



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

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

**AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022**

**HAPPY BELLY FOOD GROUP INC.**  
**Interim Condensed Consolidated Statements of Financial Position (Unaudited)**

<b>As At</b>	<b>Note</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
(Canadian dollars)		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,651,337	936,167
Accounts receivable		342,835	100,499
Equity investments	5	35,638	75,171
Inventory	6	166,272	140,583
Prepays		36,103	59,918
HST recoverable		(33,072)	15,845
		2,199,113	1,328,183
Property and equipment	7	1,053,343	550,754
Licenses and other intangible assets	8	280,991	456,980
Goodwill	9	1,331,701	1,331,701
<b>TOTAL ASSETS</b>		<b>4,865,148</b>	<b>3,667,618</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	14	438,732	246,289
Current portion of long term debt	11	10,084	-
Current portion of lease obligations	10	130,389	59,873
Other liabilities		10,946	8,400
<b>TOTAL CURRENT LIABILITIES</b>		<b>590,151</b>	<b>314,562</b>
Long term debt	11	225,233	90,614
Convertible debenture	11	1,710,882	
Lease obligations	10	495,554	187,533
<b>TOTAL LIABILITIES</b>		<b>3,021,820</b>	<b>592,709</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	12	35,689,040	35,466,818
Share subscriptions receivable	12	(63,845)	(63,845)
Convertible debenture-equity portion		265,797	-
Treasury shares	4,12	(222,222)	-
Contributed surplus	12	11,285,346	11,283,229
Deficit		(45,236,108)	(43,634,931)
Non-controlling interest		125,320	23,638
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>1,843,328</b>	<b>3,074,909</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,865,148</b>	<b>3,667,618</b>

Nature and continuance of operations (Note 1)

Subsequent events (Note 18)

**HAPPY BELLY FOOD GROUP INC.**
**Interim Condensed Consolidated Statements of Comprehensive Loss (Unaudited)**

<i>(Canadian dollars)</i>	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Product sales</b>		<b>794,460</b>	294,895	<b>1,739,318</b>	918,233
<b>Cost of sales</b>		<b>434,734</b>	183,349	<b>980,908</b>	515,132
<b>Gross profit</b>		<b>359,726</b>	111,546	<b>758,410</b>	403,101
<b>Consulting revenue</b>		-	29,002	-	110,744
<b>Expenses</b>					
Compliance and regulatory		<b>23,644</b>	122,822	<b>83,846</b>	343,253
Depreciation and amortization	7,8	<b>155,048</b>	79,649	<b>417,461</b>	235,369
Financing costs	10,11	<b>108,189</b>	10,827	<b>138,261</b>	35,006
General and administrative	17	<b>707,582</b>	484,180	<b>1,738,278</b>	3,873,300
Platform development		<b>2,551</b>	38,696	<b>10,401</b>	140,804
Share-based compensation	12,13	-	10,892	<b>2,117</b>	6,540,303
<b>Total expenses</b>		<b>997,014</b>	747,066	<b>2,390,364</b>	11,168,035
<b>Loss before other items</b>		<b>(637,288)</b>	(606,518)	<b>(1,631,954)</b>	(10,654,190)
<b>Other items</b>					
Impairment		-	-	-	(11,334,000)
Realized gain on equity investment		-	52,000	-	79,035
Unrealized loss on equity investment	5	<b>(20,850)</b>	(157,917)	<b>(39,532)</b>	(82,917)
Foreign exchange gain		<b>263</b>	(171)	<b>(393)</b>	5,099
Grant income	11	-	-	<b>16,303</b>	27,074
Other income		<b>21,122</b>	1,303	<b>16,575</b>	27,794
<b>Total comprehensive loss</b>		<b>(636,753)</b>	(711,303)	<b>(1,639,001)</b>	(21,932,105)
<b>Per Share Information</b>					
Net loss per share – basic and diluted		<b>\$(0.01)</b>	\$(0.01)	<b>\$(0.02)</b>	\$(0.26)
Weighted average number of common shares outstanding – basic and diluted		<b>104,157,421</b>	83,923,248	<b>104,157,421</b>	83,923,248

# HAPPY BELLY FOOD GROUP INC.

## Interim Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

(Canadian dollars)	Notes	Common shares number	Common shares amount	Contributed surplus	Share subscriptions receivable	Treasury Shares	Convertible Debenture	Accumulated Deficit	Non- Controlling Interest	Total
			\$	\$	\$	\$		\$		\$
Balance at December 31, 2020		67,813,414	18,300,070	3,565,293	(339,552)	-	-	(17,033,920)	-	4,491,891
Private placement	12	3,000,000	600,000	-	-	-	-	-	-	600,000
Issuance of common shares for debt and services	12	109,589	85,479	-	-	-	-	-	-	85,479
Issuance of common shares upon exercise of options	12	1,577,000	890,285	(359,035)	(208,000)	-	-	-	-	323,250
Issuance of common shares upon exercise of warrants	12	2,212,590	632,337	(64,190)	-	-	-	-	-	568,147
Share exchange -corporate acquisitions	4	29,644,828	15,058,647	1,600,857	-	-	-	-	-	16,659,504
Cancellation of shares returned to treasury		(200,000)	(100,000)	-	-	-	-	-	-	(100,000)
Share based compensation	12,13	-	-	6,540,304	-	-	-	-	-	6,540,304
Debts settled		-	-	-	483,707	-	-	-	-	483,707
Dividends	8	-	-	-	-	-	-	(23,638)	23,638	-
Net and comprehensive loss		-	-	-	-	-	-	(26,577,373)	-	(26,577,373)
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	4,12	2,777,777	222,222	-	-	(222,222)	-	-	-	-
Share based compensation	12	-	-	2,117	-	-	-	-	-	2,117
Convertible debenture	11	-	-	-	-	-	265,797	-	-	265,797
Non-controlling interests - investment		-	-	-	-	-	-	-	139,506	139,506
Non-controlling interests - net loss		-	-	-	-	-	-	37,824	(37,824)	-
Net and comprehensive loss		-	-	-	-	-	-	(1,639,001)	-	(1,639,001)
Balance at September 30, 2022		106,935,198	35,689,040	11,285,346	(63,845)	(222,222)	265,797	(45,236,108)	125,320	1,843,328

**HAPPY BELLY FOOD GROUP INC.**
**Interim Condensed Consolidated Statements of Cash Flows (Unaudited)**

<i>(Canadian dollars)</i>	Notes	Three months ended September 30,		Nine months ended September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Operating Activities</b>					
Net loss		(636,753)	(711,303)	(1,639,001)	(21,932,105)
Items not affecting cash and cash equivalents:		-	-	-	-
Amortization	7,8	155,048	79,649	417,461	235,369
Financing costs	10,11	14,118	11,419	41,587	31,582
Share based compensation	12,13	-	10,892	2,117	6,540,303
Shares issued for services		-	-	-	85,479
Gain on sale of equity investment	5	20,850	105,917	39,532	3,882
Grant income	11	-	-	(16,303)	(3,146)
		(446,737)	(503,426)	(1,154,607)	(3,704,636)
Accounts receivable		280,599	14,415	(124,989)	(5,144)
Inventory	6	21,857	(23,601)	(1,136)	(24,133)
Prepaid expenses		2,701	64,650	26,076	406,756
HST recoverable		43,821	1,992	48,917	42,683
Accounts payable and accrued liabilities	14	(31,149)	63,244	5,891	(333,540)
Other liabilities		-	(7,904)	-	(27,901)
Deferred revenue	15	-	(26,102)	-	(95,724)
Net change in non-cash working capital related to operations		317,829	86,694	(45,241)	(37,003)
<b>Cash flows used in operating activities</b>		<b>(128,908)</b>	<b>(416,732)</b>	<b>(1,199,848)</b>	<b>(3,741,639)</b>
<b>Investing Activities</b>					
Property and equipment expenditures	7	(20,953)	-	(58,429)	(3,996)
Property and equipment dispositions	7	-	-	6,000	-
Purchase of equity investments	5	-	-	-	(385,000)
Acquired cash	4	-	-	79,819	156,970
Corporate acquisition	4	-	-	-	(770,000)
Cash flows from/(used in) investing activities		-	24,965	-	152,000
<b>Cash flows from (used in) investing activities</b>		<b>(20,953)</b>	<b>24,965</b>	<b>27,390</b>	<b>(850,026)</b>
<b>Financing Activities</b>					
Proceeds from the issuance of shares (net of issuance costs)	12	-	-	-	600,000
Proceeds from investors	18	799,529	-	1,976,679	-
Proceeds from government loan	11	(15,191)	-	(2,396)	10,000
Proceeds from option exercises	12	-	-	-	323,250
Proceeds from warrant exercises	12	-	-	-	568,147
Lease liabilities settled	10	(37,559)	(33,444)	(86,655)	(90,611)
Share subscriptions settled		-	(24,988)	-	233,394
<b>Cash flows from financing activities</b>		<b>746,779</b>	<b>(58,432)</b>	<b>1,887,628</b>	<b>1,644,180</b>
<b>Increase in cash</b>		<b>596,918</b>	<b>(450,199)</b>	<b>715,170</b>	<b>(2,947,485)</b>
Cash, beginning of period		1,054,419	1,638,964	936,167	4,136,250
<b>Cash, end of period</b>		<b>1,651,337</b>	<b>1,188,765</b>	<b>1,651,337</b>	<b>1,188,765</b>
<b>Cash and cash equivalents consist of:</b>					
Cash				1,591,337	1,128,765
Cash equivalents				60,000	60,000

# HAPPY BELLY FOOD GROUP INC.

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

### For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 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 interim condensed 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:

	September 30, 2022	December 31, 2021
	\$	\$
Deficit	(45,236,108)	(43,634,931)
Working Capital	1,608,962	1,013,621

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company relies upon the issuance of securities for financing of its operations. The Company intends to continue relying upon the issuance of securities to finance its operations to the extent such instruments are issuable under terms acceptable to the Company. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise sufficient funds in the future. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to secure additional financing, repay liabilities as they come due, negotiate suitable joint venture agreements, and/or continue as a going concern, then material adjustments would be required to the carrying value of assets and liabilities and the consolidated statement of financial position classifications used. These interim condensed 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.

On March 10, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. These measures have caused and will continue to cause significant disruption to business operations and a significant increase in economic uncertainty. The potential direct and indirect impacts of the economic downturn have been considered in management's estimates, and assumptions at period end have been reflected in the results.

The COVID-19 pandemic is an evolving situation that will continue to have widespread implications for the Company's business environment, operations and financial condition. Management cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial results in 2022.

#### 2. BASIS OF PREPARATION

##### Statement of Compliance

These condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 – Interim Financial Reporting.

The Interim Financial Statements should be read in conjunction with the audited annual consolidated financial statements of Happy Belly as at and for the years ended December 31, 2021 and 2020 and the notes thereto (the “Annual Financial Statements”). The Interim Financial Statements have been prepared on a basis consistent with the accounting, estimation and valuation policies described in the Annual Financial Statements.

The Interim Financial Statements were approved and authorized for issue by the Audit Committee of the Board of Directors on November 21, 2022.

# **HAPPY BELLY FOOD GROUP INC.**

## **Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**

### **For the three and nine months ended September 30, 2022**

(Expressed in Canadian Dollars)

#### **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.

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

<b>Subsidiary Name</b>	<b>Jurisdiction</b>	<b>Ownership interest</b>
Plant & Company Brands Group Inc.	British Columbia, Canada	100%
Holy Crap Foods Inc.	British Columbia, Canada	100%
JBD Innovations Ltd	Ontario, Canada	100%
2574578 Ontario Inc.	Ontario, Canada	100%
1000061911 Ontario Inc.	Ontario, Canada	51%
Blackwell Intelligence Inc.	British Columbia, Canada	50%
1000193142 Ontario Inc.	Ontario, Canada	50%
Heal Lifestyle Inc.	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 interim condensed consolidated financial statements is in conformity with International Financial Reporting Standards ("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 tangible and intangible assets, valuation of financial assets, impairment of non-financial assets and share-based compensation.

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments 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. SIGNIFICANT ACCOUNTING POLICIES**

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

# HAPPY BELLY FOOD GROUP INC.

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

### For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 4. ACQUISITIONS

##### Heal Lifestyles Acquisition

On May 5, 2022, the Company entered into a share exchange agreement (the "Agreement") with Heal Wellness, the shareholders of Heal Wellness ("Vendors") and 1000193142 Ontario Inc., ("JVCo"). Pursuant to the Agreement:

- JVCo acquired all of the issued and outstanding securities in the capital of Heal Wellness (the "Heal Wellness Shares") from the Vendors, in exchange for 200 common shares (the "JVCo Shares") of JVCo.
- Happy Belly subscribed for 200 JVCo Shares in exchange for 2,777,777 common shares in the capital of Happy Belly
- The Vendors, Happy Belly and JVCo entered into a shareholders agreement (the "Shareholders Agreement") providing, among other things, Happy Belly the right to appoint three (3) of five (5) directors of JVCo, and the Vendors the right to appoint two (2) of five (5) directors of JVCo; and
- JVCo issued a non-interest-bearing promissory note (the "Promissory Note") to Happy Belly in the aggregate amount of \$163,269, representing the debt and accrued interest of Heal Wellness as at closing date

Upon closing of the Acquisition, Heal Wellness is a wholly-owned subsidiary of JVCo, which is in turn owned 50% by Happy Belly and 50% by the Vendors. As a result of the Shareholders Agreement, the board of directors of JVCo is controlled by Happy Belly, subject to certain limited corporate actions that require unanimous consent of the JVCo board.

Heal Wellness Inc. operates three Heal Wellness Plant-Based Quick Serve Restaurants in Southern Ontario.

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 fair values of the identifiable assets acquired, and liabilities assumed by the Company were allocated as follows:

<b>Fair value of net asset acquired, and liabilities assumed</b>	<b>\$</b>
Working capital	19,426
Property and equipment	612,812
Recipe, Processes and Formulas	27,745
Right of use ("ROU") - Lease	(437,491)
Notes payable	(152,062)
Non-Controlling interest	(11,478)
	<b>58,953</b>
<b>Consideration</b>	
Promissory note	(163,269)
Shares issued (2,777,777)	222,222
	<b>58,953</b>

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

If the Heal Lifestyles acquisition had been effective on January 1, 2022, the proforma results of the revenue and net income for the period ended September 30, 2022 would have been as follows:

	Period ended September 30, 2022		
	As stated,	Amounts prior to acquisition	Pro Forma
Revenue	1,739,318	426,205	2,165,523
Net Income/(loss)	(1,639,001)	(22,103)	(1,661,104)

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2022. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in subsequent periods.



## HAPPY BELLY FOOD GROUP INC.

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

#### For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### Lumber Heads Food Co. Acquisition

On February 1, 2022, pursuant to a share purchase agreement, the Company acquired 51% of the issued and outstanding common shares of Lumber Heads Food Co. in exchange for providing an interest free loan of \$75,000 to Lumber Heads Food Co. Lumber Heads Food Co. is a boutique plant-based snack food manufacturer based in Ontario, Canada.

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 fair values of the identifiable assets acquired, and liabilities assumed by the Company were allocated as follows:

Fair value of net asset acquired, and liabilities assumed	
Working Capital	18,000
Property and equipment	51,075
Non-Controlling interest	(69,075)

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

If the Lumber Heads acquisition had been effective on January 1, 2022, the proforma results of the revenue and net income for the period ended September 30, 2022 would have been as follows:

	Period ended September 30, 2022		
	As stated,	Amounts prior to acquisition	Pro Forma
Revenue	1,739,318	7,260	1,746,578
Net Income/(loss)	(1,639,001)	(225)	(1,639,226)

The pro forma results of operations are not intended to reflect the results that would have actually occurred had the acquisition closed on January 1, 2022. Further, the pro forma results of operations are not necessarily indicative of the results that may be generated by the Company in the future or reflect future events that may occur following the acquisition in subsequent periods.

#### Holy Crap Corporate Acquisition

On February 12, 2021 the Company, via its wholly owned subsidiary Plant & Company Brands Group Inc., completed an amalgamation with Holy Crap Brands Inc. ("Holy Crap") whereby the Company issued 29,300,000 common shares to the current Holy Crap shareholders and 4,000,000 share purchase warrants entitling the current warrant holders to purchase one common share of the Company at a price of \$0.40 until May 2, 2022. The warrants were valued at \$1,600,857 using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 160%, risk free interest rates of 0.12%, expected life of 1.22 years and no dividend yield. The common share were discounted by 12.9% due to the resale restrictions of the shares.

Holy Crap produces a high fiber plant based super-seed nutritional cereal that is sold online and in retail locations across Canada. 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 fair values of the identifiable assets acquired, and liabilities assumed by the Company were allocated as follows:

Fair value of net asset acquired, and liabilities assumed		\$
Working capital		212,661
Property and equipment		202,679
Brand name		260,416
Distributor relationship		246,699
Right of use ("ROU") - Lease		(151,047)
Note payable		(28,123)
Goodwill		15,671,553
		16,414,838

**HAPPY BELLY FOOD GROUP INC.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)****For the three and nine months ended September 30, 2022**

(Expressed in Canadian Dollars)

<b>Consideration</b>	
Shares issued (29,300,000)	14,813,981
Share purchase warrants (4,000,000)	1,600,857
	<b>16,414,838</b>

**Yamchop Corporate Acquisition**

On January 18, 2021, pursuant to a share purchase agreement, the Company acquired 100% of the issued and outstanding common shares of 2574578 Ontario Inc. and JDB Innovations Ltd., collectively referred to as "Yamchops" in exchange for payment of \$770,000 and the issuance of 344,828 common shares of the Company. The Common shares issued were discounted by 9% due to the resale restrictions of the shares. The Company issued an additional 109,589 common shares as a finder's fee, which was expensed.

Yamchops is a plant-based butcher and marketplace restaurant offering protein alternatives, prepared foods, meals and specialty food products in Toronto, Ontario. 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 fair values of the identifiable assets acquired, and liabilities assumed by the Company were allocated as follows:

<b>Fair value of net asset acquired, and liabilities assumed</b>	<b>\$</b>
Working capital	(21,302)
PP&E	482,195
Brand name	110,163
Recipe, Processes and Formulas	86,465
Right of use ("ROU") - Lease	(142,740)
Notes payable	(20,518)
Goodwill	520,402
	<b>1,014,665</b>

<b>Consideration</b>	
Cash	770,000
Shares issued (344,828)	244,665
	<b>1,014,665</b>

**5. EQUITY INVESTMENTS**

The Company made select equity investments in the past. As at September 30, 2022 the Company had an unrealized loss on equity investments of \$39,532 (2021 - \$506,667).

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

		<b>September 30, 2022</b>	<b>December 31, 2021</b>
	<b>Valuation method</b>	<b>\$</b>	<b>\$</b>
Investment in publicly traded companies	Level 1	-	29,167
Investment in private companies	Level 3	35,638	35,638
Warrants of publicly traded companies	Level 3	-	10,366
		<b>35,638</b>	<b>75,171</b>

# HAPPY BELLY FOOD GROUP INC.

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

### For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

#### 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
	(\$)	(\$)	(\$)
<b>Cost</b>			
At December 31, 2020	-	18,590	18,590
Change in year	95,670	26,323	121,993
At December 31, 2021	95,670	44,913	140,583
<b>Change in period</b>	<b>19,889</b>	<b>5,800</b>	<b>25,689</b>
<b>At September 30, 2022</b>	<b>115,559</b>	<b>50,713</b>	<b>166,272</b>

#### 7. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicles	ROU assets	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
December 31, 2020	43,140	232,254	47,355	-	110,202	432,951
Corporate acquisition	-	139,433	225,000	26,653	293,787	684,873
Additions	3,996	499	-	-	-	4,495
December 31, 2021	47,136	372,186	272,355	26,653	403,989	1,122,319
<b>Dispositions</b>	<b>-</b>	<b>(6,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,000)</b>
Corporate acquisition	-	131,493	94,903	-	437,491	663,887
Additions	1,520	24,325	25,198	-	-	51,043
<b>September 30, 2022</b>	<b>48,656</b>	<b>522,004</b>	<b>392,456</b>	<b>26,653</b>	<b>841,480</b>	<b>1,831,249</b>
<b>Accumulated amortization</b>						
December 31, 2020	26,170	19,228	47,355	-	61,256	154,009
Impairment	-	155,812	-	-	-	155,812
Amortization	6,919	70,592	65,853	5,331	113,049	261,744
December 31, 2021	33,089	245,632	113,208	5,331	174,305	571,565
<b>Amortization</b>	<b>3,853</b>	<b>66,401</b>	<b>51,808</b>	<b>3,198</b>	<b>81,081</b>	<b>206,341</b>
<b>September 30, 2022</b>	<b>36,942</b>	<b>312,033</b>	<b>165,016</b>	<b>8,529</b>	<b>255,386</b>	<b>777,906</b>
<b>Net book value</b>						
December 31, 2021	14,047	126,554	159,147	21,322	229,684	550,754
<b>September 30, 2022</b>	<b>11,714</b>	<b>209,971</b>	<b>227,440</b>	<b>18,124</b>	<b>586,094</b>	<b>1,053,343</b>

#### 8. INTANGIBLE ASSETS

Intangible assets	Licences	Brand Names	Distribution Relationships	Recipe, processes and formulas	Total
	\$	\$	\$	\$	\$
December 31, 2020	204,000	-	-	-	204,000
Corporate acquisition	-	370,579	246,699	86,465	703,743
Amortization	(22,667)	(111,066)	(108,395)	(27,302)	(269,430)
Impairment expense	(181,333)	-	-	-	(181,333)
December 31, 2021	-	259,513	138,304	59,163	456,980
<b>Corporate acquisitions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,745</b>	<b>27,745</b>
<b>Additions</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,386</b>	<b>7,386</b>
<b>Amortization</b>	<b>-</b>	<b>(92,645)</b>	<b>(92,512)</b>	<b>(25,963)</b>	<b>(211,120)</b>
<b>September 30, 2022</b>	<b>-</b>	<b>166,868</b>	<b>45,792</b>	<b>68,331</b>	<b>280,991</b>

On December 31, 2021, the Company transferred its cannabis business related licenses with a book value of \$nil at December 31, 2021 (2020- \$204,000), accounts receivable of \$47,275 and all cannabis related websites and domain

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names valued at \$nil in consideration for 20,000,000 common shares of Blackwell Intelligence Inc. of which 10,000,000 shares valued at \$23,637 were distributed as a dividend to the Company's shareholders.

**9. GOODWILL**

The movements in the net carrying amount of goodwill are as follows:

<b>Gross carrying amount</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>
	\$	\$
Opening balance	16,191,955	-
Acquired through business combinations	-	16,191,955
Closing balance	16,191,955	16,191,955
<b>Accumulated Impairment</b>		
Opening balance	(14,860,254)	-
Impairment loss recognized	-	(14,860,254)
Closing balance	(14,860,254)	(14,860,254)
<b>Carrying amount at end of period</b>	<b>1,331,701</b>	<b>1,331,701</b>

**10. LEASE LIABILITY**

In conjunction with the Heal Lifestyles, Yamchops and Holy Crap acquisitions, the Company acquired two additional leases. The Yamchops retail space lease expires May 31, 2024. This lease was identified as a right-of-use asset with a corresponding lease liability, which was discounted using a 10% incremental borrowing rate (Note 4). The Holy Crap lease for its manufacturing facility expires on October 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 (Note 4). The Heal Lifestyle acquisition added three leases expiring between November 30, 2025 and March 31, 2034, which was discounted using a 10% incremental borrowing rate (note 4).

The changes in the Company's lease liability for the period ended September 30, 2022 are as follows:

	\$
Balance at December 31, 2020	50,048
Acquired leases	293,787
Lease payments	(124,055)
Finance charges	27,626
Balance at December 31, 2021	247,406
<b>Acquired leases</b>	<b>437,491</b>
<b>Lease payments</b>	<b>(86,656)</b>
<b>Finance charges</b>	<b>27,702</b>
<b>Balance at September 30, 2022</b>	<b>625,943</b>
Current portion	130,389
Long term portion	495,554

**11. LONG TERM DEBT****Canada Emergency Business Account Loan**

As part of the Yamchops and Holy Crap acquisitions, the Company assumed the liabilities of \$100,000 related to CEBA loans. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of \$30,000, which had been recognized as income by Yamchops and Holy Crap prior to acquisition.

In the first quarter of 2021, the Company received an interest free loan of \$20,000 through the CEBA. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of \$10,000. The forgivable portion of the loan has been recognized as grant income for the year ended December 31, 2021

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Pursuant to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 Financial Instruments: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of this CEBA Loan at \$6,854, using a discount rate of 20%. The difference of \$3,146 was recognized as grant income and will be 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.

During 2020, the Company received an interest free loan of \$40,000 through the CEBA. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of \$10,000. The forgivable portion of the loan has been recognized as grant income for the year ended December 31, 2020.

The Company has estimated the initial carrying value of this CEBA Loan at \$17,565, using a discount rate of 20%. The difference of \$12,435 was recognized as grant income and will be 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 first quarter of 2022, in response to the surge of COVID-19 cases, the Federal Government has extended the deadline for repayment of the Canada Emergency Business Account (CEBA) loans to qualify for partial loan forgiveness from December 31, 2022, to December 31, 2023, for eligible borrowers in good standing. The Company intends to take advantage of this extension. The Company recognized \$16,303 of grant income on this change in the loan repayment schedule resulted.

On May 5, 2022, as part of the Heal Lifestyles acquisition the Company assumed \$40,000 debt related to CEBA loans. The loan was fair valued at \$28,792, using a discount rate of 20%.

The changes in the Company's loan for the period ended September 30, 2022 are as follows:

	\$
Balance at December 31, 2020	20,175
Loans acquired	48,641
New loan recognized	6,854
Accretion	14,944
Balance at December 31, 2021	90,614
<b>Extension of repayment period</b>	<b>(16,303)</b>
<b>Loans acquired</b>	<b>28,792</b>
<b>Accretion</b>	<b>14,296</b>
<b>Balance at September 30, 2022</b>	<b>117,399</b>

#### Canada Small Business Financing Act Loan

On May 5, 2022, as part of the Heal Lifestyles acquisition the Company assumed \$123,270 of debt related to a Canada Small Business Financing Act Loan with TD Canada Trust. The loan bears interest at TD prime plus 3%, repayable in monthly installments with a term end date of April 1, 2031.

Balance at December 31, 2021	-
<b>Loans acquired</b>	<b>123,270</b>
<b>Loan repaid</b>	<b>(4,942)</b>
<b>Balance at September 30, 2022</b>	<b>118,328</b>
Current portion	10,084
Long term portion	108,244
	<b>118,328</b>

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Principal payments are as follows:

2022	1,402
2023	10,279
2024	11,075
2025	11,982
2026	12,938
2027	13,970
2028	15,073
2029	16,287
2030	17,587
2031	7,735
	<b>118,328</b>

**Convertible debenture**

The Company has closed two tranches of its non-brokered private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") for at total of \$2,000,000. The Debentures have a term of 24 months, and pay interest at a rate of twelve percent (12%) per annum payable quarterly after the closing date of June 30, 2022 for the first tranche of \$1,295,000 and July 8, 2022 for the second tranche of \$705,000 (the "Closing Date"), maturing on the date that is the second anniversary of the first date that the Debentures are issued (the "Maturity Date") and are convertible at the holder's option into common shares of the Company every three months after the Closing Date, but prior to the Maturity Date, into common shares at a conversion price equal to (a) C\$0.20 per common share if converted in the first 12 months after the Closing Date; or (b) C\$0.25 per common share if converted after the first 12 months after the Closing Date, provided that not less than 25% of the outstanding principal, and any interest amounts owed, is converted (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. In connection with the closing of the second tranche of the Private Placement, the Company paid \$52,950 as a finder's fee.

The changes in convertible debenture are as follows:

	<b>September 30, 2022</b>	December 31, 2021
	<b>\$</b>	<b>\$</b>
Balance, beginning of the period	-	-
Initial proceeds from debt	<b>2,000,000</b>	-
Debt issue costs paid in cash	<b>(52,950)</b>	-
Transfer of conversion component to equity	<b>(265,797)</b>	-
Amortization of deferred financing costs	<b>2,206</b>	-
Accretion on convertible debentures	<b>27,423</b>	-
<b>Balance, end of the period</b>	<b>1,710,882</b>	-

Convertible debenture bifurcated into equity and debt components:

	<b>Maturity</b>	<b>September 30, 2022</b>	December 31, 2021
		<b>\$</b>	<b>\$</b>
Debt component	June 30, 2024	<b>1,710,882</b>	-
Equity component	June 30, 2024	<b>265,797</b>	-

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**12. SHARE CAPITAL**

**a) Common shares**

**Authorized:**

Unlimited number of common shares without par value.

**Issued:**

As at September 30, 2022 the Company has 106,935,198 shares issued and outstanding (December 31, 2021 – 104,157,421).

On January 18, 2021, the Company issued 344,828 common shares pursuant to the share purchase agreement entered into with 2574578 Ontario Inc. and JDB Innovations Ltd. (previously defined as Yamchops) and each of the shareholders of Yamchops (note 4).

On January 18, 2021, the Company issued 109,589 common shares to a finder in connection with the Yamchops transaction (note 4).

On February 12, 2021, the Company issued 29,300,000 common shares pursuant to an amalgamation agreement dated November 25, 2020 among the Company, Plant & Company Brands Group Inc., a wholly-owned subsidiary of the Company, and Holy Crap (note 4).

During the year ended December 31, 2021, the Company issued 1,577,000 common shares pursuant to option exercises for total proceeds of \$323,250.

During the year ended December 31, 2021, the Company issued 2,212,590 common shares pursuant to warrant exercises for total proceeds of \$568,147.

During the year ended December 31, 2021, the Company cancelled 200,000 common shares.

On June 18, 2021, the Company closed a non-brokered private placement for total gross proceeds of \$600,000. The Company issued 3,000,000 units at a price of \$0.20 per unit. Each unit consisted of one common share of the Company and one common share purchase warrant entitling the holder to purchase one common share within three years of the closing date at a price of \$0.20 per common share.

On May 5, 2022, the Company issued 2,777,777 shares as part of the Heal Lifestyles acquisitions. (See note 4)

**b) Share Purchase Warrants**

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

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of Warrants</b>	<b>Weighted average exercise price \$</b>	<b>Number of Warrants</b>	<b>Weighted average exercise price \$</b>
Warrants outstanding, beginning of period	<b>54,832,660</b>	<b>0.25</b>	27,232,150	0.35
Issued February 12, 2021	-	-	4,000,000	0.40
Issued June 18, 2021	-	-	3,000,000	0.20
Issued June 18, 2021	-	-	27,000,000	0.20
Exercised	-	-	(2,212,590)	0.26
Expired/forfeited	<b>(5,111,000)</b>	<b>0.48</b>	(4,186,900)	0.75
Warrants outstanding, end of period	<b>49,721,660</b>	<b>0.22</b>	54,832,660	0.25

The Company's weighted average share price for the year ended December 31, 2021 was \$0.36.

On June 1, 2021, the Company entered into a strategic advisory agreement (the "Advisory Agreement") with Maricom Inc. and 2085086 Ontario Inc. (the "Advisors") represented by Sean Black, Mark Rechichi and Alex Rechichi 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. In consideration for the assistance with the private placement and the arrangement of strategic appointments to the Board (the "Strategic Board Appointments"), the Company agreed to issue an aggregate of 27,000,000 non-

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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:

<b>Number of Advisory Warrants Vested</b>	<b>Vesting Trigger</b>
5,200,000	Closing of the June 2021 private placement
2,700,000	\$0.50 <sup>(1)</sup>
2,750,000	\$0.75 <sup>(1)</sup>
5,400,000	\$1.00 <sup>(1)</sup>
5,450,000	\$1.50 <sup>(1)</sup>
5,500,000	\$2.00 <sup>(1)</sup>

**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 on 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 September 30, 2022, the Company had outstanding warrants as follows:

<b>Expiry date</b>	<b>Exercise price</b>	<b>Remaining life(years)</b>	<b>Warrants outstanding</b>	<b>Warrants exercisable</b>
March 11, 2023	0.75	0.44	200,000	200,000
December 14, 2022	0.25	0.21	19,521,660	19,521,660
June 18, 2024	0.20	1.72	3,000,000	3,000,000
June 18, 2026	0.20	3.75	27,000,000	5,200,000
	0.22		49,721,660	27,921,660

**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:

	<b>September 30, 2022</b>		<b>December 31, 2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Options outstanding, beginning of period	<b>9,870,000</b>	<b>0.27</b>	4,670,091	0.33
Granted	<b>185,000</b>	<b>0.38</b>	12,145,000	0.36
Exercised	-	-	(1,577,000)	0.34
Expired	<b>(75,000)</b>	<b>0.50</b>	(20,000)	0.50
Cancelled/ forfeited	<b>(10,000)</b>	<b>0.30</b>	(5,348,091)	0.51
Options outstanding, end of period	<b>9,970,000</b>	<b>0.27</b>	9,870,000	0.27



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The share options outstanding as at September 30, 2022 are as follows:

Grant date	Number of options outstanding	Exercise price	Expiry date
November 23, 2020	2,250,000	0.26	November 22, 2022
January 5, 2021	350,000	0.45	January 5, 2023
January 19, 2021	200,000	0.78	January 19, 2023
April 30, 2021	5,625,000	0.25	April 30, 2023
May 10, 2021	1,275,000	0.26	May 10, 2023
July 21, 2021	85,000	0.30	July 21, 2022
April 1, 2022	50,000	0.50	April 1, 2023
April 1, 2022	75,000	0.40	April 1, 2023
April 1, 2022	60,000	0.25	April 1, 2024
	9,970,000	0.27	

The Company recognized \$2,117 (2021 - \$2,197,449) in share-based compensation on options during the period ended September 30, 2022.

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 (post consolidation)
April 28, 2020	0.34%	150%	2	0.36
November 23, 2020	0.34%	171%	2	0.20
January 5, 2021	0.19%	178%	2	0.36
January 19, 2021	0.15%	180%	2	0.74
April 30, 2021	0.30%	183%	2	0.17
May 10, 2021	0.29%	184%	2	0.18
July 21, 2021	0.39%	163%	1	0.36
April 1, 2022	2.24%	83%	1	0.00
April 1, 2022	2.24%	83%	1	0.01
April 1, 2022	2.34%	155%	2	0.07

All option grants have an expended dividend yield of 0% and a forfeiture rate of 0%.

**d) Share-based payment reserve**

The share-based payment reserve records items recognized as stock-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:

	Period ended September 30, 2022	Period ended September 30, 2021
	\$	\$
Consulting and other fees	225,533	317,384
Stock-based compensation (note 12)	-	9,637,556
	225,533	9,954,940

As at September 30, 2022, the Company had no outstanding payables or receivables with its related parties. As at December 31, 2021, the Company had no outstanding payables or receivables with its related parties.

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**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As at September 30, 2022, the Company has total accounts payable of \$288,561 (2021 - \$171,289). and accrued liabilities of \$150,173 (2021 - \$75,000).

**15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value of financial instruments**

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

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

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

The Company's cash is measured using level 1 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.

**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. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada.

Liquidity risk

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

The Company's expected source of cash flow in the upcoming year will be through equity financing and revenue generation. Cash on hand at September 30, 2022 and expected cash flows 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 September 30, 2022, cash outflows of those obligations are estimated and summarized as follows:

<b>Payment Due by Year</b>	<b>2022</b>	<b>2023</b>	<b>2024 and beyond</b>	<b>Total</b>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	438,732	-	-	438,732
Long-term debt*	1,402	160,279	106,647	268,328
Lease obligations	92,197	187,841	618,554	898,592
	532,331	348,120	725,201	1,605,652

\*These amounts do not include interest payable.

Market risk

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

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**(a) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk.

**(b) Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows 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 so as 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.

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

The following table provides a breakdown of general and administrative expense for period-end June 30:

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal and accounting	<b>61,684</b>	68,936	<b>217,690</b>	198,353
Advertising and marketing	<b>95,976</b>	73,021	<b>216,234</b>	180,152
Investor relations	<b>-</b>	8,000	<b>3,000</b>	1,803,900
Consulting	<b>68,439</b>	26,177	<b>135,958</b>	435,974
Management	<b>95,333</b>	77,854	<b>313,033</b>	361,412
Office and sundry	<b>98,955</b>	58,879	<b>212,598</b>	109,733
Business development	<b>39,873</b>	40,689	<b>96,140</b>	444,516
Salaries and wages	<b>247,322</b>	130,624	<b>543,625</b>	339,260
<b>Total General and Administrative</b>	<b>707,582</b>	484,180	<b>1,738,278</b>	3,873,300

# HAPPY BELLY FOOD GROUP INC.

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2022

(Expressed in Canadian Dollars)

### 17. SEGMENTED INFORMATION

As at	September 30, 2022				
	Holy Crap	Yamchops	Heal Lifestyles	Corporate and Other	Consolidated
	\$	\$	\$	\$	\$
Current assets	226,831	54,001	68,570	1,849,711	2,199,113
Property, plant and equipment	147,426	257,262	597,410	51,245	1,053,343
Intangible assets	164,821	85,385	30,785	-	280,991
Goodwill	905,239	426,462	-	-	1,331,701
Total assets	1,444,317	823,110	696,765	1,900,956	4,865,148
Current liabilities	75,329	96,646	168,291	249,885	590,151
Long term liabilities	135,613	64,926	496,847	1,734,283	2,431,669
Total liabilities	210,942	161,572	665,138	1,984,168	3,021,820

As at	December 31, 2021				
	Holy Crap	Yamchops	Heal Lifestyles	Corporate and Other	Consolidated
	\$	\$	\$	\$	\$
Current assets	227,328	49,973	-	1,050,882	1,328,183
Property, plant and equipment	170,426	351,672	-	28,656	550,754
Intangible assets	322,438	134,542	-	-	456,980
Goodwill	905,239	426,462	-	-	1,331,701
Total assets	1,625,431	962,649	-	1,079,538	3,667,618
Current liabilities	70,889	79,206	-	164,467	314,562
Long term liabilities	152,152	101,394	-	24,601	278,147
Total liabilities	223,041	180,600	-	189,068	592,709

Three months ended	September 30, 2022				
	Holy Crap	Yamchops	Heal Lifestyles	Corporate and Other	Consolidated
	\$	\$	\$	\$	\$
Revenue	184,500	124,780	425,533	59,647	794,460
Cost of goods sold	122,771	64,682	223,778	23,503	434,734
General and administrative	78,083	108,212	193,587	327,700	707,582
Interest, depreciation, and amortization	65,279	53,204	41,249	103,505	263,237
Other (Income)/expense	(263)	(8,849)	(12,049)	46,821	25,660
Net loss	(81,370)	(92,469)	(21,032)	(441,882)	(636,753)

Three months ended	September 30, 2021				
	Holy Crap	Yamchops	Heal Lifestyles	Corporate and Other	Consolidated
	\$	\$	\$	\$	\$
Revenue	169,761	125,131	-	29,005	323,897
Cost of goods sold	128,129	55,220	-	-	183,349
General and administrative	159,731	193,286	-	24,110	377,127
Impairment, Interest, depreciation, and amortization	30,736	50,722	-	9,018	90,476
Other (Income)/expense	4,131	21,967	-	358,150	384,248
Net loss	(152,966)	(196,064)	-	(362,273)	(711,303)

**HAPPY BELLY FOOD GROUP INC.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)****For the three and nine months ended September 30, 2022**

(Expressed in Canadian Dollars)

<b>Nine months ended</b>					<b>September 30, 2022</b>
	<b>Holy Crap</b>	<b>Yamchops</b>	<b>Heal Lifestyles</b>	<b>Corporate and Other</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	573,119	374,060	672,984	119,155	1,739,318
Cost of goods sold	366,659	183,783	365,276	65,190	980,908
General and administrative	243,325	347,423	280,706	866,824	1,738,278
Interest, depreciation, and amortization	195,236	158,151	72,505	129,830	555,722
Other (Income)/expense	(5,883)	(14,751)	(6,698)	130,743	103,411
Net loss	(226,218)	(300,546)	(38,805)	(1,073,432)	(1,639,001)

<b>Nine months ended</b>					<b>September 30, 2021</b>
	<b>Holy Crap</b>	<b>Yamchops</b>	<b>Heal Lifestyles</b>	<b>Corporate and Other</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	496,773	421,459	-	110,745	1,028,977
Cost of goods sold	331,231	183,901	-	-	515,132
General and administrative	266,470	330,291	-	3,276,539	3,873,300
Impairment, Interest, depreciation, and amortization	11,192,180	318,429	-	93,766	11,604,375
Other (Income)/expense	(21,934)	8,821	-	6,981,388	6,968,275
Net loss	(11,271,174)	(419,983)	-	(10,240,948)	(21,932,105)

**18. SUBSEQUENT EVENTS****Lettuce Love Acquisition**

Subsequent to quarter end, effective October 11, 2022, the Company completed an asset purchase agreement for substantially all of the assets and property of 2563434 Ontario Incorporated ("Lettuce Love acquisition") in exchange for assuming the liabilities of approximately \$171,493. The financial transaction is effective on October 3, 2022.