

**FORM 7**  
**MONTHLY PROGRESS REPORT**

Name of Listed Issuer: Happy Belly Food Group Inc. (the “Issuer” or “Happy Belly”).

Trading Symbol: HBFG

Number of Outstanding Listed Securities: 116,859,640

Date: May 1, 2024

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer’s ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are “material information” as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

**General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term “Issuer” includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

**Report on Business**

1. Provide a general overview and discussion of the development of the Issuer’s business and operations over the previous month. Where the Issuer was inactive disclose this fact.

**See Item 2 below for a complete overview and discussion of the Issuer’s activities for the month of April 2024.**

2. Provide a general overview and discussion of the activities of management.

**On April 2, 2024, the Issuer announced that its Consumer Packaged Goods (CPG) division has experiencing ongoing growth and sustained profitability as it expands internationally and records multiple sales records.**

**On April 3, 2024, the Issuer announced that it has signed a franchise agreement for Joey Turks Island Grill (“Joey Turks”) for Scarborough, Ontario. Joey Turks is a fast casual restaurant serving delicious original Caribbean Island recipes is a 100% owned subsidiary of the Issuer.**

**On April 5, 2024, the Issuer announced that it has signed its very first multi-unit franchise agreement for Yolks Breakfast (“Yolks”) that will see five (5) full-service restaurants being developed in major cities across Ontario. Yolks is a boutique restaurant brand serving delicious breakfast, brunch and lunch in the Vancouver area.**

**On April 11, 2024, the Issuer announced that it has secured a real estate location for Yolks in Ottawa.**

**On April 16, 2024, the Issuer announced that it has signed a second multi-unit franchise agreement for Yolks that will see three (3) full-service restaurants being developed in Calgary, Alberta.**

**On April 17, 2024, the Issuer announced that it has secured a second real estate location for Joey Turks in Scarborough, Ontario.**

On April 18, 2024, the Issuer announced that it has signed a lease and franchise agreement to open the 3<sup>rd</sup> franchised Heal Wellness (“Heal”) restaurant in the city of Edmonton, Alberta. Heal Wellness serves fresh smoothie bowls, acai bowls as a quick service restaurant. This new franchised location is the 24<sup>th</sup> signed franchise agreement for Heal in the last 14 months and 6<sup>th</sup> for Alberta. The grand opening is anticipated to be in Q3 2024.

On April 19, 2024, the Issuer announced its financial results and corporate update for the year ended December 31, 2023.

#### Financial Highlights

- The Issuer recorded total revenues (product sales and other income) of \$5.45 million for fiscal 2023 representing 96% year over year growth (2022 - \$2.78 million). The Issuer continued to realize significant positive momentum in top line sales, driven by organic restaurant sales and new restaurant openings. Gross profit continues to improve due to cost control measures and overall top line sales growth, reporting \$2.62 million (52%) versus \$1.26 million (44%) in fiscal 2022. Total gross profit increased by 117% year over year.
- Total system wide restaurant sales were \$5.75 million in 2023 (13 restaurants) versus \$1.63 million in the prior year (5 restaurants). Q4 restaurant sales accounted for \$1.91 million.
- Q4 2023 was the seventh consecutive record quarter for the Issuer delivering \$1.6 million in total revenue vs \$1.5 million in Q3 2023, despite seasonality and extremely strong sales performance during the prior quarter.
- Q4 2023 represents the ninth consecutive quarter of QoQ growth and gross profit has improved by 37% versus Q4 2022.
- The Issuer delivered very strong operating results from its Quick Service Restaurants (“QSR”) and the CPG divisions.
  - QSR division recorded revenue increases from \$1.69 million in fiscal 2022 to \$3.72 million in fiscal 2023 (120% year over year improvement), attributed to strong organic sales momentum on baseline restaurants and two new Heal Wellness openings in Q2 2023 (Milton and Port Credit, Ontario). QSR division recorded positive EBITDA(1) of \$440,090 in fiscal 2023 compared to a loss of \$64,200 in the prior year. The QSR segment of Happy Belly continues to see positive EBITDA growth year over year.
  - Our CPG division recorded revenue increases from \$1.05 million in fiscal 2022 to \$1.30 million in fiscal 2023 (24% year over year improvement), driven by improved organic growth and increased distribution channels.
  - The CPG division reported positive EBITDA(1) of \$430 in fiscal 2023 compared to a loss of \$94,181 in 2022.
- Total net operating loss for the Issuer after removal of non-cash items and financing charges for 2023 was \$0.57 million compared to \$1.42 million in 2022. Two new corporate restaurant openings for Heal, one-time costs of building the Joey Turks restaurant, increased legal and training costs were the primary factors in the increased operating expenses.
- The Issuer continues to maintain a healthy balance sheet with net working capital of \$0.80 million in 2023. Cash and cash equivalents is \$1.27 million as of December 31, 2023.
- Since March 2023 when our franchising program was launched the Issuer recorded nine (9) months worth of franchising revenue inclusive of franchise fees and royalties for a total of \$228,070 in fiscal 2023 versus nil in 2022.

*(1) EBITDA is a non-IFRS and non-GAAP financial measure which does not have a standardised meaning prescribed by IFRS. The Issuer has included this performance measure, EBITDA (Earnings before interest, taxes, depreciation and amortization). The Issuer believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Issuer’s performance and ability to generate cash, profits and meet financial commitments. This Non-IFRS measure is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.*

*EBITDA is calculated by adding back interest, taxes, depreciation and amortization to the Issuer's net income/loss.*

On April 23, 2024, the Issuer announced that it has signed a new franchisee agreement in Ontario, specifically for the Greater Toronto Area for its Heal brand. The signing of this new franchisee is the 25th signed franchise agreement for Heal in the last 14 months and 14th for Ontario.

On April 24, 2024, the Issuer announced that it has closed its acquisition of CraveIt Restaurant Group's ("CraveIt") Via Cibo Restaurant Chain ("Via Cibo"), serving fast casual Italian street food made with the best traditional ingredients, as initially announced in the Issuer's press release dated January 5<sup>th</sup>, 2024 (the "Transaction").

The Transaction was non-arms length, involving board members of Happy Belly, namely Sean Black, Alex Rechichi, and Mark Rechichi (the "Vendors"). To ensure transparency and fairness, an independent Review Committee comprising of Shawn Moniz, Gary Fung, Kevin Cole and Dean Callaway was established to scrutinize and negotiate the Transaction's terms.

#### Acquisition Closing and Transactional Details

Following the Issuer's January 5th, 2024 press release, the Issuer entered into a share exchange agreement with the Vendors of CraveIT on January 4th, 2024 (the "Share Exchange Agreement").

In connection with the Transaction, and as a condition of closing, the Issuer intends issue to each of the Vendors, divided equally (being one third to each of the Vendors (as defined below)): (i) common shares of the Issuer (the "Consideration Shares") in the aggregate value of \$450,000, in exchange for all of the issued and outstanding shares in the capital of CraveIt, and (ii) common shares of the Issuer in the aggregate value of \$50,000 as a working capital payment (the "Working Capital Shares"), with the Consideration Shares and Working Capital Shares to be issued at a price that is equal to the 10 day VWAP of the Issuer's common shares as of the day immediately prior to the Closing Date. Out of the Consideration Shares, \$360,000 in shares will be restricted from trading for 12 months (the "Base Purchase Price") and \$90,000 in shares to be restricted for 13 months, with \$45,000 in shares (the "Escrowed Shares") of the \$90,000 to be held in escrow. The parties have appointed Garfinkle Biderman LLP as escrow agent (the "Escrow Agent") with respect to the Escrowed Shares pursuant to the terms of the Share Exchange Agreement.

In addition, the Issuer agreed to issue earn-out payments (if achieved) in the form of the Issuer's common shares (being one third to each of the Vendors) ("Earn Out Shares") following the 12 month anniversary of the closing of the Transaction, for the positive difference between the actual EBITDA that CraveIt [and its Subsidiaries achieve] and the estimated EBITDA for the 2024 calendar year, all multiplied by 6, to be issued at a price that is equal to the 10 day VWAP of the Issuer's common shares in and around the month subsequent to the 12 month anniversary of the closing date. Should the actual EBITDA be less than the estimated EBITDA, the Consideration Shares will be reduced by the difference, multiplied by 6, subject to the minimum of the Base Purchase Price.

The Consideration Shares, Working Capital Shares, and Earn Out Shares (if any) will be subject to a statutory hold period of four months and one day.

The Vendors, being Mr. Alex Rechichi, Mr. Mark Rechichi, and Mr. Sean Black, all directors of Issuer, are shareholders of CraveIt, and therefore the Transaction constitutes a "related party transaction under Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Issuer is relying on exemptions from the formal valuation and minority approval requirements of MI 61-101 based on a determination that the securities of the Issuer are listed on the Canadian Securities and that neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Transaction, in so far as it involves interested parties, exceeds 25% of the market capitalization of the Issuer. Pursuant to MI 61-101, the Issuer will file a material change report providing disclosure in relation to each "related party transaction" on SEDAR+ under the Issuer's issuer profile at [www.sedarplus.ca](http://www.sedarplus.ca). The Issuer did not file the material change report more than 21 days before the expected closing date of the Transaction as the details of the Transaction and the participation therein by each "related party" of the Issuer were not settled until shortly prior to the closing of the Transaction, and the Issuer wished to close the Transaction on an expedited basis for sound business reasons.

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**See Item 2.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**N/A.**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**See Item 2. Mark Rechichi, Alex Rechichi and Sean Black, the Vendors and parties to the Share Exchange Agreement executed with the Issuer on January 5, 2024 are directors/Related Persons of the Issuer and also shareholders of CraveIt.**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**None.**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**See Item 2 and Item 5.**

8. Describe the acquisition of new customers or loss of customers.

**See Item 2.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, franchises, licenses, patents, software, subscription lists and trade-marks.

**See Item 2.**

10. Report on any employee hirings, terminations or lay-offs with details of anticipated length of lay-offs.

**None.**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**None.**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings.

**None.**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**N/A.**

14. Provide details of any securities issued and options or warrants granted.

**On April 1, 2024, the Issuer issued 60,000 common shares at \$0.25 per share pursuant to an option exercise.**

**On April 19, 2024, the Issuer issued 125,000 common shares at \$0.20 per share pursuant to a warrant exercise.**

**On April 11, 2024, the Issuer issued 125,000 common shares at \$0.20 per share pursuant to a warrant exercise.**

**On April 23, 2024, the Issuer issued 1,380,952 common shares at a price of \$0.3621 to the Vendors in connection with the Transaction. See Item 2.**

15. Provide details of any loans to or by Related Persons.

**N/A.**

16. Provide details of any changes in directors, officers or committee members.

**None.**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

**None.**

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there were is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Dated: May 1, 2024.

Shawn Moniz

Name of Director or Senior Officer

"Shawn Moniz"

Signature

CEO & Director

Official Capacity

<b>Issuer Details</b> Name of Issuer	For Month End	Date of Report YY/MM/D
<b>Happy Belly Food Group Inc.</b>	<b>April 2024</b>	<b>2024/05/01</b>
Issuer Address <b>400-1681 Chestnut Street</b>		
City/Province/Postal Code <b>Vancouver, BC V6J 4M6</b>	Issuer Fax No. <b>604.737.1140</b>	Issuer Telephone No. <b>833.375.2682</b>
Contact Name <b>Shawn Moniz</b>	Contact Position <b>CEO &amp; Director</b>	Contact Telephone No. <b>833.375.2682</b>
Contact Email Address <a href="mailto:hello@happybellyfg.com">hello@happybellyfg.com</a>	Web Site Address <a href="http://happybellyfg.com">happybellyfg.com</a>	