



HAPPY BELLY FOOD GROUP INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
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KEY HIGHLIGHTS

- Normalized adjusted EBITDA¹ increased 178% during Q2 2024 reaching \$29,845, as compared to a normalized adjusted EBITDA loss of (\$107,191) in Q2 2023.
- Total revenues increased 70% in Q2 2024 to \$2.30M versus \$1.35M in Q2 2023. The significant growth was primarily driven by organic product sales growth in both the Quick Service Restaurants (QSR) and Consumer Product Goods (CPG) segments of the business, combined with new franchise fee, royalties and vendor rebate revenues.
- Total product sales from both the QSR and CPG segments increased 42% to \$1.87M in Q2 2024 as compared to \$1.32M in Q2 2023. Both segments continued to be profitable once again in Q2 2024. QSR EBITDA reached \$0.28M in Q2 2024 versus \$0.21M in Q2 2023, representing an increase of 33%. CPG EBITDA reached \$47,826 in Q2 2024 versus \$9,865 in Q2 2023, representing an increase of 385%.
- System sales across QSR brands totaled \$7.55M in Q2 2024 versus \$5.37M (+41%) in the prior quarter and \$1.42M (+432%) in Q2 2023. The increase is attributed to the organic growth with baseline restaurants and the increase in restaurant count from 9 in Q2 2023 to 26 opened as at Q2 2024. Included in the 26 restaurant count are the recent acquisitions from the past three quarters, which include Rosie's Burgers (Q4 2023), Via Cibo Franchising Inc. (Q1 2024) and Yolks Breakfast Inc. (Q1 2024).
- Net working capital position \$1.80M in Q2 2024 as compared to \$0.80M in Q4 2023 and \$1.04M in Q2 2023. Total cash and cash equivalents were \$4.13M in Q2 2024 driven by two non-brokered private placements completed in 2024 (\$3M combined) through the issuance of convertible debentures and each having a three-year term. The closing of the private placements strengthens our balance sheet and provides us with the ability to accelerate our growth strategy and executing material M&A opportunities with strong positive cash flow, when the opportunity presents itself.

¹See section definition of "Non-IFRS Measures and Ratios" within the Compliance with International Financial Reporting Standards ("IFRS") section of the MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

This Management's Discussion and Analysis ("**MD&A**") comments on the financial performance and financial condition of Happy Belly Food Group Inc. (the "**Company**" or "**Happy Belly.**") for the three and six months ended June 30, 2024. The Company's fiscal year commences on January 1st and ends December 31st of the same year.

The information in this MD&A should be read in conjunction with (i) the Company's unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024, which have been prepared in accordance with IFRS Accounting Standards ("**IFRS**"); (ii) the Company's audited annual consolidated financial statements for the years ended December 31, 2023 and 2022, along with the related notes thereto; and (iii) the Company's MD&A for the years ended December 31, 2023 and 2022 (the "**Annual MD&A**").

Additional information relating to Happy Belly, including our most recently filed Annual Information Form ("**AIF**"), can be found on SEDAR+ at www.sedarplus.com. All amounts are in Canadian dollars unless otherwise indicated.

Management of the Company is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures, and internal controls and to ensure that information used internally or disclosed externally, including the financial statements and MD&A are complete and reliable. The Company's Board of Directors (the "**Board**") follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Company's Audit Committee meets with management quarterly to review the financial statements, MD&A and to discuss other financial, operating and internal control matters.

Forward-Looking Information

This MD&A contains certain statements that constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible", and similar expressions, or statements that events, conditions or results "will", "may", "could", or "should" occur or be achieved. The forward-looking statements may include statements regarding capital expenditures, timelines, strategic plans or other statements that are not of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties, and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, uncertainty of estimates in capital and operating costs, the need to obtain additional financing to develop projects and uncertainty as to the availability and terms of future financing; uncertainty regarding changes in laws, regulations and guidelines; and uncertainty as to timely availability of licenses, permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on the Company's beliefs and assumptions, which are based on information available at the time these assumptions are made. The forward-looking statements contained herein are as at August 21, 2024 and are subject to change after this date and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is a significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties, and other factors such as those described above. The Company has no policy for updating forward-looking information beyond the procedures required under applicable securities laws.

Overview

Happy Belly's mission is to be a leading consolidator and accelerator of emerging food brands. Happy Belly's portfolio consists of two operating divisions: Quick Service Restaurants ("QSR") and Consumer Product Goods ("CPG"). Our growth strategy and continued commitment to shareholders is to improve company-wide profitability, while staying financially disciplined in achieving organic and inorganic growth. Happy Belly has continued to grow systemwide sales organically, combined with new restaurant openings (QSR segment) and accretive M&A's throughout the past three years. Happy Belly's M&A strategy has been to acquire cash flow positive businesses with revenue generating assets that allows the Company to grow organically and leverage business synergies to optimize the operations and drive shareholder value.

The Company's CPG segment continues to focus on increasing distribution, retailers and online sales, while improving overall profitability year over year. As part of the sales growth strategy, the brands continue to implement both a B2B and B2C revenue model to reach more consumers and accelerate growth.

Happy Belly currently operates the following QSR (7) and CPG brands (2): (i) QSR - Heal Lifestyle, Lettuce Love Café, Pirho Fresh Greek Grill, Joey Turks Island Grill, Rosie's Burgers, Via Cibo Italian Street Food, and Yolks Breakfast Inc., (ii) CPG - Holy Crap Foods and Lumber Heads Food Co.

The following tables highlight the number of opened restaurants at the beginning of the year, six months ended June 2024 and forecasted openings by end of fiscal 2024 by brand (QSR only).

QSR Brands	Q4 2023 System Restaurants	Q1 2024 System Restaurants	Q2 2024 Restaurants Opened	2024 Remaining Openings (Forecast)	Total 2024 System Restaurants (Forecast)
Heal Lifestyle	6	7	1	13	21
Lettuce Love Café	1	1	0	2	3
Pirho Fresh Greek Grill	3	3	0	1	4
Joey Turks Island Grill	1	1	0	1	2
Rosie's Burgers	2	2	1	1	4
Via Cibo Italian Street Food <i>(acquired January 2024)</i>	NA	7	0	1	8
Yolks Breakfast <i>(acquired January 2024)</i>	NA	3	0	1	4
Totals	13	24	2	20	46

*QSR brands are currently opened and operating in the provinces of Ontario (17), Alberta (5) and British Columbia (4). The forecasted remaining openings (20) are planned to open in Ontario (9), Alberta (8) and British Columbia (3).

**Three (3) restaurants opened subsequent to Q2 2024: Heal (2 restaurants) and Joey Turks Island Grill (1 restaurant).

***Total restaurant count excludes Reef locations (2 – Via Cibo Italian Street Food).

****Number of CPG brands remain unchanged during fiscal 2024.

The Company has also created a consulting division, Next Level Partners, which is focused on providing strategic consultation services and development for third party owned QSR and CPG businesses.

Compliance with International Financial Reporting Standards (“IFRS”)

Unless otherwise indicated, the financial information presented below, including tabular amounts, is prepared in accordance with IFRS as issued by the IASB (“**International Accounting Standards Board**”). The information presented within this MD&A refers to certain non-IFRS financial measures including Adjusted EBITDA, Adjusted EBITDA Margin, and Free Cash Flow. These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. These financial measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company’s results of operations, financial performance and liquidity from management’s perspective and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company’s management also uses non-IFRS financial measures to facilitate operating performance comparisons from period to period, to prepare annual operating plans, budgets and forecasts, and to assess our ability to meet our capital expenditures and working capital requirements.

Non-IFRS Measures and Ratios Include:

Adjusted EBITDA

“**Adjusted EBITDA**” is defined as net comprehensive income or (loss), excluding interest, taxes, depreciation and amortization (EBITDA), adjusted for share-based compensation, foreign exchange gains and losses, impairment and non-recurring expenses.

“**Adjusted EBITDA Margin**” is calculated as Adjusted EBITDA as a percentage of total revenue.

Adjusted EBITDA and Adjusted EBITDA Margin are used by management as supplemental measures to review and assess operating performance and to provide a more complete understanding of factors and trends impacting the Company’s business. Management believes Adjusted EBITDA are useful measures of operating performance and the Company’s ability to generate cash-based earnings, as they provide a more relevant position of operating results by excluding the effects of financing and investing activities, which removes the effects of interest, depreciation and amortization expenses as well as other expenses, as described, that are not reflective of the Company’s underlying business.

Free Cash Flow

“**Free Cash Flow**” is defined as cash provided by (used in) operating activities less net additions to property, equipment and intangible assets.

Reconciliation of Non-IFRS Financial Measures and Ratios

Adjusted EBITDA

	For the Three Months Ended		For the Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Total comprehensive loss	(469,634)	(424,188)	(775,368)	(898,482)
<i>Add back:</i>				
Share-based compensation	63,280	55,972	82,560	55,972
Foreign exchange loss	490	143	492	189
Non-recurring expenses and income ²	37,500	(6,574)	30,422	(6,534)
Interest and financing costs	303,576	172,277	508,299	296,435
Depreciation and Amortization	94,633	95,179	212,257	200,428
Adjusted EBITDA	29,845	(107,191)	58,662	(351,992)
Adjusted EBITDA Margin	1.3%	(7.9%)	1.4%	(14.6%)

² Non-recurring expenses and income includes activities such as unrealized gain or loss on equity investments, severance costs and bad debt expenses.

Free Cash Flow

	For the Three Months Ended		For the Six months ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	\$	\$	\$	\$
Cash flow used in operating activities	(890,539)	(1,122,005)	(1,162,150)	(1,357,542)
Net intangible assets	408,457	-	408,457	-
Net addition to property and equipment	(28,856)	(1,079,491)	(33,034)	(1,107,385)
Free Cash Flow	(510,938)	(2,201,496)	(786,727)	(2,464,927)

COMPANY HIGHLIGHTS AND RESULTS OF OPERATIONS

Happy Belly completed several key initiatives, QSR acquisitions and transactions that have enhanced overall operations over the past three years. Happy Belly has expanded its offerings, diversified its business, created economies of scale within the operations and enhanced its financial growth plans while reducing costs across the system.

Our strategic business investments and transactions completed in fiscal 2024 (including Via Cibo Franchising Inc. and Yolks Breakfast Inc. both in Q1 2024) have already shown positive momentum and growth in top line revenues and positions us extremely well in our development pipeline for 2024 and future years. Adjusted EBITDA improved by \$137,036 (+9.2% Adjusted EBITDA Margin) in Q2 2024 as compared to Q2 2023 and \$410,654 (+16% Adjusted EBITDA Margin) for the six months ended June 30, 2024 versus same periods as prior year.

During fiscal 2024 to date, Happy Belly announced the execution of both area development and franchise agreements by the various subsidiaries: (i) Yolks Breakfast signs 25-unit area development agreement in Ontario and 26-unit area development agreement in Quebec, (ii) Joey Turks Island Grill signs 30-unit area development agreement in Ontario, and (iii) Heal Wellness signs 40-unit area development agreement in Ontario.

RESULTS OF OPERATIONS SELECTED FINANCIAL INFORMATION

Summary of Quarterly Operating Metrics

<i>(in thousands \$, except per share information)</i>	Quarters ended							
	Sept 2022	Dec 2022	Mar 2023	June 2023	Sept 2023	Dec 2023	Mar 2024	June 2024
Product Sales	794	995	1,039	1,323	1,480	1,229	1,531	1,871
Cost of Sales	435	547	554	587	696	613	747	881
Gross Profit	359	448	485	736	784	616	784	990
Other Revenues	21	33	13	28	27	345	345	432
Total Expenses	1,021	1,566	973	1,188	1,303	1,399	1,434	1,892
Comprehensive Loss	(640)	(1,101)	(474)	(424)	(492)	(439)	(306)	(470)
Net loss per share	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Adjusted EBITDA	(353)	(380)	(245)	(107)	(120)	(101)	29	30
QSR System Sales	551	640	693	1,420	1,716	1,908	5,366	7,553
# QSR Locations	4	6	6	9	10	13	24	26

Results of Operations for three and six months ended June 30, 2024

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Product sales	1,871,239	1,322,508	3,402,552	2,361,384
Cost of sales	880,746	587,124	1,627,731	1,141,067
Gross profit	990,493	735,384	1,774,821	1,220,317
Franchise fees	110,000	-	254,250	-
Royalties	175,622	-	268,125	-
Services, rebates and interest	146,353	28,417	253,913	41,688
Other income	431,975	28,417	776,288	41,688
Total operating expenses and other items	1,892,102	1,187,117	3,326,477	2,160,487
Net loss and comprehensive loss	(469,634)	(424,188)	(775,368)	(898,482)

Product Sales

Total product sales are primarily driven from restaurant sales from the QSR segment (dining, takeout and delivery), combined with the sale of food products in the CPG segment (distribution, retail, online and regional sales). During the first six months ended June 30, 2024, total product sales and total revenue increased 44% and 74% respectively over the corresponding periods of 2023. The strong growth and increase were primarily a result of the organic and inorganic growth of Heal Lifestyle, since the Company's acquisition back in May 2022, Lettuce Love Café year over year sales growth, and the additions of Joey Turks Island Grill (opened November 27, 2023) and the acquisition of Via Cibo Franchising Inc. on January 4, 2024. The QSR segment increased product sales by 53% year over year for the six months period ending June 30, 2024.

The CPG segment also realized growth of 20% year over year, driven by increased distribution channel at retail (Holy Crap Foods), alongside additional regional sales by the Lumberheads Food Co.

Other Income

Other income includes franchise fees for franchised restaurant locations, royalties collected (as a percentage of sales) and consulting services, vendors rebates and interest income. The overall increase in other income from \$41,688 in 2023 to \$776,288 in 2024, was driven by new franchise fees \$254,250 (Heal Lifestyle, Lettuce Love Café, Pirho Fresh Greek Grill, Via Cibo Italian Street Food, and Joey Turks Island Grill), combined with \$268,125 of royalties collected from operating franchisees across multiple brands. As the Company continues to increase net restaurant growth, while executing against the development pipeline, it is anticipated to continue to see franchise fees and royalties increase in relation to net new restaurant openings.

Total Operating Expenses and Other Items

Total operating expenses include compliance and regulatory expenses, depreciation and amortization, financing costs, general and administration, salaries and wages, shared based compensation and foreign exchange gain/losses. Operating expenses and other items increased from \$2,160,487 to \$3,326,477 or 54% over the same corresponding periods of 2023. The increase is driven by salaries and wages at restaurant level to service new restaurant openings, increased legal costs regarding new deals being executed, increased management costs to enhance organizational structure and effectively service our growing business, and additional marketing efforts to further promote across all brands resulting in positive sales growth.

General and administrative expense

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Legal and accounting	119,648	123,091	238,794	168,751
Advertising and marketing	141,370	87,031	277,589	162,317
Consulting	121,017	18,198	209,016	76,758
Management	206,751	90,394	393,633	180,394
Office and sundry	170,998	134,050	206,542	252,282
Business development	30,204	26,832	52,751	75,501
Platform development and hosting	2,398	2,118	4,642	4,994
Total general and administrative	792,386	481,714	1,382,967	920,997

During the first two quarters of 2024, the Company continues to realize significant total revenue growth (74% versus corresponding periods of 2023), driven by organic sales growth, three new restaurant openings during the second half of 2023 (2 Heal Lifestyle restaurants and Joey Turks Island Grill), two new franchised locations opening in Q2 2024 (Heal Lifestyle), and the acquisition of Via Cibo restaurant group in January 2024. Such revenue growth also increased general and administrative expenses for the six months ended June 30, 2024.

Depreciation and amortization expense

Amortization expense for the six months ended June 30, 2024 were \$212,257 compared to \$200,428 in the corresponding periods of 2023. Net property and equipment expenditures were (\$33,034) in 2024.

Net Loss and comprehensive loss for the period-end

For the six months ended June 30, 2024, the net comprehensive loss (\$775,368) decreased 14% versus the corresponding periods of 2023. Adjusted EBITDA was a gain \$58,662 in 2024 versus a loss of (\$351,992) in 2023. The year over year improvement is attributed to overall top line sales in both the QSR and CPG segments, increased franchise fee revenue, and royalties collected, which were partially offset by increased financing costs, general and administrative expenses.

BUSINESS SEGMENT PERFORMANCE

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

Quick Service Restaurants

The following table show the results of operations for the Quick Service Restaurant segment:

	For the Three Months Ended		For the Six months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	1,513,856	1,019,833	2,623,781	1,712,531
Cost of goods sold	653,989	394,737	1,145,635	720,485
Gross Profit	859,867	625,096	1,478,146	992,046
Gross Profit %	57%	61%	56%	58%
General and administrative	969,987	442,678	1,819,519	794,608
Interest, depreciation and amortization	139,152	94,278	261,847	178,001
Other income	390,035	25,552	745,040	36,752
Net gain	140,763	113,692	141,820	56,189
Segmented EBITDA	279,915	207,970	403,667	234,190

The QSR segment of the Company is comprised of the following restaurant brands: Heal Lifestyle, Lettuce Love Café, Pirho Fresh Greek Grill, Joey Turks Island Grill, Rosie's Burgers, Via Cibo Italian Street Food, and Yolks Breakfast.

In the six months ended June 30, 2024 the revenues in the QSR segment increased 53% compared to the corresponding periods of 2023. The increase was driven by the organic and inorganic growth of Heal Lifestyle and Lettuce Love Cafe since acquiring both brands in 2022, as well as the acquisition of Via Cibo Franchising Inc. in January 2024. Three new restaurants were opened in fiscal 2024 (2- Heal Lifestyle and 1- Rosie's Burgers). Furthermore, other income increased primarily driven by franchisee fee revenue and royalties collected (nil in the same corresponding periods of 2023).

The QSR segment had an EBITDA gain of \$403,667 (72% improvement) for the six months ended June 30, 2024 compared to an EBITDA gain of \$234,190 in 2023. Gross profit variance driven by product mix from new corporate restaurants opened in the back half of 2023, and commodity tailwinds not being passed onto our guests. The QSR segment of Happy Belly continues to demonstrate strong revenue growth organically, combined with net new restaurant openings resulting in an increase in both franchise fee and royalty revenue.

Consumer Product Goods

The following table show the results of operations for the Consumer Product Goods segment:

	For the Three Months Ended		For the Six months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Revenue	357,383	302,675	778,771	648,853
Cost of goods sold	226,758	192,387	482,096	420,582
Gross Profit	130,625	110,288	296,675	228,271
Gross Profit %	37%	36%	38%	35%
General and administrative	84,904	101,520	203,425	228,583
Interest, depreciation and amortization	15,121	36,510	37,212	88,022
Other income	2,105	1,097	4,254	3,103
Net gain/(loss)	32,705	(26,645)	60,292	(85,231)
Segmented EBITDA	47,826	9,865	97,504	2,791

The CPG segment of the Company is comprised of the Holy Crap Foods brand producing breakfast cereals and Lumber Heads Food Co. producing snack foods. In the six months ended June 30, 2024 the revenues from the CPG segment increased 20% as compared to the corresponding periods of 2023.

The CPG segment had an EBITDA gain of \$97,504 for the six months ended June 30, 2024 compared to a EBITDA gain of \$2,791 in 2023. The CPG segment of Happy Belly will continue to sustain healthy operating margins, optimize distribution changes and expenses to achieve continuous positive EBITDA into the future.

LIQUIDITY AND CAPITAL RESOURCES

Cash and Working Capital

	As at June 30, 2024	As at December 31, 2023
Total assets	9,463,255	5,853,248
Total liabilities	7,197,238	6,413,602
Working capital	1,802,111	795,255

The Company's cash and cash equivalents on hand as at June 30, 2024 is \$4,130,318 versus \$1,269,045 at December 31, 2023, driven by two separate non-brokered private placements of: (i) \$1,000,000 cash collected as part of the convertible debenture issuance on February 23, 2024 and (ii) \$2,000,000 cash collected on June 24, 2024 as part of the convertible debenture issuance, which closed on July 3, 2024.

The Company's working capital is \$1,802,111 on June 30, 2024 (2023 - \$795,255). As at the date of this MD&A, Management believes the Company has sufficient working capital to meet its ongoing financial obligations for the coming year.

Outstanding Share Data

The Company shares trade on the CSE and on the OTCQB market exchange in the US under the symbol "HBFG". As at June 30, 2024, the Company had 126,678,793 shares issued and outstanding (December 31, 2023 – 110,503,835).

The following is a summary of the share transactions:

	Number	Amount (\$)
Balance at December 31, 2023	110,503,835	36,259,040
Share exchange - corporate acquisitions	2,285,805	674,772
Share issuance – exercise of warrants	2,995,000	1,900,795
Share issuance – exercise of stock options	165,000	82,000
Debt settled	96,153	37,500
Convertible debenture	10,633,000	2,392,397
Balance at March 31, 2024	126,678,793	41,346,504

Share Purchase Warrants

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

	June 30, 2024		December 31, 2023	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding, beginning of year	29,990,000	0.20	30,200,000	0.20
Exercised	(2,995,000)	0.20	(10,000)	0.20
Expired/forfeited	-	-	(200,000)	0.75
Warrants outstanding, end of year	26,995,000	0.20	29,990,000	0.20

As at June 30, 2024, the Company had outstanding warrants as follows:

Expiry date	Exercise price	Remaining life(years)	Warrants outstanding	Warrants exercisable
June 18, 2026	0.20	1.97	26,995,000	5,200,000

Stock Options

The Company has a stock option plan and restricted share units plan that allows it to grant options to its directors, officers, employees, and consultants, provided that the aggregate number of options granted shall not at any time exceed 15% of the total number of issued and outstanding common shares of the Company.

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

	June 30, 2024		December 31, 2023	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding, beginning of year	1,410,000	0.21	7,585,000	0.28
Granted	2,690,000	0.46	1,050,000	0.20
Expired	-	-	(7,225,000)	0.29
Exercised	(165,000)	0.32	-	-
Options outstanding, end of year	3,935,000	0.39	1,410,000	0.25

The share options outstanding as at June 30, 2024 are as follows:

Grant date	Number of options outstanding	Exercise price \$	Expiry date
April 20, 2023	1,000,000	0.20	April 20, 2028
October 20, 2023	245,000	0.40	October 20, 2024
February 12, 2024	390,000	0.50	February 12, 2026
May 10, 2024	1,000,000	0.40	June 18, 2026
May 24, 2024	1,300,000	0.50	June 18, 2026
	3,935,000	0.39	

RELATED PARTY TRANSACTIONS

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

	Period ended June 30, 2024	Year ended December 31, 2023
	\$	\$
Consulting and other fees*	399,166	488,834
Share-based compensation	44,000	52,713
	443,166	541,547

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

ADDITIONAL INFORMATION

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet transactions.

Legal proceedings

As at the current date, management is not aware of any legal proceedings involving the Company.

Commitments - Contingent liabilities

As at the current date, management was not aware of any outstanding contingent liabilities or commitments relating to the Company's activities.

FINANCIAL RISK MANAGEMENT

The Company is exposed to minimal financial instrument-related risks. The Board of the Company approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

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

Liquidity risk

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

The Company's expected source of cashflow in the upcoming year will be equity financing and revenue generation. Cash on hand at June 30, 2024 and expected cashflows for the next 12 months are sufficient to fund the Company's ongoing operational needs.

Based on the contractual obligations of the Company as at June 30, 2024, cash outflows of those obligations are estimated and summarized as follows:

Payment due by year	2024	2025	2026 and beyond	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	863,326	-	-	863,326
HST payable	89,309	-	-	89,309
CEBA loan	-	-	120,000	120,000
Long-term debt	46,687	27,206	217,337	291,230
Lease liabilities	383,165	377,877	2,152,621	2,913,663
	1,382,487	405,083	2,489,958	4,277,528

*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.

(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 risk management

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

CAPITAL DISCLOSURE

The Company manages its capital structure and adjusts it based on the funds available to the Company, to support the acquisition of a new business. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the current period. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities. The Board supervises the financial statements and other financial information through its audit committee.

This committee's role is to examine the financial statements and recommend that the Board approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

As at the date of this MD&A, the directors of the Company are Shawn Moniz, Alex Rechichi, Mark Rechichi, Sean Black and Kevin Cole.