# HAPPY BELLY FOOD GROUP INC.
**(Previously Plant & Co. Brands Ltd.)**

## CONSOLIDATED FINANCIAL STATEMENTS
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Happy Belly Food Group Inc.

*Opinion*

We have audited the consolidated financial statements of Happy Belly Food Group Inc. (the "Company") (formerly Plant & Co. Brands Ltd.), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of 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, 2023 and 2022, and the consolidated financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

*Basis for Opinion*

We conducted our audit 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 ethical requirements that are relevant to our audit 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.

We have determined that there are no other key audit matters to communicate in our report.

*Other Information*

Management is responsible for the other information. The other information comprises of the information included in 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. If, based on the work we have performed, 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, 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.

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Tammy R. Dahl, CPA, CA.

Buchanan Barry LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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April 18, 2024

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# HAPPY BELLY FOOD GROUP INC.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| ***As At*** | Notes | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| *(Canadian dollars)* | | **$** | $ |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **1,269,045** | 1,101,960 |
| Accounts receivable | | **263,128** | 100,167 |
| Other receivables | | **-** | 256,720 |
| Equity investments | 5 | **309,276** | 59,276 |
| Inventory | 6 | **215,686** | 269,188 |
| Prepaids | | **87,258** | 61,938 |
| | | **2,144,393** | 1,849,249 |
| Accounts receivable – long-term | | **200,000** | - |
| Property and equipment | 7 | **2,324,730** | 1,251,434 |
| Intangible assets | 8 | **57,679** | 193,249 |
| Interest in sublease | 10 | **221,207** | 83,668 |
| Goodwill | 9 | **905,239** | 905,239 |
| **TOTAL ASSETS** | | **5,853,248** | 4,282,839 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | 14 | **685,004** | 514,622 |
| HST payable | | **250,394** | 72,790 |
| Current portion of long-term debt | 11 | **71,647** | 198,487 |
| Current portion of lease liabilities | 10 | **207,093** | 164,022 |
| Deferred revenue | | **135,000** | - |
| Other liabilities | | **-** | 4,910 |
| | | **1,349,138** | 954,831 |
| Long-term debt | 11 | **244,543** | 196,001 |
| Convertible debentures | 11 | **3,155,455** | 1,750,719 |
| Lease liabilities | 10 | **1,664,466** | 594,583 |
| **TOTAL LIABILITIES** | | **6,413,602** | 3,496,134 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 12 | **36,259,040** | 35,757,040 |
| Share subscriptions receivable | 12 | **(63,845)** | (63,845) |
| Convertible debenture-equity portion | 11 | **690,099** | 265,797 |
| Treasury shares | 4,12 | **(722,222)** | (222,222) |
| Contributed surplus | 12 | **11,344,311** | 11,288,339 |
| Deficit | | **(48,230,606)** | (46,308,610) |
| Non-controlling interest | | **162,869** | 70,206 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **(560,354)** | 786,705 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **5,853,248** | 4,282,839 |

See accompanying notes to the consolidated financial statements.

Financial instruments and risk management (Note 15)
Subsequent events (Note 20)

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

| *(Canadian dollars)* | Notes | Year ended December 31, 2023 | 2022 |
|---|---|---|---|
| | | **$** | $ |
| **Product sales** | | **5,070,922** | 2,734,496 |
| **Cost of sales** | | **2,450,251** | 1,527,985 |
| **Gross profit** | | **2,620,671** | 1,206,511 |
| **Other income** | | **382,928** | 49,461 |
| | | **3,003,599** | 1,255,972 |
| **Expenses** | | | |
| Compliance and regulatory | | **83,136** | 109,296 |
| Amortization | 7,8 | **440,872** | 537,667 |
| Financing costs | 10,11 | **714,978** | 266,639 |
| General and administrative | 16 | **3,483,812** | 2,553,453 |
| Platform development | | **9,466** | 14,107 |
| Share-based compensation | 12,13 | **55,972** | 5,110 |
| **Total expenses** | | **4,788,236** | 3,486,272 |
| **Loss before other items** | | **(1,784,637)** | (2,230,300) |
| **Other items** | | | |
| Impairment | 8,9 | **-** | (495,462) |
| Gain (loss) on recognition of sublease | 10 | **(43,507)** | 22,946 |
| Unrealized loss on equity investments | 5 | **-** | (39,532) |
| Foreign exchange loss | | **(239)** | (604) |
| Bad debt expense | | **(950)** | - |
| **Net loss and comprehensive loss** | | **(1,829,333)** | (2,742,952) |
| **Per share information** | | | |
| Net loss per share – basic and diluted | | **$(0.02)** | $(0.03) |
| Weighted average number of common shares outstanding – basic and diluted | | **108,574,142** | 105,999,554 |

See accompanying notes to the consolidated financial statements.

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

| *(Canadian dollars)* | Notes | **Number of Common Shares** | **Share Capital** | **Contributed Surplus** | **Share Subscriptions Receivable** | **Treasury Shares** | **Convertible Debentures** | **Accumulated Deficit** | **Non-Controlling Interest** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | $ | $ | $ | $ | $ | $ | $ | $ |
| **Balance at December 31, 2021** | | 104,157,421 | 35,466,818 | 11,283,229 | (63,845) | - | - | (43,634,931) | 23,638 | 3,074,909 |
| Share exchange – corporate acquisitions | | 2,777,777 | 222,222 | - | - | (222,222) | - | - | - | - |
| Issuance of common shares upon exercise of warrants | | 272,000 | 68,000 | - | (32,659) | - | - | - | - | 35,341 |
| Relinquishment of minority interest on change in control | | - | - | - | - | - | - | - | (23,638) | (23,638) |
| Share based compensation | | - | - | 5,110 | - | - | - | - | - | 5,110 |
| Debts settled | | - | - | - | 32,659 | - | - | - | - | 32,659 |
| Convertible debentures | | - | - | - | - | - | 265,797 | - | - | 265,797 |
| Non-controlling interests – investment | | - | - | - | - | - | - | - | 139,479 | 139,479 |
| Non-controlling interests – net loss | | - | - | - | - | - | - | 69,273 | (69,273) | - |
| Net loss and comprehensive loss | | - | - | - | - | - | - | (2,742,952) | - | (2,742,952) |
| **Balance at December 31, 2022** | | 107,207,198 | 35,757,040 | 11,288,339 | (63,845) | (222,222) | 265,797 | (46,308,610) | 70,206 | 786,705 |
| Share exchange – corporate acquisition | **4, 12** | **1,562,500** | **250,000** | **-** | **-** | **(250,000)** | **-** | **-** | **-** | **-** |
| Share exchange – corporate acquisition | **4, 12** | **1,724,137** | **250,000** | **-** | **-** | **(250,000)** | **-** | **-** | **-** | **-** |
| Issuance of common shares upon exercise of warrants | **12** | **10,000** | **2,000** | **-** | **-** | **-** | **-** | **-** | **-** | **2,000** |
| Share based compensation | **12** | **-** | **-** | **55,972** | **-** | **-** | **-** | **-** | **-** | **55,972** |
| Convertible debenture | **11** | **-** | **-** | **-** | **-** | **-** | **424,302** | **-** | **-** | **424,302** |
| Non-controlling interests – net loss | | **-** | **-** | **-** | **-** | **-** | **-** | **(92,663)** | **92,663** | **-** |
| Net loss and comprehensive loss | | **-** | **-** | **-** | **-** | **-** | **-** | **(1,829,333)** | **-** | **(1,829,333)** |
| **Balance at December 31, 2023** | | **110,503,835** | **36,259,040** | **11,344,311** | **(63,845)** | **(722,222)** | **690,099** | **(48,230,606)** | **162,869** | **(560,354)** |

See accompanying notes to the consolidated financial statements.

## HAPPY BELLY FOOD GROUP INC.
### CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Year ended December 31, | |
|---|---|---|---|
| *(Canadian dollars)* | Notes | **2023** | 2022 |
| | | **$** | $ |
| **Operating Activities** | | | |
| Net loss and comprehensive loss | | **(1,829,333)** | (2,742,952) |
| Items not affecting cash and cash equivalents: | | | |
| Amortization | 7,8 | **440,872** | 537,667 |
| Financing costs | 10,11 | **416,042** | 144,266 |
| Impairment | 8,9 | **-** | 495,462 |
| Share-based compensation | 12,13 | **55,972** | 5,110 |
| Gain on early renewal of lease | 10 | **(8,333)** | - |
| Loss (gain) on recognition of sublease | 10 | **51,840** | (22,946) |
| Loss on equity investment | 5 | **-** | 39,532 |
| Grant income | | **-** | (16,303) |
| | | **(872,940)** | (1,560,164) |
| Net change in non-cash working capital related to operations | 17 | **150,017** | (58,036) |
| **Cash flows used in operating activities** | | **(722,923)** | (1,618,200) |
| **Investing Activities** | | | |
| Intangible asset dispositions (expenditures) | 8 | **2,520** | (10,803) |
| Property and equipment expenditures | 7 | **(353,200)** | (106,695) |
| Property and equipment dispositions | 7 | **-** | 6,000 |
| Acquired cash | 4 | **-** | 80,469 |
| **Cash flows used in investing activities** | | **(350,680)** | (31,029) |
| **Financing Activities** | | | |
| Proceeds from convertible debentures | 11 | **1,645,000** | 1,947,050 |
| Repayment of long-term debt | 11 | **(154,867)** | (24,490) |
| Proceeds from warrant exercises | 12 | **2,000** | 35,341 |
| Proceeds from sublease | 10 | **37,955** | 4,096 |
| Lease liabilities settled | 10 | **(289,400)** | (146,975) |
| **Cash flows from financing activities** | | **1,240,688** | 1,815,022 |
| **Increase (decrease) in cash** | | **167,085** | 165,793 |
| Cash and cash equivalents, beginning of year | | **1,101,960** | 936,167 |
| **Cash and cash equivalents, end of year** | | **1,269,045** | 1,101,960 |
| **Cash and cash equivalents consist of:** | | | |
| Cash | | **1,269,045** | 1,041,960 |
| Cash equivalents | | **-** | 60,000 |

See accompanying notes to the consolidated financial statements.
Non-cash transactions (Notes 2, 4, 7)

(Expressed in Canadian Dollars)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

## 1. NATURE AND GOING CONCERN

Happy Belly Food Group Inc. (previously Plant & Co. Brands Ltd.) (the "Company" or "Happy Belly") was incorporated pursuant to the Canada Business Corporations Act on November 24, 2014. On August 12, 2019, the Company changed its name from Cannvas MedTech Inc. to Eurolife Brands Inc. On December 4, 2020, the Company changed its name from Eurolife Brands Inc. to Plant & Co. Brands Ltd. On September 1, 2022, the Company changed its name from Plant & Co. Brands Ltd. to Happy Belly Food Group Inc.

On June 23, 2017, the Company continued from the federal jurisdiction to the jurisdiction of British Columbia. The Company's corporate office is located at Suite 400, 1681 Chestnut Street, Vancouver, British Columbia V6J 4M6.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Details of deficit and working capital of the Company are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Deficit | **(48,230,606)** | (46,308,610) |
| Working capital | **795,255** | 894,418 |

The continuing operations of the Company is dependent upon its ability to operate profitably across the business. The Company will continue to issue securities to finance its operations, if required, to the extent such instruments are issuable under terms acceptable to the Company. The Company has been successful in raising funds in the past. These consolidated financial statements do not include any adjustments relating to the recovery of assets and classification of assets and liabilities that may arise should the Company be unable to continue as a going concern.

## 2. BASIS OF PREPARATION

### Statement of compliance

These consolidated financial statements for the years ended December 31, 2023, and 2022 were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As part of this preparation, management is required to make estimates and assumptions under IFRS. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent amounts and the reported amounts of revenues and expenses. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement and complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed within the notes.

These consolidated financial statements were reviewed by the Audit Committee and authorized for issuance by the Board of Directors as of April 17, 2024.

### Basis of consolidation

A subsidiary is an entity the Company controls when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Intercompany balances and transactions, including unrealized income and expenses arising from intercompany transactions, are eliminated in preparing these consolidated financial statements.

(Expressed in Canadian Dollars)

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

| Subsidiary name | Jurisdiction | Ownership interest |
|---|---|---|
| Plant & Company Brands Group Inc. | British Columbia, Canada | 100% |
| Holy Crap Foods Inc. | British Columbia, Canada | 100% |
| JBD Innovations Ltd. | Ontario, Canada | 100% |
| 2574578 Ontario Inc. | Ontario, Canada | 100% |
| 1000317391 Ontario Inc. (O/A Lettuce Love) | Ontario, Canada | 100% |
| Lettuce Love Franchising Inc. | Ontario. Canada | 100% |
| Joey Turks Caribbean Grill Restaurants Inc. | Ontario. Canada | 100% |
| 1000061911 Ontario Inc. (O/A Lumberheads) | Ontario, Canada | 51% |
| 1000470444 Ontario Inc. (O/A Pirho Fresh Greek Grill Franchising) | Ontario, Canada | 50% |
| 1000193142 Ontario Inc. (O/A Heal Wellness) | Ontario, Canada | 50% |
| Heal Lifestyle Franchising Inc. | Ontario, Canada | 50% |
| Heal Lifestyle Inc. | Ontario, Canada | 50% |
| 1000691946 Ontario Inc. (O/A Rosie's Burgers) | Ontario, Canada | 50% |

**Presentation and functional currency**

The functional currency of the parent company and all its subsidiaries is the Canadian dollar, which is also the presentation currency of the consolidated financial statements.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

**Significant accounting judgments and estimates**

The preparation of these consolidated financial statements is in conformity with IFRS and requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimates and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial period: expected life of property and equipment and intangible assets, valuation of financial assets, impairment of non-financial assets, share-based compensation, discount rate used in determining right-of-use assets and lease liabilities, and interest rate used in valuating convertible debentures.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements. Judgement is also required in the determination of whether the Company will continue as a going concern.

Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

## 3. MATERIAL ACCOUNTING POLICY INFORMATION

### Financial instruments

Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification of financial assets and liabilities under IFRS 9-Financial Instruments:

| | |
|---|---|
| Cash and cash equivalents | FVTPL |
| Equity investments | FVTPL |
| Other receivables | Amortized cost |
| Accounts receivable | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Other liabilities | Amortized cost |
| Long-term debt | Amortized cost |
| Convertible debentures | Amortized cost |

Measurement
*Financial assets at FVTOCI*
Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses recognized in other comprehensive loss.

*Financial assets and liabilities at amortized cost*
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

*Financial assets and liabilities at FVTPL*
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in the statements of loss and comprehensive loss.

Impairment of financial assets at amortized cost
The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost.

At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition
*Financial assets*
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another

entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other loss and comprehensive loss.

*Financial liabilities*
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**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 calculated as the difference between the estimated selling price and estimated costs to complete processing into a saleable form. Inventory is written down to net realizable value when the cost of inventory is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When the circumstances that previously caused inventory to be written down below cost no longer exist, the amount of write-down previously recorded is reversed.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. Assets acquired and liabilities assumed are measured at their fair value as at the acquisition date. Acquisition costs are expensed in the period incurred.

Any contingent consideration to be transferred by the Company will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is determined to be an asset or liability will be recognized in accordance with IFRS 9 – Financial Instruments, either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the fair value of consideration transferred over the fair value of the net identifiable assets acquired in a business combination. Any negative difference is considered a bargain purchase and is recognized directly in the consolidated statements of loss and comprehensive loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the cash-generating unit ("CGU"), which is expected to benefit from the synergies of the business combination.

Goodwill is tested annually for impairment or more frequently when there is an indication that goodwill may be impaired. Impairment is determined for goodwill by assessing if the carrying value of a CGU, including the allocated goodwill, exceeds its recoverable amount determined as the greater of the estimated fair value less costs to sell and the value in use. Impairment losses recognized in respect of a CGU are first allocated to the carrying value of goodwill and any excess is allocated to the carrying amount of other assets in the CGU on a pro rata basis. Goodwill impairment is recorded in the consolidated statements of loss and comprehensive loss in the period of impairment. Impairment losses on goodwill are not reversed in subsequent periods. The Company completes its annual impairment test as at December 31.

**Property and equipment**

Property and equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of loss and comprehensive loss during the financial period in which they are incurred.

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.

Amortization is calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable to each category of property and equipment are as follows:

| Class of property and equipment | Amortization rate |
|---|---|
| Computer equipment | 33% |
| Furniture and fixtures | 20% |
| Vehicles | 20% |
| Leasehold improvements | Term of lease |
| Right-of-use assets | Term of lease |

When assets are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset, the costs and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in profit or loss.

**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.

Intangible assets are amortized on a straight-line basis over the estimated useful lives of the related assets as follows:

| Class of intangible asset | Amortization rate |
|---|---|
| Brand names | 3 years |
| Recipe, processes and formulas | 3 years |
| Distribution relationships | 2 years |

**Impairment**

At each financial position reporting date, the carrying amounts of the Company's long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the year.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in the consolidated statements of loss and comprehensive loss for the year.

**Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issuance of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received or given up is not readily determinable, the fair market value of the shares is used to record the transaction. The fair market value of the shares is based on the trading price of those shares on the appropriate stock exchange on the date of the agreement to issue or receive shares.

The proceeds from the exercise of share options and warrant and issuance of shares from treasury are recorded as share capital in the amount for which the option, warrant, or treasury share enabled the holder to purchase a share in the Company. Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date the shares are issued.

The proceeds from the issue of units consisting of a common share and a share purchase warrant is allocated between common shares and common share purchase warrants on a pro-rata basis on a relative fair value basis, wherein, the fair value of the common shares is based on the market closing price on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes Option Pricing Model.

In the event there is a change to the warrant terms (price or exercise date), no change is made to the initial value recognized for the warrant.

**Revenue**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. The transfer of risks and rewards occurs when the product is received by the customer.

*Franchise and property revenues*

Franchise revenue consists primarily of royalties, upfront fees from development agreements, and initial franchise fees collected upon execution of a franchise agreement. Under franchise agreements, we provide franchisees with (i) a franchise license, which includes a license to use our intellectual property, (ii) pre-opening services, such as training and inspections, and (iii) ongoing services, such as development of training materials, menu items and restaurant monitoring and inspections.

Royalties are calculated as a percentage of franchised restaurant sales over the term of the franchise agreement. Initial franchise fees are payable by the franchisee upon executing a franchise agreement. Franchise and property revenues are reported in the consolidated statements of loss and comprehensive loss as other income.

*Consulting revenues*

Consulting revenues consists primarily of advisory and management services offered by the Company. Fees vary by service and market. Revenue is recognized based on percentage of completion 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.

**Share-based payment transactions**

The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, fair value is measured at grant date at the fair value of the goods or services received, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

**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 provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

**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.

**Right of use assets and lease liability**

At 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 asset") and a lease liability at the lease commencement date. The asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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 from the commencement date to the end of the useful life of the right-of-use asset, considered to be indicated by the lease term. The lease asset is periodically adjusted for certain remeasurements of the lease liability and impairment losses, if any.

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. The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising from a change in an index or rate if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. A corresponding adjustment is made to the carrying amount of the right-of-use asset with any excess over the carrying amount of the asset being recognized in profit or loss. The Company also has the right to elect to not recognize short-term leases (leases with a term of 12 months or less) and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**Interest in sublease**

At inception of a sublease 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 derecognizes the portion of the ROU asset being subleased and recognizes an interest in sublease asset; the difference between the value of the ROU asset being derecognized and the interest in sublease asset being recognized is recognized, though profit or loss, as a gain or loss on recognition of sublease at the sublease commencement date.

The interest in 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.

**Segment reporting**

The Company has two operating segments: Consumer Product Goods and Quick Restaurant Services. In identifying these operating segments, management generally follows the Company's service lines representing its main products and services (see note 18).

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

***Quick Restaurant Services***
The Company operates a number of corporate quick service restaurants namely, Heal Lifestyle, Lettuce Love and Joey Turks Caribbean Grill, currently in Ontario. Included in the quick service restaurants are the joint venture companies namely, Heal Lifestyle, Pirho Fresh Greek Grill and Rosie's Burgers.

***Consumer Product Goods***
The Company's consumer product goods currently consist of two brands namely, Holy Crap which produces and sells breakfast cereal and related food products, and Lumber Heads which produces and sells snack foods. The Company offers its products under these brand names which are gluten-free, organic, kosher and plant-based. It markets its products through retailers as well as online retailers and its own website.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. This primarily applies to the Company's head office.

**Current and Future Accounting Pronouncements**

The Company has adopted the amendments to IAS 1, Presentation of Financial Statements, for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. This adoption has not had any material impact on the amounts reported in these consolidated financial statements.

All other new or revised standards, amendments and interpretations effective for annual periods beginning on or after January 1, 2023 have no impact on the disclosures or financial position of the Company.

The standards issued, but not yet effective, are described below:

- IAS 1 – Presentation of Financial Statements was amended in January 2020 to (i) clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period; (ii) clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and (iii) make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and are to be applied retrospectively. Early adoption is permitted.

The Company will adopt these amendments as of their effective dates and is currently assessing their impacts on adoption. There are no other standards or interpretations issued, but not yet effective, that the Company anticipates may have a material effect on the consolidated financial statements once adopted.

## 4. ACQUISITIONS

**Rosie's Burgers franchise acquisition agreement**

On November 13, 2023, the Company completed a share exchange agreement with the shareholder of Rosie's Burger Corp. (the "vendor") and 1000691946 Ontario Inc. Pursuant to the agreement Happy Belly & Rosie's Burger entered into a Franchise Acquisition Agreement ("FAA") defined below.

As part of the transaction a Joint Venture Company ("Rosie's Burger JVCo") was incorporated for the purposes of corporate franchise expansion and growth acceleration of Rosie's Burger Restaurants.

For 50% ownership of the Rosie's Burger JVCo, the Vendor has transferred all the outstanding shares of Rosie's Burger Franchising Inc. and 1000691946 Ontario Inc., where all franchisee activities (such as collection of franchisee royalties and franchising fees) operate from, as well as all global franchising rights, brand assets, intellectual property and brand trademarks.

For 50% ownership of the Rosie's Burger JVCo, Happy Belly has issued to the Rosie's Burger JVCo $250,000 worth of common stock based on the last 10-day weighted average price leading up to the closing date for a total of 1,724,137 shares.

Happy Belly has also obtained the rights to acquire the remaining 50% of the business at its optionality.

The acquisition was accounted for as a business combination under IFRS 3, using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition. The revenue and net income generated by the Rosie's Burger JVCo since the acquisition date were both $7,480 for the reporting period. There was no activity in the Rosie's Burger JVCo prior to acquisition.

Rosie's Burger is a chain of fast casual burger and sandwich restaurants.

**PIRHO franchise acquisition agreement**

On May 18, 2023, the Company completed a share exchange agreement with the shareholder of Pirho Grill Franchising Inc. (the "vendor") and 100047044 Ontario Inc., (the "Pirho Grill JVCo"). Pursuant to the agreement Happy Belly & PIRHO Fresh Greek Grill entered into a Franchise Acquisition Agreement ("FAA").

As part of the transaction a Joint Venture Company ("Pirho Grill JVCo") was incorporated for the purposes of corporate franchise expansion and growth acceleration of PIRHO Fresh Greek Grill Restaurants.

For 50% ownership of the Pirho Grill JVCo, the vendor has transferred all the outstanding shares of PIRHO Grill Franchising Inc. and 8724717 Canada Inc ("PIRHO"), where all franchisee activities (such as collection of franchisee royalties and franchising fees) operate from, as well as all global franchising rights, brand assets, intellectual property and brand trademarks.

(Expressed in Canadian Dollars)

For 50% ownership of the Pirho Grill JVCo, Happy Belly has issued to the Pirho Grill JVCo $250,000 worth of common stock based on the last 10-day weighted average price leading up to the closing date for a total of 1,562,500 shares.

Happy Belly has also obtained the rights to acquire the remaining 50% of the business at its optionality.

The acquisition was accounted for as a business combination under IFRS 3, using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition. The revenue and net income generated by the Pirho Grill JVCo since the acquisition date were $85,590 and $22,208 respectively for the reporting period. There was no activity in the Pirho Grill JVCo prior to acquisition.

PIRHO Fresh Greek Grill is a chain of fast casual Greek restaurants.

As both transactions are non-cash in nature, they have been excluded from the consolidated statements of cash flows.

## 5. EQUITY INVESTMENTS

The Company made an equity investment on September 14, 2023 (private placement with COHO Collective Kitchen Inc.) for $250,000 equating to 1,470,590 units. Each unit consists of one common share and one-half of one common share purchase warrant of the issuer. Each warrant is exercisable into one common share of the issuer at a price of $0.25 for a period of 36 months from the closing date of the offering.

Other equity investments include Micro Algae and Blackwell Intelligence Inc. As at December 31, 2023, the Company had no unrealized gain or losses on equity investments (2022 - $39,532 unrealized loss).

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

| | Valuation method (Note 15) | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|
| | | **$** | $ |
| Investment in publicly traded companies | Level 1 | **250,000** | - |
| Investment in private companies | Level 3 | **59,276** | 59,276 |
| | | **309,276** | 59,276 |

## 6. INVENTORY

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

| | **Raw ingredients** | **Finished goods** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| At December 31, 2021 | 95,670 | 44,913 | 140,583 |
| Change in year | 117,903 | 10,702 | 128,605 |
| At December 31, 2022 | 213,573 | 55,615 | 269,188 |
| **Change in year** | **(46,114)** | **(7,388)** | **(53,502)** |
| **At December 31, 2023** | **167,459** | **48,227** | **215,686** |

(Expressed in Canadian Dollars)

### 7. PROPERTY AND EQUIPMENT

| | Computer equipment | Furniture and fixtures | Leasehold improvements | Vehicles | ROU assets | Total |
|---|---|---|---|---|---|---|
| **Cost** | $ | $ | $ | $ | $ | $ |
| December 31, 2021 | 47,136 | 372,186 | 272,355 | 26,653 | 403,989 | 1,122,319 |
| Dispositions | - | (6,000) | - | - | (64,819) | (70,819) |
| Corporate acquisitions | - | 215,768 | 94,903 | - | 603,693 | 914,364 |
| Additions | 1,520 | 42,195 | 53,898 | - | 9,082 | 106,695 |
| December 31, 2022 | 48,656 | 624,149 | 421,156 | 26,653 | 951,945 | 2,072,559 |
| **Dispositions** | **-** | **-** | **-** | **-** | **(301,606)** | **(301,606)** |
| **Additions** | **7,458** | **139,946** | **205,796** | **-** | **1,253,269** | **1,606,469** |
| **December 31, 2023** | **56,114** | **764,095** | **626,952** | **26,653** | **1,903,608** | **3,377,422** |
| | | | | | | |
| **Accumulated amortization** | | | | | | |
| December 31, 2021 | 33,089 | 245,632 | 113,208 | 5,331 | 174,305 | 571,565 |
| Amortization | 5,137 | 50,812 | 62,088 | 4,264 | 127,259 | 249,560 |
| December 31, 2022 | 38,226 | 296,444 | 175,296 | 9,595 | 301,564 | 821,125 |
| **Dispositions** | **-** | **-** | **-** | **-** | **(76,255)** | **(76,255)** |
| **Amortization** | **4,491** | **62,138** | **58,887** | **3,412** | **178,894** | **307,822** |
| **December 31, 2023** | **42,717** | **358,582** | **234,183** | **13,007** | **404,203** | **1,052,692** |
| | | | | | | |
| **Net book value** | | | | | | |
| December 31, 2022 | 10,430 | 327,705 | 245,860 | 17,058 | 650,381 | 1,251,434 |
| **December 31, 2023** | **13,397** | **405,513** | **392,769** | **13,646** | **1,499,405** | **2,324,730** |

The disposition of ROU assets relates to the derecognition of ROU assets on the sublease of its locations. These transactions, along with the additions to ROU assets, are non-cash in nature, and therefore have been excluded from the consolidated statements of cash flow.

### 8. INTANGIBLE ASSETS

| Intangible assets | Brand names | Distribution relationships | Recipe, processes and formulas | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| December 31, 2021 | 259,513 | 138,304 | 59,163 | 456,980 |
| Corporate acquisition | - | - | 82,573 | 82,573 |
| Additions | - | - | 10,803 | 10,803 |
| Amortization | (123,526) | (123,350) | (41,231) | (288,107) |
| Impairment expense | (38,658) | - | (30,342) | (69,000) |
| December 31, 2022 | 97,329 | 14,954 | 80,966 | 193,249 |
| **Dispositions** | **-** | **-** | **(2,520)** | **(2,520)** |
| **Amortization** | **(86,805)** | **(14,954)** | **(31,291)** | **(133,050)** |
| **December 31, 2023** | **10,524** | **-** | **47,155** | **57,679** |

(Expressed in Canadian Dollars)

## 9. GOODWILL

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

| **Gross carrying amount** | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Opening balance | **16,191,955** | 16,191,955 |
| Closing balance | **16,191,955** | 16,191,955 |
| | | |
| **Accumulated impairment** | | |
| Opening balance | **(15,286,716)** | (14,860,254) |
| Impairment loss recognized | **-** | (426,462) |
| Closing balance | **(15,286,716)** | (15,286,716) |
| | | |
| **Carrying amount at end of year** | **905,239** | 905,239 |

***Goodwill impairment testing***

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below, and is compared to its recoverable value:

| **Goodwill allocated to operating segments** | **December 31 2023** | December 31 2022 |
|---|---|---|
| | **$** | $ |
| Holy Crap | **905,239** | 905,239 |

The recoverable amount of the segment was determined based on a value-in-use calculation, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives. The present value of the expected cash flows of the segment was determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

| **Recoverable amount of each operating segment** | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Holy Crap | **1,224,691** | 1,442,155 |

***Growth rates***
The growth rate reflects management's expected revenue growth in the next two years (8-10%), with an estimated long-term average growth rate of 5%.

***Discount rates***
A discount rate of 15% was used and reflects appropriate adjustments relating to market risk and specific risk factors of the segment.

***Cashflow assumptions***
When calculating the discounted cash flow of the segment, management made the following assumptions:

- Holy Crap has been valued assuming it will continue to be operated as a going concern;
- There is a history of revenue, and future revenue is expected to grow from current levels; and
- The CGUs historically has not generated material positive EBITDA, although management expects positive earnings in the future.

Management has applied revenue and cost of goods sold growth assumptions based on review of analyst expectations of these figures from comparable public companies engaged in food and beverage production and distribution (with a focus on natural, vegan, or plant-based foods).

(Expressed in Canadian Dollars)

The impairment calculation results in no impairment loss on the Holy Crap segment for the year ended December 31, 2023 (2022 - $nil).

## 10. LEASE LIABILITIES

In the third quarter of 2023, the Company renewed one of its leases early resulting in a $8,333 gain on renewal. This renewed lease was identified as a right-of-use asset with a corresponding lease liability, which was discounted using a 12% incremental borrowing rate.

In the second quarter of 2023, the Company entered into three new leases, with one expiring on April 15, 2033 and two on September 30, 2033, for retail space for its Joey Turks and Heal Lifestyle restaurants. These leases were identified as right-of-use assets with corresponding lease liabilities, which were discounted using a 12% incremental borrowing rate.

In 2022, and in conjunction with the Lettuce Love and Heal Lifestyle acquisitions the Company acquired four new leases. The Lettuce Love retail space lease expires May 31, 2027. This lease was identified as a right-of-use asset with a corresponding lease liability, which was discounted using a 10% incremental borrowing rate. The Heal Lifestyle retail space leases expire November 30, 2025, December 31, 2025 and March 31, 2034 respectively. These leases were identified as right-of-use assets with corresponding lease liabilities, which were discounted using a 10% incremental borrowing rate.

The changes in lease liabilities are as follows:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | **758,605** | 247,406 |
| Additions | **951,663** | 603,693 |
| Lease extensions | **295,255** | 8,847 |
| Lease payments | **(289,400)** | (155,822) |
| Interest expense | **155,436** | 54,481 |
| **Balance, end of year** | **1,871,559** | 758,605 |
| | | |
| Current portion | **207,093** | 164,022 |
| Long-term portion | **1,664,466** | 594,583 |
| **Lease liabilities** | **1,871,559** | 758,605 |

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

| | $ |
|---|---|
| 2024 | 410,609 |
| 2025 | 419,311 |
| 2026 | 345,445 |
| 2027 | 321,923 |
| 2028 | 288,874 |
| 2029 | 249,729 |
| 2030 | 231,039 |
| 2031 | 238,060 |
| 2032 | 245,303 |
| 2033 | 137,986 |
| 2034 | 17,624 |
| **Total contractual cash flows** | 2,905,903 |
| Less: interest | 1,034,344 |
| **Lease liabilities** | 1,871,559 |

(Expressed in Canadian Dollars)

The following table summarizes lease-related cashflows for the years ended:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Principal payments | **133,964** | 101,340 |
| Interest on lease liabilities | **155,436** | 54,481 |
| Total cash outflow for leases | **289,400** | 155,821 |

On May 1, 2023, and November 14, 2022, the Company sublet a portion of two of its retail spaces. The Company realized a loss on recognition of the sublease of $43,507 (2022 – gain of $22,946). The Company realized rental income of $69,162 in 2023 (2022 - $5,533).

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

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Opening balance | **83,668** | - |
| Additions | **175,495** | 87,764 |
| Payments received | **(57,195)** | (5,532) |
| Finance income | **19,239** | 1,436 |
| Closing balance | **221,207** | 83,668 |

## 11. LONG-TERM DEBT

### Canada Emergency Business Account ("CEBA") Loan

In the first quarter of 2022, in response to the surge of COVID-19 cases, the Federal Government extended the deadline for repayment of the CEBA loans to qualify for partial loan forgiveness from December 31, 2022, to January 18, 2024, for eligible borrowers in good standing. Outstanding CEBA loans after January 18, 2024 would forfeit any loan forgiveness and default to a government loan with an interest rate of 5% per annum, to be repaid by December 31, 2026. Minimum interest payments are to be made each month until the loan is fully repaid.

The Company had estimated the initial carrying value of the CEBA loans using a discount rate of 20%. The difference was recognized as grant income and accreted to the loan liability over the term of the CEBA loan and offset to other income on the consolidated statements of loss and comprehensive loss.

In the fourth quarter of 2023, the Company repaid two of the four CEBA loans in full ($60,000). The Company elected to roll over the two outstanding loans (Yam Chops - $60,000 and Holy Crap - $60,000) to the government loan, which are to be repaid in full by December 31, 2026.

The changes in the Company's CEBA loans are as follows:

| | |
|---|---|
| | $ |
| Balance at December 31, 2021 | 90,614 |
| Extension of repayment period | (16,303) |
| Loans acquired | 28,792 |
| Accretion | 20,318 |
| Balance at December 31, 2022 | 123,421 |
| **Loan repayments** | **(80,000)** |
| **Net Accretion & Loan Forgiveness Forfeited** | **76,579** |
| **Balance at December 31, 2023** | **120,000** |

Other long-term debt consists of loans payable to BDC and TD Canada Trust, payable in monthly installments. The loans to BDC are secured through a personal guarantee from the CEO of the Company. The Company has indemnified the CEO for the personal guarantee.

(Expressed in Canadian Dollars)

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

| | Maturity | Rate | **December 31, 2023** | December 31, 2022 |
|---|---|---|---|---|
| | | | **$** | $ |
| CEBA loans | 31-Dec-26 | 5% | **120,000** | 123,421 |
| TD loan | 01-Apr-31 | TD Prime + 3.00% | **106,888** | 116,012 |
| BDC loan 1 | 15-Nov-24 | BDC Prime + 0.30% | **45,760** | 95,680 |
| BDC loan 2 | 15-Sep-26 | BDC Prime + 0.97% | **43,542** | 59,375 |
| | | | **316,190** | 394,488 |
| Current | | | **71,647** | 198,487 |
| Long-term | | | **244,543** | 196,001 |

Principal payments for years ended December 31 are as follows:

| | |
|---|---|
| | $ |
| 2024 | 71,647 |
| 2025 | 27,206 |
| 2026 | 144,402 |
| 2027 | 13,797 |
| 2028 | 15,181 |
| 2029 | 16,736 |
| 2030 | 18,434 |
| 2031 | 8,787 |
| **Total payments** | **316,190** |

**Convertible debentures**

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

The Debentures are convertible at the holder's option into common shares of the Company at a conversion price equal to $0.30 per common share (the "Conversion Price").

On the Maturity Date, any outstanding principal amount of the Debentures, plus any accrued and unpaid interest, shall be paid in cash. All securities issued in connection with the closing of the Private Placement are subject to a four-month and one-day statutory hold period in accordance with applicable securities laws.

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of the year | **1,750,719** | - |
| Initial proceeds from debt | **1,645,000** | 2,000,000 |
| Debt issue costs paid in cash | **-** | (52,950) |
| Transfer of conversion component to equity | **(424,302)** | (265,797) |
| Amortization of deferred financing costs | **26,475** | 13,238 |
| Accretion on convertible debentures | **157,563** | 56,228 |
| **Balance, end of the year** | **3,155,455** | 1,750,719 |

(Expressed in Canadian Dollars)

Convertible debentures bifurcated into equity and debt components:

| | **December 31, 2023** | December 31, 2022 |
|---|---|---|
| | **$** | $ |
| Debt component | **3,155,455** | 1,750,719 |
| Equity component | **690,099** | 265,797 |

## 12. SHARE CAPITAL

### a) Common shares

**Authorized:**
Unlimited number of common shares without par value.

**Issued:**
As at December 31, 2023, the Company has 110,503,835 shares issued and outstanding (December 31, 2022 – 107,207,198) for a total value of $36,259,040 (2022 - $35,757,040).

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

On November 13, 2023, the Company issued 1,724,137 shares, valued at $250,000, as part of the Rosie's Burger franchise acquisition agreement (Note 4).

On May 18, 2023, the Company issued 1,562,500 shares, valued at $250,000, as part of the PIRHO franchise acquisition agreement (Note 4).

### b) Share Purchase Warrants

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Number of warrants** | **Weighted average exercise price $** | Number of warrants | Weighted average exercise price $ |
| Warrants outstanding, beginning of year | **30,200,000** | **0.20** | 54,832,660 | 0.25 |
| Exercised | **(10,000)** | **0.20** | (272,000) | 0.25 |
| Expired/forfeited | **(200,000)** | **0.75** | (24,360,660) | 0.30 |
| Warrants outstanding, end of year | **29,990,000** | **0.20** | 30,200,000 | 0.20 |

The Company's weighted average share price for the year ended December 31, 2023 was $0.15 (2022 - $0.12).

The Company entered into a strategic advisory agreement in 2021 (the "Advisory Agreement") with Maricom Inc., Sean Black, Kevin Cole, Mark Rechichi and Alex Rechichi (the "Advisors") to assist with the private placement and to arrange for Alex Rechichi, Mark Rechichi and Kevin Cole to join the Board of Directors of the Company. The Company agreed to issue an aggregate of 27,000,000 non-transferrable share purchase warrants ("Advisory Warrants") to the Advisors. Each Advisory Warrant 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 vest upon the occurrence of the vesting triggers noted below:

| **Number of advisory warrants vested** | **Vesting trigger** |
|---|---|
| 5,200,000 | Closing of the June 2021 private placement |
| 2,700,000 | $0.50[1] |
| 2,750,000 | $0.75[1] |
| 5,400,000 | $1.00[1] |
| 5,450,000 | $1.50[1] |
| 5,500,000 | $2.00[1] |

(Expressed in Canadian Dollars)

**Note**: (1) Closing price of the common shares on the Canadian Securities Exchange (or any other stock exchange that the Common Shares may trade) required to trigger vesting of Advisory Warrants.

The Company recognized $3,174,062 in share-based compensation on the issuance of the Advisory Warrants. The warrants were valued using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 179%, risk free interest rates of 0.97%, expected life of 5 years and no dividend yield. A Monte Carlo probability model was applied to the various vesting trigger points resulting in probabilities of between 13% and 56% which were applied to the five unvested tranches.

As at December 31, 2023, the Company had outstanding warrants as follows:

| **Expiry date** | **Exercise Price $** | **Remaining life (years)** | **Warrants outstanding** | **Warrants exercisable** |
|---|---|---|---|---|
| June 18, 2024 | 0.20 | 0.5 | 2,990,000 | 2,990,000 |
| June 18, 2026 | 0.20 | 2.5 | 27,000,000 | 5,200,000 |
| | 0.20 | | 29,990,000 | 8,190,000 |

### c) Stock options

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

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price $** | Number of options | Weighted average exercise price $ |
| Options outstanding, beginning of year | **7,585,000** | **0.28** | 9,870,000 | 0.27 |
| Granted | **1,050,000** | **0.20** | 185,000 | 0.38 |
| Expired | **(7,525,000)** | **0.28** | (2,420,000) | 0.26 |
| Cancelled/ forfeited | **-** | **-** | (50,000) | 0.50 |
| Options outstanding, end of year | **1,110,000** | **0.21** | 7,585,000 | 0.28 |

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 vest upon the occurrence of the vesting triggers noted below:

| **Number of options vested** | **Vesting trigger** |
|---|---|
| 192,593 | On issuance |
| 100,000 | $0.50(1) |
| 101,852 | $0.75(1) |
| 200,000 | $1.00(1) |
| 201,852 | $1.50(1) |
| 203,703 | $2.00(1) |

**Note**: (1) Closing price of the common shares on the Canadian Securities Exchange (or any other stock exchange that the Common Shares may trade) required to trigger vesting of the performance options.

A Monte Carlo probability model was applied to the various vesting trigger points resulting in probabilities of between 9% and 34% which were applied to the five unvested tranches.

The share options outstanding as at December 31, 2023 are as follows:

(Expressed in Canadian Dollars)

| Grant date | Number of options outstanding | Exercise price $ | Expiry date |
|---|---|---|---|
| April 1, 2022 | 60,000 | 0.25 | April 1, 2024 |
| February 8, 2023 | 50,000 | 0.30 | February 8, 2025 |
| April 20, 2023 | 1,000,000 | 0.20 | April 20, 2028 |
| | 1,110,000 | 0.21 | |

The Company recognized $55,972 (2022 - $5,110) in share-based compensation on performance options during the year. The fair value of options was estimated using the Black-Scholes Option Pricing Model based on the date of grant and using the following assumptions:

| Grant date | Risk-free interest rate | Expected stock price volatility | Expected life | Fair value option price $ |
|---|---|---|---|---|
| April 1, 2022 | 2.34% | 155% | 2 | 0.07 |
| February 8, 2023 | 3.92% | 94% | 2 | 0.06 |
| April 20, 2023 | 3.15% | 134% | 5 | 0.16 |

**d) Share-based payment reserve**

The share-based payment reserve records items recognized as share-based compensation expense and other share-based payments until such time that the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 13. RELATED PARTY TRANSACTIONS

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

| | **Year ended December 31, 2023** | Year ended December 31,2022 |
|---|---|---|
| | **$** | $ |
| Consulting and other fees | **488,834** | 426,548 |
| Share-based compensation (Note 12) | **52,713** | - |
| | **541,547** | 426,548 |

*Consulting and other fees include annual compensation for CEO, CIO and CFO.

As at December 31, 2023, the Company had a net amount of $26,760 balance owing (2022 - $13,059) and $125,000 convertible debentures payable (2022 - $200,000) to the CEO of the Company. An additional $385,000 convertible debentures are payable to individuals related to the CEO of the Company.

## 14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31, 2023, the Company had total accounts payable of $457,529 (2022 - $362,080), and accrued liabilities of $227,475 (2022 - $152,542).

## 15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

**Fair value of financial instruments**

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

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

(Expressed in Canadian Dollars)

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. The fair value of long-term debt and convertible debentures is determined using discounted cash flows at the current market interest rate (level 2).

**Financial risk management**

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

Credit risk

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and business development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cashflow in the upcoming year will be through equity financing and revenue generation. Cash on hand at December 31, 2023 and expected cashflows for the next 12 months are sufficient to fund the Company's ongoing operational needs. The Company may need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof. Liquidity risk is assessed as high.

Based on the contractual obligations of the Company as at December 31, 2023, cash outflows of those obligations are estimated and summarized as follows:

| Payment due by year | 2024 | 2025 | 2026 and beyond | Total |
|---|---|---|---|---|
| | $ | $ | $ | **$** |
| Accounts payable and accrued liabilities | 685,004 | - | - | **685,004** |
| HST payable | 250,394 | - | - | **250,394** |
| CEBA loan | - | - | 120,000 | **120,000** |
| Long-term debt | 71,647 | 27,206 | 217,337 | **316,190** |
| Lease liabilities | 410,609 | 419,311 | 2,075,983 | **2,905,903** |
| | 1,417,654 | 446,517 | 2,413,320 | **4,277,491** |

*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

(Expressed in Canadian Dollars)

Company believes 1% volatility is a reasonable measure. The effect of a 1% change in interest rates would have had a $1,260 impact on the Company's net earnings for the year ended December 31, 2023 (2022 – $1,013).

(b) Foreign currency risk

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

**Capital management**

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

## 16. GENERAL AND ADMINISTRATIVE EXPENSES

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

| | **Year Ended December 31,** | |
|---|---|---|
| | **2023** | 2022 |
| | **$** | $ |
| Legal and accounting | **513,385** | 352,708 |
| Advertising and marketing | **427,621** | 291,914 |
| Investor relations | **336** | 3,086 |
| Consulting | **243,172** | 213,604 |
| Management | **374,396** | 394,109 |
| Office and sundry | **283,285** | 294,448 |
| Business development | **187,436** | 160,881 |
| Salaries and wages | **1,454,181** | 842,703 |
| **Total general and administrative** | **3,483,812** | 2,553,453 |

## 17. SUPPLEMENTAL CASH FLOW INFORMATION

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

| | **Year Ended December 31,** | |
|---|---|---|
| | **2023** | 2022 |
| | **$** | $ |
| Accounts receivable | **(162,961)** | 22,135 |
| Other receivables | **256,720** | (208,451) |
| Inventory | **53,502** | (75,046) |
| Prepaids | **(25,320)** | 3,741 |
| Accounts receivable – long-term | **(200,000)** | - |
| Accounts payable and accrued liabilities | **170,382** | 114,440 |
| HST payable | **177,604** | 88,635 |
| Deferred revenue | **(115,000)** | - |
| Other liabilities | **(4,910)** | (3,490) |
| **Net change in non-cash working capital related to operations** | **150,017** | (58,036) |

(Expressed in Canadian Dollars)

## 18. SEGMENTED INFORMATION

| **As at** | | | | **December 31,2023** |
|---|---|---|---|---|
| | **Quick service restaurants** | **Consumer product goods** | **Corporate** | **Consolidated** |
| | **$** | **$** | **$** | **$** |
| Current assets | **122,950** | **290,867** | **1,730,576** | **2,144,393** |
| Long-term receivables | **-** | **-** | **200,000** | **200,000** |
| Property and equipment | **1,575,981** | **164,988** | **583,761** | **2,324,730** |
| Intangible assets | **47,156** | **10,524** | **(1)** | **57,679** |
| Interest in sublease | **221,207** | **-** | **-** | **221,207** |
| Goodwill | **-** | **905,239** | **-** | **905,239** |
| Total assets | **1,967,294** | **1,371,618** | **2,514,336** | **5,853,248** |
| Current liabilities | **528,111** | **87,951** | **733,076** | **1,349,138** |
| Long-term liabilities | **1,306,140** | **143,889** | **3,614,435** | **5,064,464** |
| Total liabilities | **1,834,251** | **231,840** | **4,347,511** | **6,413,602** |

| As at | | | | December 31, 2022 |
|---|---|---|---|---|
| | Quick service restaurants | Consumer product goods | Corporate | Consolidated |
| | $ | $ | $ | $ |
| Current assets | 139,684 | 291,533 | 1,418,032 | 1,849,249 |
| Property and equipment | 1,033,570 | 200,547 | 17,317 | 1,251,434 |
| Intangible assets | 80,966 | 112,283 | - | 193,249 |
| Interest in sublease | 83,668 | - | - | 83,668 |
| Goodwill | - | 905,239 | - | 905,239 |
| Total assets | 1,337,888 | 1,509,602 | 1,435,349 | 4,282,839 |
| Current liabilities | 416,759 | 105,198 | 432,874 | 954,831 |
| Long-term liabilities | 682,942 | 107,642 | 1,750,719 | 2,541,303 |
| Total liabilities | 1,099,701 | 212,840 | 2,183,593 | 3,496,134 |

| **Year ended** | | | | **December 31, 2023** |
|---|---|---|---|---|
| | **Quick service restaurants** | **Consumer product goods** | **Corporate** | **Consolidated** |
| | **$** | **$** | **$** | **$** |
| Revenue | **3,723,592** | **1,301,207** | **46,123** | **5,070,922** |
| Cost of goods sold | **1,553,752** | **863,198** | **33,301** | **2,450,251** |
| General and administrative | **1,777,129** | **445,253** | **1,261,430** | **3,483,812** |
| Impairment, interest, depreciation, and amortization | **482,582** | **177,101** | **496,167** | **1,155,850** |
| Other (income)/expense | **(47,379)** | **(7,674)** | **(134,605)** | **(189,658)** |
| Net loss | **(42,492)** | **(176,671)** | **(1,610,170)** | **(1,829,333)** |

(Expressed in Canadian Dollars)

| Year ended | | | | December 31, 2022 |
|---|---|---|---|---|
| | Quick service restaurants | Consumer product goods | Corporate | Consolidated |
| | $ | $ | $ | $ |
| Revenue | 1,687,155 | 1,047,341 | - | 2,734,496 |
| Cost of goods sold | 844,399 | 683,586 | - | 1,527,985 |
| General and administrative | 960,778 | 471,653 | 1,121,022 | 2,553,453 |
| Impairment, interest, depreciation, and amortization | 838,795 | 272,580 | 188,393 | 1,299,768 |
| Other (income)/expense | (53,822) | (13,717) | 163,781 | 96,242 |
| Net loss | (902,995) | (366,761) | (1,473,196) | (2,742,952) |

## 19. INCOME TAX

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

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Income/(loss) before income taxes | **(1,829,333)** | (2,742,952) |
| Combined statutory tax rate | **27.00%** | 27.00% |
| Expected tax/(recovery) at statutory rate | **(493,920)** | (740,597) |
| Non-deductible items and other | **30,038** | 7,493 |
| Change in unrecognized deferred tax asset | **463,882** | 733,104 |
| | **-** | - |

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

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Non-capital losses | **5,491,406** | 4,986,646 |
| Share issuance costs | **28,090** | 56,180 |
| Equipment | **(542,533)** | (249,989) |
| Other items | **99,891** | 58,262 |
| Total deferred tax asset | **5,076,854** | 4,851,099 |
| Unrecognized deferred tax asset | **(5,076,854)** | (4,851,099) |
| Deferred taxes | **-** | - |

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

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Non-capital losses | **20,338,539** | 18,469,058 |
| Share issuance costs | **104,036** | 208,073 |
| Equipment | **315,348** | 325,551 |
| Other items | **427,645** | 409,033 |
| | **21,185,568** | 19,411,715 |

As at December 31, 2023, the Company had accumulated Canadian non-capital losses of approximately $20.3 million expiring between 2035 and 2043.

## 20. SUBSEQUENT EVENTS

**Private Placement**

On February 23, 2024, the Company closed on a non-brokered private placement of unsecured convertible debentures (the "Convertible Debentures") with a strategic investment fund, Trio Capital Group Inc. ("Trio Capital Group") for gross proceeds of $1,000,000. The Convertible Debentures have a term of 36 months earning interest at the rate of 12% per annum split into two components:

a) 6% interest paid in cash on quarterly basis, and
b) 6% will be deferred for the 36-month term until conversion of the debenture into common shares at a conversion price equal to $0.50 per common share.

On the maturity date, any outstanding principal amount of the Convertible Debentures, plus any accrued and unpaid interest, shall be paid in cash and/or converted in accordance with the terms of the debenture. All securities issued in connection with this private placement are subject to a four-month and one-day statutory hold period in accordance with applicable securities laws.

**Yolks Breakfast Inc. acquisition agreement**

On January 29, 2024, the Company completed a share exchange agreement with the shareholder of Yolks Breakfast Inc. for 50% ownership of the JVCo and the franchising rights, brand assets and IP rights.

As part of the transaction a Joint Venture Company ("JVCo") was incorporated for the purposes of corporate franchise expansion of Yolks Breakfast Inc.

For 50% ownership of the JVCo, Happy Belly issued to the JVCo $250,000 of common stock priced at the 10-day weighted average price ("VWAP") for a total of 904,856 shares.

Happy Belly has also obtained the rights to acquire the remaining 50% of the business at its optionality.

**CraveIt Restaurant Group letter of intent**

On January 4, 2024, the Company completed a binding letter of intent (LOI) agreement to acquire 100% of CraveIt Restaurant Group's Via Cibo Restaurant Chain ("Via Cibo"), serving fast casual Italian street food.

Via Cibo is an all-franchised system with established street-front real estate locations in both Ontario and Alberta.

## 21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.