inc.	Ontario	100%
1000691946 Ontario Inc. (O/A Rosie’s Burgers)	Ontario	50%
Via Cibo Franchising Inc.	Ontario	100%
Via Cibo Restaurants Inc.	Ontario	100%
Via Cibo Holdings Inc.	Ontario	100%
Via Cibo JV Inc.	Ontario	100%
Via Cibo IP Inc.	Ontario	100%
Crave It Management Inc.	Ontario	100%
Crave It Restaurant Group 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 US Inc.	Delaware, US	100%
Heal Wellness US Inc.	Delaware, US	100%

HAPPY BELLY FOOD GROUP INC.
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(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 consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits in banks and highly liquid investments with original maturities of three months or less.

Financial instruments

a) Financial assets

i) Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

ii) Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - assets that are held for collection of contractual cash flows, where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of cash and cash equivalents, accounts receivable and loan receivable.
- Fair value through other comprehensive income - assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income is calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.
- Mandatorily at fair value through profit or loss - assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss is comprised of equity investments.
- Designated at fair value through profit or loss – on initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company did not designate its financial assets at fair value through profit or loss.

HAPPY BELLY FOOD GROUP INC.
Notes to the Consolidated Financial Statements
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Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows, such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

iii) Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for accounts receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether there has been a significant increase in credit risk since initial recognition or a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts, such as default events or breaches of borrowing covenants.

For financial assets with a significant increase in credit risk since initial recognition and financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses. For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Accounts receivable and expected credit loss

Accounts receivable are recorded at the invoiced amount and do not bear interest. Expected credit loss reflects the Company's estimate of amounts in its existing accounts receivable that may not be collected due to customer claims or customer inability or unwillingness to pay. Collectability of accounts receivables is reviewed on an ongoing basis. The expected credit loss is determined based on a combination of factors, including the Company's risk assessment regarding the credit worthiness of its customers, historical collection experience and length of time the receivables are past due. Account balances are charged off against the allowance when the Company believes it is probable the receivable will not be recovered.

iv) Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

b) Financial liabilities

i) Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable

HAPPY BELLY FOOD GROUP INC.
Notes to the Consolidated Financial Statements
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to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

ii) Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

iii) Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

c) Summary of the Company's classification and measurements of financial assets and liabilities

Cash and cash equivalents	Amortized cost
Equity investments	FVTPL
Loan receivable	Amortized cost
Accounts receivable	Amortized cost
Interest in sublease	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Contingent consideration	FVTPL
Lease liabilities	Amortized cost
Long-term debt	Amortized cost
Convertible debentures	Amortized cost

Inventory

Inventory is measured at the lower of cost and net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventory is comprised of raw materials and finished goods. The cost of inventory is determined using the weighted average method.

Net realizable value is determined as the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The future realization of these inventories may be affected by market-driven changes that may reduce future selling prices. A change to these assumptions could impact the Company's inventory valuation and profit or loss. The Company reviews inventory for obsolete, redundant and slow-moving goods and any such inventories are written down to net realizable value.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also is remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the consolidated statement of loss and comprehensive loss immediately as a gain on bargain purchase. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Impairment of non-financial assets

The carrying amount of the Company's non-financial assets is reviewed at each financial reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized when the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its recoverable amount.

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The recoverable amount of an asset or CGU is the greater of its fair value, less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Property and equipment

Property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for its use in operations.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the consolidated statement of loss and comprehensive loss. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation is computed using a straight-line basis over the following periods:

Computer equipment	3 years
Furniture and fixtures	5 years
Vehicles	5 years
Leasehold improvements	lesser of lease term or 10 years
Right-of-use assets	lesser of lease term or 10 years

Intangible assets

Intangible assets are initially recognized at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses. The intangible assets are amortized on a straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The estimated useful lives and depreciation methods are reviewed annually, with any changes in estimate accounted for prospectively.

Amortization of intangible assets is measured on a straight-line basis over the following periods:

Trademarks and brand names	3-10 years
Recipe, processes and formulas	3 years
Franchise agreements	10 years

Right of use assets and lease liability

At the inception of a contract, the Company assesses whether a contract conveys the right to control the use of an identified asset for a period in exchange for consideration, in which case it is classified as a lease. The Company recognizes a right-of-use asset ("ROU assets") and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial measurement of the lease liability, any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The lease asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the economic useful life. The Company also assesses right-of-use assets for impairment when such indicators exist.

The lease liability is initially measured at the present value of outstanding lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed) and variable lease payments that are based on an index or rate. Subsequent to the initial measurement, the liability is

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reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset.

Interest in sublease

The interest in the sublease asset is initially measured at the present value of outstanding sublease payments, discounted using the interest rate of the underlying lease. The interest in the sublease asset is measured at amortized cost using the effective interest method and is remeasured when there is a change in future sublease payments. The Company also has the right to elect not to recognize short-term subleases (subleases with a term of 12 months or less) and subleases of low-value assets. The Company recognizes the sublease payments associated with these subleases as income on a straight-line basis over the lease term.

Investment in joint venture

The Company holds investments in a joint venture. A joint venture is an entity over which the Company has joint control with other parties ("joint venturers") and joint venturers have rights to the net assets of the joint venture.

The Company accounts for the investment in the joint venture using the equity method. Under the equity method, the Company's investment in the joint venture is initially recognized at cost and is subsequently increased or decreased to recognize the Company's share of earnings or losses of the joint venture, and for impairment losses after the initial recognition date. The Company's share of the joint venture's losses that are in excess of its investment in the joint venture are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. The Company's share of earnings or losses of a joint venture are recognized through net income or loss during the year. Cash distribution received from a joint venture are accounted for as a reduction in the carrying amount of the Company's investment in the joint venture.

At the end of each reporting period, the Company assesses whether there is any objective evidence that an investment in a joint venture is impaired. Objective evidence includes observable data indicating that there is a measurable decrease in the estimated future cash flows of the joint venture's operations. When there is objective evidence that an investment in a joint venture is impaired, the carrying amount of such investment is compared to its recoverable amount, being the greater of its fair value less costs of disposal and value in use (i.e. present value of its future cash flows). If the recoverable amount of an investment in a joint venture is less than its carrying amount, then an impairment loss is recognized in that period. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in a joint venture is increased to the revised estimate of the recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized through net income or loss in the period in which the reversal occurs.

Convertible Debentures

Convertible debentures are financial instruments that, in accordance with IAS 32-Financial Instruments: Presentation, contain a separate financial liability and equity instrument or derivative liability. These financial instruments are accounted for separately dependent on the nature of their components. The identification of such components embedded within a convertible debenture requires significant judgment, given that it is based on the interpretation of the substance of the contractual arrangement. The convertible debentures issued by the Company were considered to contain an equity conversion feature. The debt component is measured at fair value on initial recognition using a market interest rate and the residual value assigned to the equity conversion feature. Subsequent to initial recognition, the equity conversion feature is not re-measured while the debt components are accreted to the face value of the convertible debenture using the effective interest rate through periodic charges to finance expense over the term of the convertible debenture. When the convertible debenture is converted to shares under the original terms of the convertible debenture, the carrying amount of the debt component is derecognized and recorded as share capital in the consolidated statements of changes in shareholders' equity.

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Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants, together with amounts previously recorded in reserves over the vesting periods are recorded as share capital. Contributed surplus includes amounts in connection with stock-based compensation and the value of expired options and warrants. Income tax relating to transaction costs of an equity transaction is recognized directly in equity.

Revenue

Product sales

IFRS 15-Revenue from contracts with customers applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

Revenues from the sale of food items by Company-owned restaurants are recognized as Company Product sales when a customer purchases the food, which is when the Company's obligation to perform is satisfied.

Revenues from the sale of the Company's products through wholesale and retail channels, net of discounts, is recognized when the products are delivered to the customers, which is when the Company's obligation to perform is satisfied.

Royalty and franchise fees

The Company's franchise agreements require that the franchisee remit royalty fees to the Company as a percentage of the applicable restaurant's sales in exchange for the license of the intellectual property associated with the Company's brands (the "franchise right"). The franchise agreements also typically require certain upfront franchise fees, such as initial fees paid upon opening of a store and fees paid to renew the term of the franchise right.

Royalty fees represent the substantial majority of the consideration the Company receives under the franchise agreements. Royalty fees are typically billed as a percentage of a franchisee's restaurant sales. Based on the application of the sales-based royalty exception within IFRS 15, royalty fees are recognized as the related restaurant sales occur.

Upfront franchise fees are typically billed and paid when a new franchise agreement becomes effective. The Company has determined that the services it provides in exchange for upfront franchise fees, which primarily relate to pre-opening support, are highly interrelated with the franchise right and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, upfront franchise fees are initially recognized as deferred revenue, and subsequently as revenue over the term of each respective franchise agreement. Revenues for these upfront franchise fees are recognized on a straight-line basis, which is consistent with the franchisee's right to use and benefit from the intellectual property.

Consulting revenues

Consulting revenues consist primarily of advisory and management services offered by the Company. Fees vary by service and market. Revenue is recognized as the services are provided and reported in the consolidated statements of loss and comprehensive loss as other income. Any contract liabilities that are present are recognized as deferred revenue.

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Share-based compensation

The Company operates equity-settled share-based remuneration plans for its eligible directors, officers, employees and consultants. All goods and services received in exchange for the grant of any share-based payments are measured at their fair value unless the fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods and services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. For transactions with employees and others providing similar services, the Company measures the fair value of the services by reference to the fair value of the equity instruments granted.

Equity-settled share-based payments under share-based payment plans are ultimately recognized as an expense in profit or loss with a corresponding credit to contributed surplus, in equity.

The fair value of incentive stock options and incentive warrants that vest based on market conditions is determined using a Monte Carlo simulation. Service and non-market performance conditions attached to such arrangements were not taken into account in measuring fair value.

If vesting periods apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. If the vesting conditions are based on market share performance, the expense is recognized on the grant date. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from the previous estimate. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting. Market conditions are considered in the estimate of the fair value of share-based compensation on a grant date.

Income taxes

Income tax for the year comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized using the liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred tax is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and that at the time of the transaction, does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realized, or the deferred tax liability is settled.

A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case, related deferred tax is also recognized in other comprehensive income or equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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Loss per share

The Company presents basic and diluted earnings (loss) per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the income attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

In a period of losses, the options are excluded in the determination of dilutive net loss per share because their effect is antidilutive.

Non- controlling interest

The Company recognizes non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets, determined on an acquisition-by- acquisition basis. In subsequent periods, the portion of the Company's net profit (loss) is allocated to non-controlling interest based on the ownership percentage of the non-controlling interest in the Company's subsidiaries.

Segment reporting

The Company's Chief Operating Decision Maker reviews operating results and assesses performance for the Quick Service Restaurants and Consumer Product Goods activities on a separate basis, and therefore, the Quick Service Restaurants and Consumer Product Goods both meet the definition of a segment. The Company's operating segments are as follows:

- Quick Service Restaurants (inclusive of franchised restaurants)
- Consumer Product Goods
- Corporate

Accounting Standards issued but not yet effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2024, and have not been early adopted in preparing these consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 – Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements. The key new concepts introduced in IFRS 18 relate to the structure of the statement of earnings (loss), required disclosures in the financial statements for certain earnings or loss performance measures that are reported outside an entity's financial statements and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027, and also applies to comparative information. The Company is still in the process of assessing the impact of this standard on its consolidated financial statements.

IFRS 9 Financial Instruments

The IASB has amended IFRS 9 to clarify when a financial asset or a financial liability is recognised and derecognised and to provide an exception for certain financial liabilities settled using an electronic payment system.

The amendments apply for reporting periods beginning on or after 1 January 2026. The Company does not believe the impact of this standard to be material on its consolidated financial statements.

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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 consolidated 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 the expected future selling price that 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 the 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.

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.

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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 judgment 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 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 judgment 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 judgment 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 judgment 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 judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

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5. ACQUISITIONS

Heal Lifestyle Buy-Out

On October 9, 2025, the Company acquired the remaining 50% ownership interest in Heal Lifestyle Inc. from the non-controlling interest (NCI) holders by the issuance of 613,468 common shares valued at \$895,663 and the transfer of 2,777,777 treasury shares, which were recognized in share capital at their original book value of \$222,222. The NCI of \$499,679 was derecognized, resulting in an adjustment of \$395,984 to contributed surplus.

Via Cibo Earn-Out

The Company closed the earn-out agreement regarding the acquisition of Via Cibo Restaurant Chain. The contingent consideration was settled by issuing 399,093 common shares valued at \$674,467, resulting in a loss on settlement of the contingent consideration of \$586,057, which was recognized in the statement of loss and comprehensive loss in the year.

Salus Fresh Foods Franchising Inc.

On August 20, 2025, the Company acquired Salus Fresh Foods Franchising Inc. by issuing 272,479 common shares valued at \$300,000 (based on a 10-day VWAP) for 50% ownership of Salus Fresh Foods in an all-share transaction. Salus Fresh Foods is a 100% franchised system with nine established street-front and food court real-estate locations in Ontario. The Company acquired control from voting rights, and determined that the acquisition is a business combination under IFRS 3, Business Combinations.

Fair value of net assets acquired	\$
Cash	4,854
Receivables	151,214
Accounts payable	(87,304)
Goodwill	265,618
Non-controlling interest	(34,382)
	300,000
Consideration	\$
Shares issued	300,000
	300,000

The results of operations since the acquisition date are set out below:

	\$
Franchise revenue	90,345
Net income	31,469

Via Cibo Restaurant

On April 28, 2025, the Company acquired one of its Via Cibo restaurant franchises through settlement of a pre-existing relationship of \$17,370. Net assets acquired amounted to \$17,370.

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Smile Tiger Coffee Roasters

On January 27, 2025, the Company acquired Smile Tiger Coffee Roasters (“Smile Tiger”), which is based in Kitchener, Ontario, serving rich and bold blended coffee. The Company determined that the acquisition is a business combination under IFRS 3, Business Combinations.

Fair value of net assets acquired	\$
Cash	306
Receivables	11,000
Accounts payable and accrued liabilities	(30,827)
Prepays	19,519
Deferred revenue	(4,587)
Inventory	20,239
Goodwill	212,915
Property and equipment	37,085
ROU assets	340,201
Lease obligations	(340,201)
	<u>265,650</u>
Consideration	\$
Cash	140,650
Common shares issued (i)	125,000
	<u>265,650</u>

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

The results of operations since the acquisition date are set out below:

	\$
Product sales	881,815
Net loss	44,644

IQ Foods

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

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

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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 related parties of the Company (directors of the Company).

Fair value of net assets acquired	\$
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
<hr/>	
Consideration	\$
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 was made and settled during 2025.

6. RECEIVABLES

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

	December 31, 2025	December 31, 2024
	\$	\$
Trade accounts receivable	1,889,982	601,109
Share subscriptions receivable from related party	-	118,500
	1,889,982	719,609
Expected credit losses (note 17)	(206,622)	(39,113)
	1,683,360	720,544

The Company recorded a \$299,392 expected credit loss (2024-\$239,113).

7. INVENTORY

	December 31, 2025	December 31, 2024
	\$	\$
Raw ingredients	327,484	245,847
Finished goods	-	56,696
Total	327,484	302,543

The total inventory expensed year-to-date through direct operating costs was \$6,945,901 (December 31, 2024 - \$2,343,523).

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8. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicles	ROU assets	Total
Cost	\$	\$	\$	\$	\$	\$
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
Classified as held for sale	-	(43,436)	-	(9,653)	(151,113)	(204,202)
Acquisition	-	54,810	-	-	736,817	791,627
Additions	36,105	404,035	835,451	-	2,620,238	3,895,829
December 31, 2025	122,429	1,299,275	1,537,339	17,000	5,193,242	8,169,285
Accumulated amortization						
	\$	\$	\$	\$	\$	\$
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
Classified as held for sale	-	(27,041)	-	(6,490)	(110,070)	(143,601)
Amortization-Discontinued Operations	-	4,099	-	791	22,387	27,277
Amortization	21,525	114,839	200,398	1,393	565,228	903,383
December 31, 2025	72,843	519,474	450,203	11,430	907,539	1,961,489
Net book value						
December 31, 2024	35,006	456,289	452,083	10,917	1,557,306	2,511,601
December 31, 2025	49,586	779,801	1,087,136	5,570	4,285,703	6,207,796

9. INTANGIBLE ASSETS

	Trademarks and brand names	Recipe, processes, and formulas	Franchise agreements	Total
Cost	\$	\$	\$	\$
December 31, 2023	370,579	177,321	-	794,599
Acquisition	235,000	-	191,000	426,000
December 31, 2024	605,579	177,321	191,000	1,220,599
December 31, 2025	605,579	177,321	191,000	1,220,599
Accumulated amortization				
	\$	\$	\$	\$
December 31, 2023	360,055	130,166	-	736,920
Amortization	26,664	30,285	13,118	70,067
December 31, 2024	386,719	160,451	13,118	806,987
Amortization	23,500	16,870	19,100	59,470
December 31, 2025	410,219	177,321	32,218	866,457
Net book value				
December 31, 2024	218,860	16,870	177,882	413,612
December 31, 2025	195,360	-	158,782	354,142

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10. 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:

	December 31, 2025	December 31, 2024
	\$	\$
Opening balance	270,278	-
Initial investment	-	250,000
Share of (loss) income from investment in joint venture	(15,765)	20,278
Net equity investment	254,513	270,278

11. GOODWILL

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

Gross carrying amount	December 31, 2025	December 31, 2024
	\$	\$
Opening balance	1,059,713	905,239
Discontinued operations	(905,239)	-
Acquired through business combinations	478,533	154,474
Carrying amount at end of year	633,007	1,059,713

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired. The Company allocated its goodwill balance to three CGUs: Via Cibo Franchising Inc., Salus Fresh Foods Franchising Inc. and Smile Tiger Coffee Roasters.

The recoverable amount of the CGUs was determined using the fair value less cost of disposal 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. The expected revenue growth rate was in the range of 1%-10%, with the long-term growth rate of 1%.
- 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 15% (2024 – 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 2025 would not have resulted in any impairment.

12. LEASE LIABILITIES

During 2025, the Company acquired certain new leases relating to restaurant locations. The lease payments were 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 December 31, 2029 and Aug 30, 2025, respectively. These leases were recognized as lease liabilities and were discounted using a 12% incremental borrowing rate.

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The changes in lease liabilities are as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Balance, beginning of year	1,974,611	1,871,559
Additions and extensions	3,357,055	381,484
Discontinued operations	(51,524)	-
Lease disposition	-	(89,535)
Lease payments	(857,103)	(401,378)
Interest expense	477,155	212,481
Balance, end of year	4,900,194	1,974,611
Current portion	544,871	195,049
Long-term portion	4,355,323	1,779,562
Lease liabilities	4,900,194	1,974,611

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

	\$
2026	1,096,317
2027	1,117,026
2028	995,036
2029	806,412
2030	772,190
2031	708,696
2032	725,396
2033	627,716
2034	512,355
2035	197,289
Total contractual cash flows	7,558,433
Less: interest	2,658,239
Lease liabilities	4,900,194

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 years ended:

	December 31, 2025	December 31, 2024
	\$	\$
Opening balance	179,108	221,207
Additions	-	45,945
Disposition	(19,291)	(57,669)
Payments received	(52,263)	(51,853)
Finance income	18,001	21,478
Closing balance	125,555	179,108

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

	\$
2026	43,540
2027	45,940
2028	48,340
2029	16,000
Total contractual cash inflows	153,820
Interest	28,265
Interest in sublease	125,555

13. DEBT

Debt consists of two CEBA loans and loans payable to financial institutions, which are payable in monthly installments.

As at year-end, the Company had the following outstanding debt:

	Maturity	Rate	December 31, 2025	December 31, 2024
			\$	\$
CEBA loans	31-Dec-26	5%	60,000	120,000
Bank loan 1	01-Apr-31	TD Prime + 3.00%	-	97,126
Bank loan 2	15-Sep-26	BDC Prime + 0.97%	11,875	27,708
			71,875	244,834
Current			71,875	27,206
Long-term			-	217,628

During the year ended December 31, 2025, the Company incurred interest expense of \$20,843 (December 31, 2024- \$15,846), which was recorded in Financing cost in the consolidated 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 being accreted over the term of the loan to its face value using an effective interest rate of 20%.

On December 5, 2025, the July 2024 Convertible Debentures were converted, resulting in the issuance of 2,666,667 common shares.

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 a quarterly basis, and
- b) 6% will be deferred until the 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 20% discount rate, 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,

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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).

	December 31, 2025	December 31, 2024
	\$	\$
Balance, beginning of the year	2,985,313	3,155,455
Initial proceeds from debt	-	3,000,000
Debt converted to equity	(1,772,048)	(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	164,197	195,207
Balance, end of the year	1,377,462	2,985,313

During the year ended December 31, 2025, the Company incurred interest and accretion expense of \$ 657,867 (December 31, 2024 - \$716,439), which was recorded in Financing costs in the consolidated statements of loss and comprehensive loss.

14. DEFERRED REVENUE

Deferred revenue relates to initial franchise fees paid by franchisees at the inception of a franchise contract. As at December 31, 2025, the Company had deferred \$1,213,175 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).

	December 31, 2025	December 31, 2024
	\$	\$
Balance, beginning of the year	454,222	135,000
Invoiced revenue deferred	789,088	360,000
Business acquisition	4,587	-
Deferred revenue recognised current period	(30,135)	(40,778)
Balance, end of the year	1,213,175	454,222
Current	184,154	66,000
Long-term	1,029,021	388,222

15. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

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 a 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).

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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).

On October 9, 2025, the Company issued 612,468 shares, valued at \$895,663, as part of the Heal Lifestyle Buy-out arrangement (Note 5).

On October 24, 2025, the Company issued 399,093 shares, valued at \$674,467, as per the Via Cibo-Earn out (Note 5).

On December 5, 2025, the Company issued 2,666,667 common shares pursuant to the conversion of the February 2024 Convertible Debentures (100% conversion). The total value of the debentures converted was \$1,772,048.

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. The options expire January 9, 2026.

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 conditions. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 14% and 55%, which were applied to the unvested tranches.

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 on November 12, 2030, and shall vest upon certain market conditions. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 14% and 25%, which were applied to the unvested tranches.

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

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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

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 be in accordance with the plan's prescribed limit. Stock options granted under the stock options plan are equity settled and exercisable for a period not to exceed five years.

In the year ended December 31, 2025, the Company issued 585,000 shares on option exercise for proceeds of \$288,000.

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).

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 vest 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. Half vest immediately, half vest upon certain market conditions. A Monte Carlo probability model was

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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. Half vest immediately, half vest upon certain market conditions. 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.

On October 3, 2025, the Company issued 10,125,000 performance stock options at an exercise price of \$2.00 per share to its CEO. The options expire on October 3, 2030, and shall vest upon certain market conditions. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 25% and 44%, which were applied to the unvested tranches.

On October 3, 2025, the Company issued 2,000,000 performance stock options at an exercise price of \$2.00 per share to its members of its executive team. The options expire October 3, 2030, and shall vest upon certain market conditions. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 11% and 44% which were applied to the unvested tranches.

On October 3, 2025, the Company issued 62,500 performance stock options at an exercise price of \$1.50 per share to a member of its Board of Directors. The options expire on October 3, 2030, and shall vest upon certain market conditions. A Monte Carlo probability model was applied to the market conditions resulting in probabilities of between 66% and 90%, which were applied to the unvested tranches.

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.

The fair value of options was estimated using an Option Pricing Model based on the date of grant and using the following assumptions:

Grant date	Risk-free interest rate	Stock Price \$	Expected stock price volatility	Expected life	Fair value option price \$
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	0.31
April 15, 2025	2.60%	1.12	69%	1.2	0.28
October 3, 2025	2.73%	1.40	94%	5	1.04
October 3, 2025	2.73%	1.40	94%	5	1.03
October 3, 2025	2.73%	1.40	94%	5	0.99

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

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16. 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
	4,428,049	653,415

*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 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.

17. 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 inputs 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.

Fair values of financial instruments are summarized as follows:

As at December 31, 2025	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	3,020,627	-	-	3,020,627
Equity investments	22,522	-	2,662	25,184
Contingent consideration	-	-	-	-
	3,043,149	-	2,662	3,045,811

As at December 31, 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
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

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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 as 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 low.

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

*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.

(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 \$70 impact on the Company's net earnings for the period ended December 31, 2025 (December 31, 2024 – \$1,556).

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(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 year. 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.

18. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Year ended December 31,	
	2025	2024
	\$	\$
Legal and accounting	1,268,710	636,968
Advertising and marketing	1,697,268	534,930
Consulting	25,900	354,764
Management	1,091,706	716,018
Office and sundry	790,926	165,369
Business development	309,094	118,989
Compliance and regulatory	123,750	96,318
Total general and administrative	5,307,354	2,623,356

For the year ended December 31, 2025, salaries and wages were \$7,490,878 (2024 - \$2,640,364), which includes corporate salaries and wages at the restaurant level.

19. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31,	
	2025	2024
	\$	\$
Accounts receivable	(1,288,708)	(335,688)
Inventory	(86,013)	(29,656)
Prepays	(195,971)	(246,154)
Accounts payable and accrued liabilities	2,704,427	70,435
Deferred revenue	758,953	319,222
Other liabilities	95,413	-
Net change in non-cash working capital related to operations	1,988,101	(221,841)

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20. SEGMENTED INFORMATION

As at	December 31, 2025			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Current assets	3,852,928	150,110	1,286,017	5,289,055
Property and equipment	6,126,158	28,834	52,804	6,207,796
Intangible assets	354,142	-	-	354,142
Goodwill	633,007	-	-	633,007
Other non-current assets	410,101	-	254,513	664,614
Assets held for sale	-	1,208,216	-	1,208,216
Total assets	11,376,336	1,387,160	1,593,334	14,356,830
Current liabilities	3,290,331	13,179	1,485,602	4,789,112
Long-term liabilities	5,478,819	-	1,331,479	6,810,298
Liabilities held for sale	-	122,993	-	122,993
Total liabilities	8,769,150	136,172	2,817,081	11,722,403

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
Total assets	4,462,502	1,380,577	3,498,641	9,341,720
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
Total liabilities	3,276,552	175,763	3,458,882	6,911,197

Year ended	December 31, 2025			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	20,834,670	502,321	748,352	22,085,343
Direct operating costs	9,646,534	354,877	3,982	10,005,393
General and administrative	9,756,761	85,631	2,955,840	12,798,232
Impairment, interest, depreciation, and amortization	1,513,329	7,208	897,376	2,417,913
Other (income)/expense	(131,903)	-	4,309,729	4,177,826
Discontinued operations	-	69,063	-	69,063
Net income/(loss)	49,949	123,668	(7,418,575)	(7,244,958)

Year ended	December 31, 2024			
	Quick Service Restaurants	Consumer Product Goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	7,410,318	407,359	187,328	8,005,005
Direct operating costs	2,991,753	264,259	(45,001)	3,211,011
General and administrative	4,135,695	107,353	1,020,672	5,263,720
Impairment, interest, depreciation, and amortization	664,315	8,385	951,724	1,624,424
Other (income)/expense	70,749	(8,944)	188,135	249,940
Discontinued operations	-	78,151	-	78,151
Net income/(loss)	(452,194)	114,457	(1,928,202)	(2,265,939)

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21. INCOME TAX

A reconciliation of income tax expense (recovery) at statutory rates with the reported income taxes (recovered) is as follows:

	2025	2024
	\$	\$
Income/(Loss) before income taxes	(7,308,351)	(2,451,038)
Combined statutory tax rate	27.00%	27.00%
Expected tax/(recovery) at statutory rate	(1,973,255)	(661,780)
Non-deductible items and other	201,626	177,014
Non-deductible share-based compensation	997,016	-
Change in unrecognized deferred tax asset	780,283	477,013
Recognition of previously unrecognized deferred tax asset	-	(99,195)
Deferred income tax expense/(recovery)	5,670	(106,948)

The Company's income tax (recovery) is allocated as follows:

	2025	2024
	\$	\$
Current tax (recovery) expense	-	-
Deferred tax (recovery) expense	5,670	(106,948)

The movements in the net deferred tax asset (liability) during the period are set out below:

	2025	2024
	\$	\$
Deferred tax liability - beginning of year	105,137	-
Recognized on acquisition	-	112,890
Recognized in profit and loss	5,670	(106,948)
Recognized in equity	(62,315)	99,195
Deferred tax liability - end of year	48,492	105,137

The components of the net deferred tax asset (liability) as at December 31 are as follows:

	2025	2024
	\$	\$
Deferred tax assets		
Non-capital losses	199,666	243,496
Lease liability	1,135,915	395,877
Deferred tax liability		
Equipment	(81,466)	(58,173)
Intangible	(93,848)	(109,607)
Right-of-use-asset	(1,135,915)	(395,877)
Convertible debt	(72,235)	(178,115)
Joint Venture investment	(609)	(2,738)
Net deferred tax liability	(48,492)	(105,137)

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Estimated unrecognized deductible temporary (taxable) differences (tax pools) as at December 31, are as follows:

	2025	2024
	\$	\$
Non-capital losses	19,108,158	16,130,708
Equipment	73,363	61,466
Intangible assets	219,541	331,530
Marketable Securities	215,953	164,238
Lease liability	614,492	404,827
Investment in Holy Crap	14,056,985	-
	34,288,492	17,092,769

As at December 31, 2025, the Company had accumulated Canadian non-capital losses of approximately \$19.9 million expiring between 2037 and 2045.

22. DISCONTINUED OPERATIONS

Holy Crap Disposition

On February 27, 2026, Happy Belly Food Group completed the sale of Holy Crap Foods Inc. that was part of its CPG segment.

The results of the Holy Crap operations are presented below:

	Year ended December 31	
	2025	2024
	\$	\$
Revenues		
Product sales	1,141,849	1,064,005
Consulting and services	1,557	-
	1,143,406	1,064,005
Expenses		
Direct operating costs	724,443	674,479
General and administrative	233,359	185,178
Salaries and wages	78,850	76,774
Depreciation and Amortization	27,277	39,023
	1,063,929	975,454
Other items		
Financing costs	(9,456)	(10,400)
Foreign exchange	(958)	-
Total Income	69,063	78,151

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As at December 31, 2025 the assets held for sale were as follows:

	\$
Receivables	46,725
Inventory	168,247
Prepays	27,404
	<u>242,376</u>
Accounts payable and accrued liabilities	(11,469)
Lease	(51,524)
Debt	(60,000)
	<u>(122,993)</u>
Property and equipment	60,601
Goodwill	905,239
	<u>965,840</u>
Net assets held for sale	<u>1,085,223</u>

23. SUBSEQUENT EVENT

Holy Crap Disposition

On February 27, 2026, Happy Belly Food Group has completed the sale of its 100% wholly owned subsidiary, Holy Crap Foods Inc., for \$1,000,000 CAD in cash, plus an asset-secured, first-position promissory note, due within 12-months post close, in the amount of working capital transferred on close.