



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

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

AS AT AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2024

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. MATERIAL ACCOUNTING POLICY INFORMATION	10
4. ACQUISITIONS	10
5. EQUITY INVESTMENTS	10
6. INVENTORY	11
7. PROPERTY AND EQUIPMENT	11
8. INTANGIBLE ASSETS.....	12
9. GOODWILL.....	12
10. LEASE LIABILITIES.....	12
11. LONG-TERM DEBT	13
12. SHARE CAPITAL.....	15
13. RELATED PARTY TRANSACTIONS.....	17
14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES.....	18
15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	18
16. GENERAL AND ADMINISTRATIVE EXPENSES	19
17. SUPPLEMENTAL CASH FLOW INFORMATION	20
18. SEGMENTED INFORMATION	20
19. SUBSEQUENT EVENTS	21

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	June 30, 2024	December 31, 2023
<i>(Canadian dollars)</i>		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		4,130,318	1,269,045
Accounts receivable		563,046	263,128
Equity investments	5	310,199	309,276
Inventory	6	222,009	215,686
Prepays		94,026	87,258
		5,319,598	2,144,393
Accounts receivable – long-term		200,000	200,000
Property and equipment	7	2,145,806	2,324,730
Intangible assets	8	440,469	57,679
Equity investment	4	254,810	-
Interest in sublease		197,333	221,207
Goodwill	9	905,239	905,239
TOTAL ASSETS		9,463,255	5,853,248
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	14	863,326	685,004
HST payable		89,309	250,394
Current portion of long-term debt	11	46,687	71,647
Current portion of lease liabilities	10	383,165	207,093
Deferred revenue		135,000	135,000
Obligation to issue convertible debentures	11	2,000,000	-
		3,517,487	1,349,138
Long-term debt	11	231,603	244,543
Convertible debentures	11	2,056,266	3,155,455
Lease liabilities	10	1,391,882	1,664,466
TOTAL LIABILITIES		7,197,238	6,413,602
SHAREHOLDERS' EQUITY			
Share capital	12	41,346,504	36,259,040
Share subscriptions receivable	12	(221,845)	(63,845)
Convertible debenture-equity portion	11	612,450	690,099
Treasury shares	4,12	(722,222)	(722,222)
Contributed surplus	12	10,094,236	11,344,311
Accumulated Deficit		(49,090,482)	(48,230,606)
Non-controlling interest		247,376	162,869
TOTAL SHAREHOLDERS' EQUITY		2,266,017	(560,354)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		9,463,255	5,853,248

See accompanying notes to the consolidated financial statements.

Financial instruments and risk management (Note 15)
Subsequent events (Note 19)

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

<i>(Canadian dollars)</i>	Notes	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
Expenses					
Compliance and regulatory		43,887	37,945	62,211	49,466
Amortization	7,8	94,633	95,179	212,257	200,428
Financing costs	10,11	303,576	172,277	508,299	296,435
General and administrative	16	792,386	479,596	1,382,967	920,997
Salaries and wages		593,850	351,333	1,084,769	643,534
Share-based compensation	12,13	63,280	55,972	82,560	55,972
Total expenses		1,891,612	1,194,420	3,333,063	2,166,832
Loss before other items		(469,144)	(430,619)	(781,954)	(904,827)
Other items					
Unrealized gain on equity investment	5	-	7,446	7,078	7,446
Foreign exchange loss		(490)	(143)	(492)	(189)
Bad debt expense		-	(872)	-	(912)
Net loss and comprehensive loss		(469,634)	(424,188)	(775,368)	(898,482)
Per share information					
Net loss per share – basic and diluted		\$(0.00)	\$(0.00)	\$(0.01)	\$(0.01)
Weighted average number of common shares outstanding – basic and diluted		113,012,232	107,945,522	113,012,232	107,578,400

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, 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		1,562,500	250,000	-	-	(250,000)	-	-	-	-
Share exchange – corporate acquisition		1,724,137	250,000	-	-	(250,000)	-	-	-	-
Issuance of common shares upon exercise of warrants		10,000	2,000	-	-	-	-	-	-	2,000
Share based compensation		-	-	55,972	-	-	-	-	-	55,972
Convertible debentures		-	-	-	-	-	424,302	-	-	424,302
Non-controlling interests – net loss		-	-	-	-	-	-	(92,663)	92,663	-
Net loss and comprehensive loss		-	-	-	-	-	-	(1,829,333)	-	(1,829,333)
Balance at December 31, 2023		110,503,835	36,259,040	11,344,311	(63,845)	(722,222)	690,099	(48,230,606)	162,869	(560,354)
Share exchange – corporate acquisition	4, 12	2,285,805	674,772	-	-	-	-	-	-	674,772
Issuance of common shares upon exercise of warrants	12	2,995,000	1,900,795	(1,302,635)	(158,000)	-	-	-	-	440,160
Stock options exercise	12	165,000	82,000	(30,000)	-	-	-	-	-	52,000
Share based compensation	11	-	-	82,560	-	-	-	-	-	82,560
Debts settled		96,153	37,500	-	-	-	-	-	-	37,500
Convertible debentures issued		-	-	-	-	-	188,148	-	-	188,148
Convertible debentures exercise		10,633,000	2,392,397	-	-	-	(265,797)	-	-	2,126,600
Non-controlling interests – investment		-	-	-	-	-	-	11,131	(11,131)	-
Non-controlling interests – net loss		-	-	-	-	-	-	(95,638)	95,638	-
Net loss and comprehensive loss		-	-	-	-	-	-	(775,368)	-	(775,368)
Balance at June 30, 2024		126,678,793	41,346,504	10,094,236	(221,845)	(722,222)	612,450	(49,090,482)	247,376	2,266,017

See accompanying notes to the consolidated financial statements

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

<i>(Canadian dollars)</i>	Notes	Three months ended June 30,		Six months ended June 30,	
		2024	2023	2024	2023
		\$	\$	\$	\$
Operating Activities					
Net loss and comprehensive loss		(469,634)	(424,188)	(775,368)	(898,482)
Items not affecting cash and cash equivalents:					
Amortization	7,8	94,633	95,179	212,257	200,428
Financing costs	10,11	86,688	73,927	167,244	131,776
Loss on disposition of lease	10	-	-	2,853	-
Share based compensation	12,13	63,280	55,972	82,560	55,972
Unrealized gain on equity investment	5	-	(7,446)	(7,078)	(7,446)
		(225,033)	(206,556)	(317,532)	(517,752)
Net change in non-cash working capital related to operations	17	(665,505)	(915,449)	(844,618)	(839,790)
Cash flows used in operating activities		(890,539)	(1,122,005)	(1,162,150)	(1,357,542)
Investing Activities					
Intangible asset expenditures	8	(853)	(421)	(853)	(496)
Property and equipment expenditures	7	(28,856)	(1,079,491)	(33,034)	(1,107,385)
Acquired cash on corporate acquisition	4	-	-	170,823	-
Disposal of equity investments	5	419,962	-	426,117	-
Cash flows used in investing activities		390,253	(1,079,912)	563,053	(1,107,881)
Financing Activities					
Proceeds from convertible debentures	11	168,782	-	1,150,130	1,000,000
Convertible debentures	11	-	1,000,000	-	1,000,000
Repayment of long-term debt	11	(18,969)	(18,652)	(37,900)	(37,288)
Proceeds from stock options	12	15,000	-	52,000	-
Proceeds from warrant exercises	12	345,160	-	440,160	-
Proceeds from sublease	10	23,874	6,418	23,874	12,676
Lease liabilities settled	10	(85,669)	892,627	(167,894)	841,550
Net change in non-cash working capital related to financing activities	19	2,000,000	-	2,000,000	-
Cash flows from financing activities		2,448,178	1,880,393	3,460,370	2,816,938
Increase (decrease) in cash and cash equivalents		1,947,892	(321,524)	2,861,273	351,515
Cash and cash equivalents, beginning of year		2,182,426	1,774,999	1,269,045	1,101,960
Cash and cash equivalents, end of year		4,130,318	1,453,475	4,130,318	1,453,475
Cash and cash equivalents consist of:					
Cash				1,368,443	1,453,475
Cash equivalents				2,761,875	-

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(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 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 accumulated deficit and working capital of the Company are as follows:

	June 30, 2024	December 31, 2023
	\$	\$
Accumulated deficit	(49,090,482)	(48,230,606)
Working capital	1,802,111	795,255

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

2. BASIS OF PREPARATION

Statement of compliance

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

These Interim Financial Statements were reviewed by the Audit Committee and authorized for issuance by the Board of Directors as of August 21, 2024.

Basis of consolidation

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

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

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Company's material 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.

4. ACQUISITIONS

Via Cibo Franchising Inc. acquisition agreement

On January 4, 2024, the Company completed a non-arm's length share exchange agreement involving board members of the Company, namely Sean Black, Alex Rechichi and Mark Rechichi (the "Vendors"). An independent Review Committee was established to review, scrutinize, and negotiate the terms of the agreement.

For 100% ownership of Via Cibo Franchising Inc., the Vendors has transferred all the outstanding shares and 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.

In exchange, the Company has issued to the Vendors \$450,000 worth of common stock based on the last 10-day weighted average price leading up to the closing date for a total of 1,242,857 shares, divided equally amongst the Vendors. In addition, \$50,000 worth of common stock was also issued based on the last 10-day weighted average price as a working capital payment for a total of 138,095 shares. Total accumulated shares issued on April 23, 2024 were 1,380,952. The fair market value on the obligation to issue shares (\$500,000 worth of common stock) was \$424,772 by using a discount rate of 15%. The common stock is restricted from trading for 12 months from the time of issuance.

The acquisition was accounted for as a business combination under IFRS 3, using the acquisition method, with the operating results included in the Company's financial and operating results commencing on the closing date of the acquisition. The revenue and net income generated by Via Cibo Franchising Inc. since the acquisition date were \$317,776 and \$178,063 respectively for the reporting period. Net working capital at the time of acquisition date was (\$7,066).

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

Yolks Breakfast Inc. acquisition agreement

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

For 50% ownership, Happy Belly issued \$250,000 of common stock priced at the 10-day weighted average price ("VWAP") for a total of 904,856 shares. The Company has obtained the rights to acquire the remaining 50% of the business at its optionality.

As no control was obtained from the investment, the investment in Yolks Breakfast Inc. is reported on an equity basis. Franchise revenue net of expenses from the business is reported as investment income.

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

5. EQUITY INVESTMENTS

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

Other equity investments include Micro Algae and Blackwell Intelligence Inc. Blackwell Intelligence Inc. was written down during Q1 2024 (\$23,638). As at June 30, 2024, the Company had a net unrealized gain of \$7,078 on equity investments (2023 - \$nil).

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

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

	Valuation method (Note 15)	June 30, 2024	December 31, 2023
		\$	\$
Investment in publicly traded companies	Level 1	274,561	250,000
Investment in private companies	Level 3	35,638	59,276
		310,199	309,276

6. INVENTORY

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

	Raw ingredients	Finished goods	Total
	\$	\$	\$
Cost			
At December 31, 2022	213,573	55,615	269,188
Change in year	(46,114)	(7,388)	(53,502)
At December 31, 2023	167,459	48,227	215,686
Change in year	12,347	(6,024)	6,323
At June 30, 2024	179,806	42,203	222,009

7. PROPERTY AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvements	Vehicles	ROU assets	Total
	\$	\$	\$	\$	\$	\$
Cost						
December 31, 2022	48,656	624,149	421,156	26,653	951,945	2,072,559
Dispositions	-	-	-	-	(301,606)	(301,606)
Additions	7,458	139,946	205,796	-	1,253,269	1,606,469
December 31, 2023	56,114	764,095	626,952	26,653	1,903,608	3,377,422
Dispositions	-	-	(4,836)	-	(165,529)	(170,365)
Additions	-	36,812	-	-	59,102	95,914
June 30, 2024	56,114	800,907	622,116	26,653	1,797,182	3,302,971
Accumulated amortization						
December 31, 2022	38,226	296,444	175,296	9,595	301,564	821,125
Amortization	4,491	62,138	58,887	3,412	178,894	307,822
December 31, 2023	42,717	358,582	234,183	13,007	404,203	1,052,692
Dispositions	-	-	-	-	(82,117)	(82,117)
Amortization	2,211	26,775	27,154	1,365	129,086	186,590
June 30, 2024	49,077	388,236	256,072	14,372	449,410	1,157,164
Net book value						
December 31, 2023	13,397	405,513	392,769	13,646	1,499,405	2,324,730
June 30, 2024	7,037	412,671	366,044	12,281	1,347,772	2,145,806

The disposition of ROU assets relates to the relocation and derecognition of ROU assets for one restaurant location. These transactions, along with the additions to ROU assets, are non-cash in nature, and therefore have been excluded from the consolidated statements of cash flow.

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

Intangible assets	Brand names	Distribution relationships	Recipe, processes and formulas	Royalties	Total
	\$	\$	\$		\$
December 31, 2022	97,329	14,954	80,966	-	193,249
Dispositions	-	-	(2,520)	-	(2,520)
Amortization	(86,805)	(14,954)	(31,291)	-	(133,050)
December 31, 2023	10,524	-	47,155	-	57,679
Additions	-	-	-	408,457	408,457
Amortization	(10,524)	-	(15,143)	-	(25,667)
June 30, 2024	-	-	32,012	408,457	440,469

9. GOODWILL

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

Gross carrying amount	June 30, 2024	December 31, 2023
	\$	\$
Opening balance	16,191,955	16,191,955
Closing balance	16,191,955	16,191,955
Accumulated impairment		
Opening balance	(15,286,716)	(15,286,716)
Impairment loss recognized	-	-
Closing balance	(15,286,716)	(15,286,716)
Carrying amount at end of year	905,239	905,239

*Goodwill relates to goodwill recorded from the Holy Crap Brands Inc. acquisition in February 2021.

10. LEASE LIABILITIES

The changes in lease liabilities are as follows:

	June 30, 2024	December 31, 2023
	\$	\$
Balance, beginning of year	1,871,559	758,605
Additions	59,102	951,663
Lease extensions	-	295,255
Lease payments	(257,429)	(289,400)
Interest expense	101,815	155,436
Balance, end of year	1,775,047	1,871,559
Current portion	383,165	207,093
Long-term portion	1,391,882	1,664,466
Lease liabilities	1,775,047	1,871,559

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

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

	\$
2024	383,165
2025	377,877
2026	360,987
2027	337,715
2028	302,207
2029	249,729
2030	231,039
2031	238,060
2032	245,303
2033	137,986
2034	49,595
Total contractual cash flows	2,913,663
Less: interest	1,138,616
Lease liabilities	1,775,047

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

	June 30, 2024	December 31, 2023
	\$	\$
Principal payments	155,614	133,964
Interest on lease liabilities	101,815	155,436
Total cash outflow for leases	257,429	289,400

11. LONG-TERM DEBT

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

In the fourth quarter of 2023, the Company repaid two of the four CEBA loans in full (\$60,000). The Company elected to roll over the two outstanding loans (Yam Chops - \$60,000 and Holy Crap - \$60,000) to the government loan, which are to be repaid in full by December 31, 2026. The balance as at June 30, 2024 is \$120,000.

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

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

	Maturity	Rate	June 30, 2024	December 31, 2023
			\$	\$
CEBA loans	31-Dec-26	5%	120,000	120,000
TD loan	01-Apr-31	TD Prime + 3.00%	101,865	106,888
BDC loan 1	15-Nov-24	BDC Prime + 0.30%	20,800	45,760
BDC loan 2	15-Sep-26	BDC Prime + 0.97%	35,625	43,542
			278,290	316,190
Current			46,687	71,647
Long-term			231,603	244,543

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

Principal payments for years ended December 31 are as follows:

	\$
2024	71,647
2025	27,206
2026	144,403
2027	13,797
2028	15,181
2029	16,736
2030	18,434
2031	8,786
Total payments	316,190

Convertible debentures

In fiscal 2022, the Company had 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 paid interest at twelve percent (12%) per annum and are paid quarterly. The Debentures are convertible at the holder's option into common shares (principle plus any accrued interest elected to be converted into common shares) of the Company at a conversion price equal to \$0.20 per common share.

During fiscal 2024, all 2022 Debenture holders elected to convert their debentures, plus any accrued interest into common shares instead of cash payments. Total common shares issued from the 2022 Debentures were 10,633,000. 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.

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

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

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

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

	June 30, 2024	December 31, 2023
	\$	\$
Balance, beginning of the year	3,155,455	1,750,719
Initial proceeds from debt	1,000,000	1,645,000
Debt converted to equity	(2,008,196)	-
Transfer of conversion component to equity	(188,149)	(424,302)
Amortization of deferred financing costs	39,713	26,475
Accretion on convertible debentures	57,443	157,563
Balance, end of the year	2,056,266	3,155,455

Convertible debentures bifurcated into equity and debt components:

	June 30, 2024	December 31, 2023
	\$	\$
Debt component	2,056,266	3,155,455
Equity component	188,149	424,302

12. SHARE CAPITAL

a) Common shares

Authorized:

Unlimited number of common shares without par value.

Issued:

As at June 30, 2024, the Company has 126,678,793 shares issued and outstanding (December 31, 2023 – 110,503,835) for a total value of \$41,346,504 (2023 - \$36,259,040).

On April 23, 2024, the Company issued 1,380,952 shares, valued at \$500,000, as part of Via Cibo Franchising Inc. 100% acquisition agreement, inclusive of working capital payment of \$50,000 (Note 4).

On January 30, 2024, the Company issued 904,856 shares, valued at \$250,000, as part of Yolks Breakfast Inc. 50% acquisition agreement (Note 4).

During fiscal 2024, the Company issued 2,995,000 common shares pursuant to warrant exercises for total proceeds of \$599,000. The company also issued 165,000 common shares pursuant to stock option exercises for total proceeds of \$52,000.

From February 22, 2024, to June 28, 2024, a total of 10,633,000 common shares were issued pursuant to the conversion of the 2022 debentures (100% conversion). The total value of the debentures converted was \$2,126,600 inclusive of any unpaid accrued interest.

b) 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

The Company's weighted average share price for the period ended June 30, 2024 was \$0.20 (2023 - \$0.20).

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

The Company entered into a strategic advisory agreement in 2021 (the "Advisory Agreement") with Maricom Inc., Sean Black, Kevin Cole, Mark Rechichi and Alex Rechichi (the "Advisors") to assist with the private placement and to arrange for Alex Rechichi, Mark Rechichi and Kevin Cole to join the Board of Directors of the Company. The Company agreed to issue an aggregate of 27,000,000 non-transferrable share purchase warrants ("Advisory Warrants") to the Advisors. Each Advisory Warrant entitles the holder to acquire one share at a price of \$0.20 for a period of five years from their date of issue and vest upon the occurrence of the vesting triggers noted below:

Number of advisory warrants vested	Vesting trigger
5,200,000	Closing of the June 2021 private placement
2,700,000	\$0.50 ⁽¹⁾
2,750,000	\$0.75 ⁽¹⁾
5,400,000	\$1.00 ⁽¹⁾
5,450,000	\$1.50 ⁽¹⁾
5,500,000	\$2.00 ⁽¹⁾

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 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

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 15% of the Company's issued and outstanding common shares.

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

On May 24, 2024, the Company issued 1,300,000 performance stock options to members of the Board of Directors for achieving 10 consecutive quarters of growth as a milestone. Each option entitles the holder to acquire one share at a price of \$0.50 for a period of two years from their date of issue and vests upon the occurrence of the vesting triggers noted below. The options expire June 2026.

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

Number of options vested	Vesting trigger
220,000	\$0.50 ⁽¹⁾
270,000	\$0.75 ⁽¹⁾
270,000	\$1.00 ⁽¹⁾
270,000	\$1.50 ⁽¹⁾
270,000	\$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 the performance options.

On May 10, 2024, the Company issued 1,000,000 stock options to its CFO as part of his compensation package. Each option entitles the holder to acquire one share at a price of \$0.40 for a period of two years from their date of issue and vests equally upon the occurrence of the same vesting triggers noted above. The options expire June 2026.

On February 12, 2024, the Company issued 390,000 stock options to Trio Capital Group Inc., an option to acquire common shares of the Company at an exercise price of \$0.50 per share. The options expire February 12, 2026, and vests quarterly over a period of 12 months from the date of grant. The stock option agreement was part of the private placement of unsecured convertible debentures received of \$1,000,000 in February 2024.

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 vests upon the occurrence of the vesting triggers noted below:

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

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

The share options outstanding as at 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	

The Company recognized \$82,560 (2023-\$55,972) in share-based compensation on share options during the period.

d) Share-based payment reserve

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

13. RELATED PARTY TRANSACTIONS

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

	Period ended June 30, 2024	Year ended December 31, 2023
	\$	\$
Consulting and other fees	399,166	488,834
Share-based compensation (Note 12)	44,000	52,713
	443,166	541,547

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

As at June 30, 2024, the Company had a net amount of \$17,979 balance owing (2023 - \$26,760) and \$125,000 convertible debentures payable (2023 - \$125,000) to the CEO of the Company. An additional \$100,000 convertible debentures are payable to individuals related to the CEO of the Company.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at June 30, 2024, the Company had total accounts payable of \$644,701 (2023 - \$457,529), and accrued liabilities of \$218,625 (2023 - \$227,475).

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

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

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

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

Equity investments where the shares are publicly traded are revalued using level 1 inputs. Non-publicly traded shares and warrants are measured using level 3 inputs. The fair value of long-term debt and convertible debentures is determined using discounted cash flows at the current market interest rate (level 2).

Financial risk management

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

Credit risk

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

Liquidity risk

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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

The Company's expected source of cashflow in the upcoming year will be through 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. 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 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 management

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

16. GENERAL AND ADMINISTRATIVE EXPENSES

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

	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

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Accounts receivable	(51,180)	(125,091)	(229,394)	(129,222)
Other receivables	-	(95,964)	-	54,036
Inventory	(15,163)	(5,120)	(6,323)	22,215
Prepaid expenses	4,291	(49,394)	(6,768)	(123,389)
Accounts payable and accrued liabilities	32,082	192,840	26,344	132,664
HST recoverable/payable	(234,144)	6,677	(161,085)	48,816
Other liabilities	(401,391)	(839,397)	(467,392)	(844,910)
Net change in non-cash working capital related to operations	(665,505)	(915,449)	(844,618)	(839,790)

18. SEGMENTED INFORMATION

As at	June 30, 2024			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Current assets	814,459	349,585	4,155,554	5,319,598
Long-term receivables	-	-	200,000	200,000
Property and equipment	2,007,063	146,577	(7,834)	2,145,806
Intangible assets	15,698	-	424,771	440,469
Interest in sublease	197,333	-	-	197,333
Equity investment	-	-	254,810	254,810
Goodwill	-	905,239	-	905,239
Total assets	3,034,553	1,401,401	5,027,301	9,463,255
Current liabilities	825,020	104,420	2,588,047	3,517,487
Long-term liabilities	1,534,513	112,555	2,032,683	3,679,751
Total liabilities	2,359,533	216,975	4,620,730	7,197,238

As at	December 31, 2023			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Current assets	122,950	290,867	1,730,576	2,144,393
Long-term receivables	-	-	200,000	200,000
Property and equipment	1,575,981	164,988	583,761	2,324,730
Intangible assets	47,156	10,524	(1)	57,679
Interest in sublease	221,207	-	-	221,207
Goodwill	-	905,239	-	905,239
Total assets	1,967,294	1,371,618	2,514,336	5,853,248

HAPPY BELLY FOOD GROUP INC.
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
For the three and six months ended June 30, 2024
(Expressed in Canadian Dollars)

Current liabilities	528,111	87,951	733,076	1,349,138
Long-term liabilities	1,306,140	143,889	3,614,435	5,064,464
Total liabilities	1,834,251	231,840	4,347,511	6,413,602

Period ended	June 30, 2024			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	2,623,781	778,771	-	3,402,552
Cost of goods sold	1,145,635	482,096	-	1,627,731
General and administrative	1,819,519	203,425	444,792	2,467,736
Impairment, interest, depreciation, and amortization	261,847	37,212	421,497	720,556
Other income/(expense)	745,040	4,254	(111,191)	638,103
Net gain/(loss)	141,820	60,292	(977,480)	(775,368)

Period ended	June 30, 2023			
	Quick service restaurants	Consumer product goods	Corporate	Consolidated
	\$	\$	\$	\$
Revenue	1,712,531	648,853	-	2,361,384
Cost of goods sold	720,485	420,582	-	1,141,067
General and administrative	794,608	260,808	504,121	1,559,537
Impairment, interest, depreciation, and amortization	178,001	88,022	230,840	496,863
Other income/(expense)	36,752	3,103	(102,254)	(62,399)
Net gain/(loss)	56,189	(117,456)	(837,215)	(898,482)

19. SUBSEQUENT EVENTS

On July 26, 2024, the Company signed a binding letter of intent (“LOI”) agreement to acquire 50% of SALUS Fresh Foods and SALUS Fresh Foods Franchising Inc. (“SALUS”), serving fresh bowls, sandwiches, wraps, soups, smoothies and healthy treats.

On July 3, 2024, the Company closed on a non-brokered private placement of unsecured convertible debentures (the “Convertible Debentures”) with K2 & Associates (“K2”) for gross proceeds of \$2,000,000 through 2,000 convertible debentures. The Convertible Debentures have a term of 36 months earning interest at the rate of 12% per annum payable quarterly after the closing date of the private placement, maturing on the third anniversary the Convertible Debentures were issued (the “Maturity Date”), and convertible at the holder’s option into common shares of the Company at a conversion price equal to \$0.75 per share, provided that not less than 25% of the outstanding principal and any interest amounts owed is converted.

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