



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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS.....	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	4
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS	5
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	8
1. NATURE AND GOING CONCERN.....	8
2. BASIS OF PREPARATION	8
3. SIGNIFICANT ACCOUNTING POLICIES.....	9
4. ACQUISITIONS	10
5. EQUITY INVESTMENTS	12
6. INVENTORY	13
7. PROPERTY AND EQUIPMENT	13
8. INTANGIBLE ASSETS.....	14
9. GOODWILL.....	14
10. LEASE LIABILITIES.....	14
11. LONG-TERM DEBT	16
12. SHARE CAPITAL.....	19
13. RELATED PARTY TRANSACTIONS.....	22
14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES.....	22
15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	22
16. GENERAL AND ADMINISTRATIVE EXPENSES	24
17. SUPPLEMENTAL CASH FLOW INFORMATION	24
18. SEGMENTED INFORMATION	25
19. SUBSEQUENT EVENTS	26

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Corporation have been prepared by and are the responsibility of the Corporation's management. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

As At	Notes	September 30, 2023	December 31, 2022
<i>(Canadian dollars)</i>		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		1,410,325	1,101,960
Accounts receivable		389,172	100,167
Other receivables		375,202	256,720
Equity investments	5	309,276	59,276
Inventory	6	230,749	269,188
Prepays		104,776	61,938
		2,819,500	1,849,249
Property and equipment	7	2,229,035	1,251,434
Intangible assets	8	90,220	193,249
Equity investment	5	270,240	-
Interest in sublease	10	233,557	83,668
Goodwill	9	905,239	905,239
TOTAL ASSETS		6,547,791	4,282,839
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	624,316	514,622
HST payable		234,278	72,790
Current portion of long-term debt	11	218,966	198,487
Current portion of lease liabilities	10	197,194	164,022
Deferred revenues		250,000	
Other liabilities		-	4,910
		1,524,754	954,831
Long-term debt	11	139,250	196,001
Convertible debentures	11	3,101,254	1,750,719
Lease liabilities	10	1,656,147	594,583
TOTAL LIABILITIES		6,421,405	3,496,134
SHAREHOLDERS' EQUITY			
Share capital	12	36,007,040	35,757,040
Share subscriptions receivable	12	(63,845)	(63,845)
Convertible debenture-equity portion	11	690,099	265,797
Treasury shares	4,12	(222,222)	(222,222)
Contributed surplus	12	11,344,311	11,288,339
Deficit		(47,790,794)	(46,308,610)
Non-controlling interest		161,797	70,206
TOTAL SHAREHOLDERS' EQUITY		126,386	786,705
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		6,547,791	4,282,839

See accompanying notes to the consolidated financial statements.

Nature and going concern (Note 1)
Commitments (Note 15)
Subsequent events (Note 19)

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

(Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Revenues		1,480,186	794,460	3,841,570	1,739,318
Cost of sales		695,710	434,734	1,836,777	980,908
Gross profit		784,476	359,726	2,004,793	758,410
Other income		27,043	21,122	38,569	16,575
Expenses					
Compliance and regulatory		14,436	23,644	63,902	83,846
Amortization	7,8	128,386	155,048	328,814	417,461
Financing costs	10,11	213,154	108,189	509,589	138,261
General and administrative	16	914,135	707,582	2,443,510	1,738,278
Platform development		2,768	2,551	7,762	10,401
Share-based compensation	12,13	-	2,993	55,972	5,110
Total expenses		1,272,879	1,000,007	3,409,549	2,393,357
Loss before other items		(461,360)	(619,159)	(1,366,187)	(1,618,372)
Other items					
Loss on recognition of sublease	10	(43,507)	-	(43,507)	-
Equity investment income/(loss)	5	12,794	(20,850)	20,240	(39,532)
Foreign exchange gain (loss)		-	263	(189)	(393)
Grant income	11	-	-	-	16,303
Bad debt expense		(38)	-	(950)	-
Total loss and comprehensive loss		(492,111)	(639,746)	(1,390,593)	(1,641,994)
Per share information					
Net loss per share – basic and diluted		\$(0.00)	\$(0.01)	\$(0.01)	\$(0.02)
Weighted average number of common shares outstanding – basic and diluted		108,769,698	106,935,198	107,979,863	105,663,322

See accompanying notes to the consolidated financial statements.

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

<i>(Canadian dollars)</i>	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	12	2,777,777	222,222	-	-	(222,222)	-	-	-	-
Issuance of common shares upon exercise of warrants	12	272,000	68,000	-	(32,659)	-	-	-	-	35,341
Relinquishment of minority interest on change in control	12	-	-	-	-	-	-	-	(23,638)	(23,638)
Share based compensation	12	-	-	5,110	-	-	-	-	-	5,110
Debts settled	4	-	-	-	32,659	-	-	-	-	32,659
Convertible debentures		-	-	-	-	-	265,797	-	-	265,797
Non-controlling interests – investment	12,13	-	-	-	-	-	-	-	139,479	139,479
Non-controlling interests – net loss		-	-	-	-	-	-	69,273	(69,273)	-
Net and comprehensive loss	8	-	-	-	-	-	-	(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	12	1,562,500	250,000	-	-	-	-	-	-	250,000.00
Share based compensation	12	-	-	55,972	-	-	-	-	-	55,972
Convertible debenture	11	-	-	-	-	-	424,302	-	-	424,302
Non-controlling interests – net loss		-	-	-	-	-	-	(91,591)	91,591	-
Net and comprehensive loss		-	-	-	-	-	-	(1,390,593)	-	(1,390,593)
Balance at September 30, 2023		108,769,698	36,007,040	11,344,311	(63,845)	(222,222)	690,099	(47,790,794)	161,797	126,386

See accompanying notes to the consolidated financial statements.

HAPPY BELLY FOOD GROUP INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Canadian dollars)	Notes	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Operating Activities					
Net loss		(492,111)	(639,746)	(1,390,593)	(1,641,994)
Items not affecting cash and cash equivalents:		-	-	-	-
Amortization	7,8	128,386	155,048	328,814	417,461
Financing costs	10,11	99,892	14,118	231,668	41,587
Share based compensation	12,13	-	2,993	55,972	5,110
Gain on early renewal of lease	10	(8,333)	-	(8,333)	-
Loss on recognition of sublease asset	10	51,840	-	51,840	-
Gain (loss) on equity investment	5	(12,794)	20,850	(20,240)	39,532
Grant income	11	-	-	-	(16,303)
		(233,120)	(446,737)	(750,872)	(1,154,607)
Net change in non-cash working capital related to operations	17	(305,825)	317,829	(145,615)	(45,241)
Cash flows used in operating activities		(538,945)	(128,908)	(896,487)	(1,199,848)
Investing Activities					
Intangible asset expenditures	8	-	-	(496)	-
Property and equipment expenditures	7	(69,722)	(20,953)	(223,376)	(58,429)
Property and equipment dispositions	7	-	-	-	6,000
Acquired cash on corporate acquisition		-	-	-	79,819
Cash flows used in investing activities		(69,722)	(20,953)	(223,872)	27,390
Financing Activities					
Issuance of long-term debt	11	645,000	799,529	1,645,000	1,976,679
Proceeds from sublease	10	(18,722)	(15,191)	(56,010)	(2,396)
Lease liabilities settled	10	12,930	-	25,606	-
Obligation to issue convertible debenture	19	(73,691)	(37,559)	(185,872)	(86,655)
Cash flows from financing activities		565,517	746,779	1,428,724	1,887,628
Increase (decrease) in cash		(43,150)	596,918	308,365	715,170
Cash, beginning of year		1,453,475	1,054,419	1,101,960	936,167
Cash, end of year		1,410,325	1,651,337	1,410,325	1,651,337
Cash and cash equivalents consist of:					
Cash				1,410,325	1,591,337
Cash equivalents				-	60,000

See accompanying notes to the consolidated financial statements.
Non-cash transactions (Notes 2, 4, 5, 7)

HAPPY BELLY FOOD GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023

(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:

	September 30, 2023	December 31, 2022
	\$	\$
Deficit	(47,790,794)	(46,308,610)
Working capital	1,294,746	894,418

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 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 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 Plant&Co as at and for the years ended December 31, 2022 and 2021 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 27, 2023.

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.

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2023
(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.	Ontario, Canada	100%
1000470444 Ontario Inc.	Ontario, Canada	100%
Joeyturks Caribbean Grill Restaurants Inc.	Ontario, Canada	100%
Lettuce Love Franchising Inc.	Ontario, Canada	100%
1000061911 Ontario Inc.	Ontario, Canada	51%
1000193142 Ontario Inc.	Ontario, Canada	50%
Heal Lifestyle Franchising Inc.	Ontario, Canada	50%
Heal Lifestyle Inc.	Ontario, Canada	50%
Pirho Grill Franchising Inc.	Federal, Canada	50%
8724717 Canada Inc.	Federal, 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. 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 Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023

(Expressed in Canadian Dollars)

4. ACQUISITIONS

PIRHO franchise acquisition agreement

On May 18, 2023, the Company completed a share exchange agreement with the shareholder of Pirho Grill Franchising Inc. and 8724717 Canada Inc (the "Vendor") and 100047044 Ontario Inc., (the "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 ("JVCo") was incorporated for the purposes of corporate franchise expansion and growth acceleration of PIRHO Fresh Greek Grill Restaurants.

For 50% ownership of the 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.

For 50% ownership of the JVCo, Happy Belly has issued to the 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.

As no control was obtained the investment in PIRHO is reported on an equity basis. Franchise revenue net of expenses from the business is reported as Investment Income.

PIRHO Fresh Greek Grill ("PIRHO"), is a chain of fast casual Greek restaurants.

Fair value of net assets acquired	\$
global franchising rights, brand assets, intellectual property and brand trademarks	250,000
	250,000
Consideration	\$
Shares issued (1,562,500)	250,000
	250,000

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

Lettuce Love acquisition

On October 11, 2022, the Company completed an asset purchase agreement for substantially all of the assets and property of 2563434 Ontario Inc. ("Lettuce Love acquisition") in exchange for assuming the liabilities of \$172,287.

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 assets acquired, and liabilities assumed	\$
Working capital	33,157
Property and equipment	243,400
Recipe, processes and formulas	54,855
Lease liabilities	(159,125)
	172,287
Consideration	\$
Loans	172,287
	172,287

The Company assumed inventory of \$29,007 and prepaids of \$3,500 as part of the Lettuce Love acquisition. Since these transactions are non-cash in nature, they have been excluded from the consolidated statements of cash flows.

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2023
(Expressed in Canadian Dollars)

Heal Lifestyle acquisition

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

- JVCo acquired all of the issued and outstanding securities in the capital of Heal Lifestyle Inc. (the "Heal Shares") from the Vendors, in exchange for 200 common shares (the "JVCo Shares") of the 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 the JVCo entered into an agreement (the "Shareholders Agreement") providing, among other things, Happy Belly the right to appoint three (3) of five (5) directors of the JVCo, and the Vendors the right to appoint two (2) of five (5) directors of the JVCo; and
- The JVCo issued a non-interest bearing promissory note (the "Promissory Note") to Happy Belly in the aggregate amount of \$163,296, representing the debt and accrued interest of Heal Lifestyle Inc. as at the closing date.

Upon closing of the acquisition, Heal Lifestyle Inc. is a wholly owned subsidiary of the 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 the JVCo is controlled by Happy Belly, subject to certain limited corporate actions that require unanimous consent of the the JVCo board.

Heal Lifestyle Inc. operates six 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:

Fair value of net assets acquired, and liabilities assumed		\$
Working capital		19,426
Property and equipment		619,889
Recipe, processes and formulas		27,719
Lease liabilities		(444,568)
Notes payable		(152,062)
Non-controlling interest		(11,478)
		58,926
Consideration		\$
Promissory note		(163,296)
Shares issued (2,777,777)		222,222
		58,926

The Company assumed accounts receivable of \$117,347, inventory of \$6,552, prepaids of \$2,261 and accounts payable of \$186,552 as part of the Heal Lifestyle acquisition. Since these transactions are non-cash in nature, they have been excluded from the consolidated statements of cash flows.

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.

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:

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

Fair value of net assets acquired, and liabilities assumed	\$
Working capital	18,000
Property and equipment	51,075
Non-controlling interest	(69,075)

The Company assumed inventory of \$18,000 as part of the Lumber Heads acquisition. Since this transaction is non-cash in nature, it has been excluded from the consolidated statements of cash flows.

5. EQUITY INVESTMENTS

The Company has made equity investments of which have been sold in the past and are currently held. As at September 30, 2023, the Company had an unrealized loss on equity investments of \$39,532 (2021 - \$50,893). The Company had no realized gains or losses in 2022 (2021 - \$79,035).

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

	Valuation method (Note 15)	September 30, 2023	December 31, 2022
		\$	\$
Investment in publicly traded companies	Level 1	-	-
Investment in private companies	Level 3	59,276	59,276
Warrants of publicly traded companies	Level 3	-	-
		59,276	59,276

Long-term equity investment

On May 18, 2023 and as outlined in Note 4 of the financial statements, the Company completed a share exchange agreement with the shareholder of Pirho Grill Franchising Inc. and 8724717 Canada Inc (the "Vendor") and 100047044 Ontario Inc., (the "JVCo"). Pursuant to the agreement, Happy Belly & PIRHO Fresh Greek Grill entered into a Franchise Acquisition Agreement ("FAA"). Happy Belly's 50% ownership interest in the JVCo under the FAA is held as a long-term equity investment 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 reside.

	September 30 2023	December 31 2022
Opening balance	-	-
Initial investment	250,000	-
Equity income	20,240	-
Net equity investment	270,240	-

	Period ended September 30 2023	Year ended December 31 2022
Franchise fee revenue	62,595	-
Less: administrative costs	22,115	-
	40,480	-
Company ownership interest	50%	-
Equity income	20,240	-

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(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
	\$	\$	\$
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 period	(30,209)	(8,230)	(38,439)
At September 30, 2023	183,364	47,385	230,749

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	-	-	-	-	(175,495)	(175,495)
Additions	1,669	96,463	125,244	-	1,155,008	1,378,384
September 30, 2023	50,325	720,612	546,400	26,653	1,931,458	3,275,448
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
Amortization	2,994	49,127	44,165	2,559	126,443	225,288
September 30, 2023	41,220	345,571	219,461	12,154	428,007	1,046,413
Net book value						
December 31, 2022	10,430	327,705	245,860	17,058	650,381	1,251,434
September 30, 2023	9,105	375,041	326,939	14,499	1,503,451	2,229,035

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

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

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 acquisitions	-	-	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
Additions	-	-	496	496
Amortization	(65,104)	(14,954)	(23,468)	(103,526)
September 30, 2023	32,225	-	57,995	90,220

As at December 31, 2022, the Company identified an impairment indicator related to its intangible assets, namely operating losses at the corporate and individual segment level. Upon performing an impairment analysis, it was determined that all intangible assets related to Yamchops need to be written down to a nil value. As such, an impairment expense of \$69,000 has been recorded for the year ended December 31, 2022.

9. GOODWILL

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

Gross carrying amount	September 30, 2023	December 31, 2021
	\$	\$
Opening balance	16,191,955	16,191,955
Acquired through business combinations	-	-
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

10. LEASE LIABILITIES

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

In the second quarter of 2023 the Company entered into three new leases expiring one on April 15, 2033 and two on September 30, 2033, for retail space for its Joeyturks and Heal Lifestyle restaurants. These leases were identified as a right-of-use assets with corresponding lease liabilities, which were discounted using at 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 (Note 4). The Heal Lifestyle retail space leases expire November 30, 2025, December 31, 2025 and March 31, 2034. These leases were identified as right-of-use assets with corresponding lease liabilities, which are discounted using a 10% incremental borrowing rate (Note 4).

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

In 2021, as part of the Yamchops and Holy Crap acquisitions, the Company acquired two 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 changes in lease liabilities are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of year	758,605	247,406
Additions	953,730	603,693
Lease extensions	244,785	8,847
Lease payments	(185,872)	(155,822)
Interest expense	82,093	54,481
Balance, end of year	1,853,341	758,605
Current portion	197,194	164,022
Long-term portion	1,656,147	594,583
Lease liabilities	1,853,341	758,605

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

	\$
2023	108,342
2024	403,803
2025	409,783
2026	335,261
2027	311,047
2028	277,271
2029	237,362
2030	217,866
2031	224,041
2032	230,394
2033	122,142
2034	8,811
Total contractual cash flows	2,886,123
Less: interest	1,032,782
Lease liabilities	1,853,341

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

	September 30, 2023	December 31, 2022
	\$	\$
Principal payments	103,779	101,341
Interest on lease liabilities	82,093	54,481
Total cash outflow for leases	185,872	155,822

On May 1, 2023, the Company sublet a portion of one of its retail spaces. The Company realized a loss on recognition of the sublease of \$51,840 in 2023. The Company realized rental income of \$15,000 in 2023.

On November 14, 2022, the Company sublet a portion of one of its retail spaces. The Company realized a gain on recognition of the sublease of \$22,946 in 2022. The Company realized rental income of \$24,896 in 2023. (2022 - \$5,533)

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2023
(Expressed in Canadian Dollars)

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

	September 30, 2023	December 31, 2022
	\$	\$
Opening balance	83,668	-
Additions	175,495	87,764
Payments received	(39,897)	(5,532)
Finance income	14,291	1,436
Closing balance	233,557	83,668

11. LONG-TERM DEBT

Canada Emergency Business Account (“CEBA”) Loan

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 the CEBA loans using a discount rate of 20%. The difference 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 extended the deadline for repayment of the 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 resulting from this change in the loan repayment schedule.

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
Accretion	19,739
Balance at September 30, 2023	143,160

Lettuce Love loans

On October 8, 2022, as part of the Lettuce Love acquisition the Company assumed \$172,287 of debt related to two BDC loans. The first BDC loan matures November 15, 2024, and bears interest of BDC prime plus 0.3%. The second BDC loan matures September 15, 2026, and bears interest of BDC prime plus 0.97%. The loans are repayable monthly and are secured through a personal guarantee of the CEO of the Company.

Heal Lifestyle loans

On May 5, 2022, as part of the Heal Lifestyle 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.

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2023
(Expressed in Canadian Dollars)

The Company had the following outstanding long-term debt:

	Maturity	Rate	September 30, 2023	December 31, 2022
CEBA loans	31-Dec-23	0%	143,160	123,421
TD loan	01-Apr-31	TD Prime + 3.00%	109,316	116,012
BDC loan 1	15-Nov-24	BDC Prime + 0.30%	58,240	95,680
BDC loan 2	15-Sep-26	BDC Prime + 0.97%	47,500	59,375
			358,216	394,488
Current			218,966	198,487
Long-term			139,250	196,001

Principal payments for years ended December 31 are as follows:

	\$
2023	18,875
2024	215,051
2025	27,206
2026	24,402
2027	13,797
2028	15,181
2029	16,736
2030	18,434
2031	8,534
Total payments	358,216

Convertible debentures

In July 2023 the Company closed a non-brokered private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") for gross proceeds of \$645,000. 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 date of July 24, 2023 (the "Closing Date"), 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.

The changes in the convertible debentures are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of the year	-	-
Initial proceeds from debt	645,000	-
Transfer of conversion component to equity	(166,304)	-
Accretion on convertible debentures	3,417	-
Balance, end of the year	482,113	-

Convertible debentures bifurcated into equity and debt components:

	Maturity	September 30, 2023	December 31, 2022
		\$	\$
Debt component	July 24, 2028	482,113	-
Equity component	July 24, 2028	166,304	-

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

In April 2023 the Company closed a non-brokered private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") for gross proceeds of \$1,000,000. 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 date of April 3, 2023 (the "Closing Date"), 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.

The changes in the convertible debentures are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of the year	-	-
Initial proceeds from debt	1,000,000	-
Transfer of conversion component to equity	(257,998)	-
Accretion on convertible debentures	14,351	-
Balance, end of the year	756,353	-

Convertible debentures bifurcated into equity and debt components:

	Maturity	September 30, 2023	December 31, 2022
		\$	\$
Debt component	April 3, 2028	756,353	-
Equity component	April 3, 2028	257,998	-

In 2022 the Company has closed two tranches of its non-brokered private placement (the "Private Placement") of unsecured convertible debentures (the "Debentures") for gross proceeds 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 September 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"). The Debentures 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) \$0.20 per common share if converted in the first 12 months after the Closing Date; or (b) \$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"). In June 2023, the Company amended the conversion price of the debentures to \$0.20 per common share.

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 the convertible debentures are as follows:

	September 30, 2023	December 31, 2022
	\$	\$
Balance, beginning of the year	1,750,719	-
Initial proceeds from debt	-	2,000,000
Debt issue costs paid in cash	-	(52,950)
Transfer of conversion component to equity	-	(265,797)
Amortization of deferred financing costs	19,856	13,238
Accretion on convertible debentures	92,213	56,228
Balance, end of the year	1,862,788	1,750,719

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

Convertible debentures bifurcated into equity and debt components:

	Maturity	September 30, 2023	December 31, 2022
		\$	\$
Debt component	September 30, 2024	1,862,788	1,750,719
Equity component	September 30, 2024	265,797	265,797

12. SHARE CAPITAL**a) Common shares****Authorized:**

Unlimited number of common shares without par value.

Issued:

As at September 30, 2023, the Company has 108,769,698 shares issued and outstanding (December 31, 2022 – 107,207,198).

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 and 5).

On May 5, 2022, the Company issued 2,777,777 shares, valued at \$222,222, as part of the Heal Lifestyle acquisition (Note 4).

During the year ended December 31, 2022, the Company issued 272,000 common shares pursuant to warrant exercises for total proceeds of \$68,000.

b) Share Purchase Warrants

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

	September 30, 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	-	-	(272,000)	0.25
Expired/forfeited	(200,000)	0.75	(24,360,660)	0.30
Warrants outstanding, end of year	30,000,000	0.20	30,200,000	0.20

The Company's weighted average share price for the period ended September 30, 2023 was \$0.15 (2022 - \$0.12).

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-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:

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

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⁾

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 September 30, 2023, the Company had outstanding warrants as follows:

Expiry date	Exercise Price \$	Remaining life (years)	Warrants outstanding	Warrants exercisable
June 18, 2024	0.20	0.97	3,000,000	3,000,000
June 18, 2026	0.20	3.00	27,000,000	5,200,000
	0.20		30,000,000	8,200,000

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:

	September 30, 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)	0.57	(2,420,000)	0.26
Cancelled/ forfeited	0	-	(50,000)	0.50
Options outstanding, end of year	1,110,000	0.21	7,585,000	0.28

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

The share options outstanding as at September 30, 2023 are as follows:

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 - \$2,117) in share-based compensation on options during the period ended September 30, 2023.

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%	96%	2	0.07
April 20, 2023	3.15%	148%	5	0.16

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

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⁾
203,704	\$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.

The Company recognized \$52,713 in share-based compensation on the issuance of the performance options. The options were valued using the Black-Scholes Option Pricing Model with the following inputs: expected price volatility of 148%, risk free interest rates of 3.15%, 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 9% and 34% which were applied to the five unvested tranches.

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.

HAPPY BELLY FOOD GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023

(Expressed in Canadian Dollars)

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, 2023	Year ended December 31, 2022
	\$	\$
Consulting and other fees	238,587	426,548
	238,587	426,548

As at September 30, 2023, the Company had a \$1,504 balance receivable from the CEO of the Company (2022 – payable of \$13,059), and a \$14,258 balance payable to the CFO of the Company (2022-\$nil) and \$200,000 of the convertible debentures are payable to individuals related to the CEO of the Company.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at September 30, 2023, the Company had total accounts payable of \$417,659 (2021 - \$362,080), and accrued liabilities of \$206,658 (2021 - \$152,542).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, 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:

- 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.

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, accounts receivable and other receivables. Credit risk exposure to cash 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 September 30, 2023 and expected cashflows for the next 12 months are sufficient to fund the Company's

HAPPY BELLY FOOD GROUP INC.

Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the three and nine months ended September 30, 2023

(Expressed in Canadian Dollars)

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, 2023, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2023	2024	2025 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	624,316	-	-	624,316
CEBA loan	150,000	-	-	150,000
Other long-term debt*	18,875	71,891	124,290	215,056
Lease liabilities	108,342	403,803	2,373,978	2,886,123
	901,533	475,694	2,498,268	3,875,495

*These amounts do not include interest payable.

Market risk

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

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest risk as its TD and BDC loans have a variable interest rate. The Company does not believe the exposure to interest rate risk is significant. When assessing interest rate risk the Company believes 1% volatility is a reasonable measure. The effect of a 1% change in interest rates would have had a \$1,262 impact on the Company's net earnings for the year ended September 30, 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 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.

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

16. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Legal and accounting	136,900	61,684	305,651	217,690
Advertising and marketing	64,817	95,976	227,134	216,234
Investor relations	-	-	-	3,000
Consulting	88,118	68,439	164,876	135,958
Management	89,975	95,333	270,369	313,033
Office and sundry	52,001	98,955	274,121	212,598
Business development	60,864	39,873	136,365	96,140
Salaries and wages	421,460	247,322	1,064,994	543,625
Total general and administrative	914,135	707,582	2,443,510	1,738,278

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Accounts receivable	(159,784)	280,599	(289,006)	(124,989)
Other receivables	(172,518)	-	(118,482)	-
Inventory	16,224	21,857	38,439	(1,136)
Prepaid expenses	80,551	2,701	(42,838)	26,076
HST recoverable/payable	112,672	43,821	161,488	48,917
Accounts payable and accrued liabilities	(22,970)	(31,149)	109,694	5,891
Other liabilities	(160,000)	-	(4,910)	-
Net change in non-cash working capital related to operations	(305,825)	317,829	(145,615)	(45,241)

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and nine months ended September 30, 2023

(Expressed in Canadian Dollars)

18. SEGMENTED INFORMATION

As at	September 30, 2023			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Current assets	365,307	316,256	2,137,937	2,819,500
Property and equipment	2,014,886	170,945	43,204	2,229,035
Intangible assets	57,995	32,225	-	90,220
Interest in sublease	233,557	-	-	233,557
Equity investment	-	-	270,240	270,240
Goodwill	-	905,239	-	905,239
Total assets	2,671,745	1,424,665	2,451,381	6,547,791
Current liabilities	786,311	146,119	592,324	1,524,754
Long-term liabilities	1,714,729	96,472	3,085,450	4,896,651
Total liabilities	2,501,040	242,591	3,677,774	6,421,405

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

Three months ended	September 30, 2023			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	1,116,000	364,186	-	1,480,186
Cost of goods sold	462,693	233,017	-	695,710
General and administrative	590,856	84,457	238,822	914,135
Impairment, interest, depreciation, and amortization	147,382	36,438	157,720	341,540
Other (income)/expense	15,199	(2,122)	7,835	20,912
Net loss	(100,130)	12,396	(404,377)	(492,111)

HAPPY BELLY FOOD GROUP INC.**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)****For the three and nine months ended September 30, 2023**

(Expressed in Canadian Dollars)

Three months ended	September 30, 2022			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	550,313	244,147	-	794,460
Cost of goods sold	288,460	146,274	-	434,734
General and administrative	301,799	131,331	274,451	707,581
Impairment, interest, depreciation, and amortization	94,453	68,507	100,277	263,237
Other (income)/expense	(20,898)	(448)	50,000	28,654
Net loss	(113,501)	(101,517)	(424,728)	(639,746)

Nine months ended	September 30, 2023			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	2,828,531	1,013,039	-	3,841,570
Cost of goods sold	1,183,178	653,599	-	1,836,777
General and administrative	1,385,464	313,040	745,006	2,443,510
Impairment, interest, depreciation, and amortization	325,383	124,460	388,560	838,403
Other (income)/expense	(21,553)	(5,225)	140,251	113,473
Net loss	(43,941)	(72,835)	(1,273,817)	(1,390,593)

Nine months ended	September 30, 2022			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	1,047,044	692,274	-	1,739,318
Cost of goods sold	549,059	431,849	-	980,908
General and administrative	628,129	357,083	753,065	1,738,277
Impairment, interest, depreciation, and amortization	230,656	203,693	121,373	555,722
Other (income)/expense	(21,449)	(6,781)	134,635	106,405
Net loss	(339,351)	(293,570)	(1,009,073)	(1,641,994)

19. SUBSEQUENT EVENTS

On November 14th, the Company executed a definitive franchise acquisition agreement to acquire smash burger brand Rosie's Burgers, a boutique QSR restaurant brand serving original recipe smash burgers, poutine, onion rings, milkshakes and more. Happy Belly will issue to a newly created joint venture company, 1,724,137 common shares at a deemed value of \$250,000. The share issuance is based on a 10-day VWAP trading history of Happy Belly shares. The joint venture company receiving the shares will be 50% owned by Happy Belly, and the owners of Rosie's Burgers will own the remaining 50% in exchange for Rosie's Burgers franchising rights, brand assets and IP rights. Happy Belly has also obtained the rights to acquire the remaining 50% of the business at its optionality. Rosie's currently operate two locations.