



Happy Belly Signs LOI with Binding Provisions for the Acquisition of KOA Natural Foods

Toronto, Ontario (April 10th, 2023) - Happy Belly Food Group Inc. (CSE: HBFQ) (OTCQB: VGANF) ("Happy Belly" or the "Company"), a leading consolidator of emerging food brands is pleased to announce that on April 6th it has signed a non-arms length binding LOI for the acquisition of 50% of KOA Natural Foods, a hand-crafted snack manufacturer based out of Ontario.



Manufacturer of hand-crafted snacks that are all natural, certified organic, non-GMO, & exceptionally delicious. Including snacks for every lifestyle including

vegan, vegetarian, keto & gluten free.

KOA Business Highlights

- For 2023, KOA's forecast is \$2,300,000 EBITDA run rate for FY2023 and a gross revenue run rate of \$7,900,000 CDN, with liabilities and loans totalling \$1,980,000 CDN
- Over the past 2 years KOA has grown by over 30% year over year in revenue generation while maintaining over 30% gross margin in the production of its products.
- With a 10,000 square foot facility in Ontario that produces certified organic house brands, KOA also provides white-labeling services, and co-packing services to many North American brands.
- With over 3,000 retail distribution points KOA's products have been listed in many of Canada's largest retailers including Shoppers Drug Mart, Loblaws, and Sobeys



"Today's news is transformational for our company. This single transaction accelerates both our revenue as well as our profitability while solidifying our division of emerging CPG brands. KOA will immediately benefit from leveraging our infrastructure as well as our shared resource pool to benefit from synergies that will accelerate their growth", said Sean Black, Chief Investment Officer of Happy Belly.

"KOA checks all the boxes for us when looking at M&A as they have great people, great food (product) and excellent operations and people (The 3 P's). Mariam and Javiera are the perfect partners for us. They are incredible female founders of a business in Canada that is growing at a steady revenue rate year over year so partnering with Happy Belly when our team has the experience, CPG bench strength and access to capital to support that growth was exactly what we built this company to do."

"This emerging brand now gives us the platform for future M&A in CPG to really benefit from synergies as we now have our own manufacturing facilities in Ontario & BC, global sales team, global distribution and existing global customer relationships. We look forward to continuing our strategic plan of disciplined *Organic & Inorganic* growth in 2023 & 2024. We would like to thank Mariam and Javiera for this opportunity to be their partner as well as their early financial backers FirePower Capital & Ilan Jacobson for supporting this transaction."

"With our board's experience working for CPG giants such as Ferrero Rocher and Mars, we have an in-depth understanding of what it takes to build a highly successful national and global brand. We intend to bring that discipline and roadmap of success to KOA Natural Foods under the Happy Belly umbrella", said Shawn Moniz, CEO of Happy Belly. "We intend to create a truly mainstream brand that in a short time will see 'KOA' synonymous as a

household brand in Canadian cupboards and pantries coast to coast. Together, KOA and Happy Belly will further expand distribution across Canada, and into the United States with the **first US purchase order expected in Q3 2023**. In addition to KOA's branded product distribution, KOA has significant private label opportunities to further increase revenue and manufacturing efficiencies."

KOA Business Details

KOA Natural Foods Represents an Emerging Brand in the Canadian CPG Space

- With nearly a dozen KOA branded SKUs in the market today, both customer and retail reviews show excellent quality ratings yielding a strong base of customer satisfaction.
- Diversified retail distribution with over 3,000+ retailers across Canada carrying KOA branded products.
- KOA has demonstrated a strong degree of operational resilience; throughout the course of the pandemic, posting year over year growth and refined operational efficiency.

Women Led Profit-Focused Business

- Utilizing organizations across Canada that promote women-led entrepreneurship KOA has tapped into a growing segment of the Canadian economy to help grow KOA's brand presence, drive operational success, and increase the reach of the brand across Canada.

Robust Financial Profile & Gross Margin

- Continued positive growth throughout pandemic years as distribution requests and PO's increased to match the increased rate at which Canadian consumers purchased from grocery chains
- Operational efficiencies allowed for no increase in labour count in order to meet production demand.
- Focused on data intelligence to analyze demographic segmentation, conduct market area analysis, and determine traffic / competition access was key in KOA delivering success in its current and previous years.
- Gross margin has maintained a healthy +30% YoY for previous 2 years
- Highly visible pipeline for growth, with +45% retail and/or distributor growth projected over the next 12-18 months.

Management Supported by Happy Belly's Shared Resource Model and Shared Infrastructure Model for Accelerated Growth

- Happy Belly's current Board and management, having extensive experience across M&A and multi-national CPG businesses will continue to advise and support KOA Natural Foods with the growth of all SKUs of KOA's house brands.
- Management and Board's experience with Mars and Ferrero Rocher yields a track-record of success and experience in a wide variety of retail avenues, joining KOA's management to expand upon the depth and breadth of a combined management team.

Transaction Details

Happy Belly & KOA Natural Foods have entered into a binding LOI agreement that sets out the foundational terms for the acquisition of 50% of KOA Natural Foods by Happy Belly Food Group for the purpose of accelerated corporate growth and rapid strategic expansion of KOA Natural Food products.

This transaction is aligned with Happy Belly's long-term business strategy to grow into the leading consolidator of emerging foods brands.

Total purchase price is \$1,750,000 CDN. No finders fee's are payable for this transaction.

Happy Belly has the exclusive right to purchase the remaining 50% of KOA Natural Foods at its optionality.

Investment into KOA Natural Foods

Post close of this transaction, Happy Belly will issue to KOA Natural Foods such number of common shares of Happy Belly equal in value to \$500,000 (based on a 10-day VWAP). KOA Natural Foods is receiving the shares of Happy Belly Food Group and will be 50% owned by Happy Belly, and the other 50% owned by its founders and operators.

Happy Belly is also making available a PO financing credit facility to KOA Natural Foods to service incoming PO's already received by KOA and anticipated rapid growth of certain SKU's with distributors nearing completion in the near future.

Happy Belly will also make a capital investment into KOA upon close in the form of new equipment for expanded facility needs.

About KOA Natural Foods

"It all started as an idea on one of my morning jogs. I wanted to create a healthy snack with simple ingredients I could understand. And from that, Koa Natural Foods was born. I have a passion for healthy living, and I would love to share that passion with you. You deserve a life of health, prosperity, and love and I believe it all starts with how you treat your mind, body, and spirit", Mariam Ekram, co-founder, KOA Natural foods.

Our mission at KOA is to provide you with healthy and delicious snacks made with ethical and sustainable ingredients that encourage a healthier lifestyle and help improve your physical and mental well being.

Empowering Women Globally

Koa Natural Foods is a strong supporter of the Woman Empowering Women (WEW) initiative, which is an organization that aims to empower women through the emphasis on the importance of fitness, healthy eating and overall wellness.

Made in our Canadian Facility

Koa Natural Foods is a leading Canadian manufacturer of healthy delicious snacks that is committed to the quality of its products. Everything at our facility is made ethically and with love.

2019 Entrepreneur of the Year - Newmarket Chamber of Commerce

2019 Natural Nutrition Bronze Award - Lilo's Vegan Peanut Butter Cups

2020 Women of Excellence Finalist - Newmarket Chamber of Commerce

2020 Business Woman of the Year Nominee - Canadian SME Business Magazine

About Happy Belly Food Group



Happy Belly Food Group Inc. (CSE: HBFG) (OTCQB: VGANF) ("Happy Belly" or the "Company") is a leading consolidator of emerging food brands.

Happy Belly Food Group

Shawn Moniz

Chief Executive Officer

FOR FURTHER INFORMATION, PLEASE VISIT:

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All statements in this press release, other than statements of historical fact, are "forward-looking information" with respect to the Company within the meaning of applicable securities laws. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, and include the future performance of LumberHeads Food Co. Forward-looking statements are based on the opinions and estimates at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking statements. There are uncertainties inherent in forward-looking information, including factors beyond the Company's control. There are no assurances that the business plans for Happy Belly described in this news release will come into effect on the terms or time frame described herein. The Company undertakes no obligation to update forward-looking information if circumstances or management's estimates or opinions should change except as required by law. The reader is cautioned not to place undue reliance on forward-looking statements. For a description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's Management's Discussion and Analysis and other disclosure filings with Canadian securities regulators, which are posted on www.sedar.com.