VIKING GOLD EXPLORATION INC.
(to be renamed "Happy Supplements Inc.")

CSE FORM 2A
LISTING STATEMENT

November 5, 2020

CAUTION REGARDING RESULTING ISSUER'S BUSINESS

This Listing Statement provides disclosure regarding the securities of an entity that is expected to, upon completion of the Business Combination, derive a substantial portion of its revenues from the production and distribution of products that contain cannabidiol ("CBD") extracted from hemp in the United States. The Resulting Issuer will be directly involved in the hemp-derived CBD marketplace in the United States.

The 2014 Farm Bill was passed into law in the United States on February 7, 2014. The 2014 Farm Bill did not provide a federal regulatory framework or require states to implement hemp programs. The 2014 Farm Bill gave states considerable discretion, and accordingly, the various state 2014 Farm Bill hemp pilot programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization.

Prior to the enactment of the 2018 Farm Bill, except for certain non-psychoactive parts of the plant, the United States' *Controlled Substances Act* (the "CSA") had scheduled all cannabis grown or cultivated in the United States as a Schedule I controlled substance. As a result, the cultivation of hemp – a subspecies of the cannabis plant – for any purpose in the United States without a Schedule I registration with the U.S. Drug Enforcement Agency (the "DEA") was, unless exempted by the 2014 Farm Bill, federally illegal.

The 2018 Farm Bill became law in the United States on December 20, 2018. The 2018 Farm Bill permanently removed hemp, and its derivatives such as CBD, from scheduled drug control under the CSA. Now, hemp is no longer a controlled substance.

Additionally, the 2018 Farm Bill permits states and territories of Indian Tribes to assume primary regulatory jurisdiction over the production of hemp in their jurisdictions. Under Section 10113 of the 2018 Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the U.S. Department of Agriculture (the "USDA"). A state's plan to license and regulate hemp can only commence once and if the Secretary of the USDA approves that state's plan. There can be no guarantee that any state plan will be approved. Review times may be extensive. There may be amendments and the ultimate plans, if approved by states and the USDA, may materially impact the Resulting Issuer's business depending upon the scope of the regulations.

In states opting not to devise a hemp regulatory program, the USDA will need to construct a regulatory program under which hemp cultivators in those states must apply for licenses and comply with a federally-run program. Even if a state creates a plan in conjunction with its governor and chief law enforcement officer, the Secretary of the USDA must approve it.

The Resulting Issuer's position is that its activities fall within the relief from federal interference (e.g. by the DEA) provided by the 2018 Farm Bill as of December 20, 2018, and prior thereto under Section 7606 of the 2014 Farm Bill.

However, even though the 2018 Farm Bill removes hemp from scheduled control under the CSA, the U.S. Food and Drug Administration (the "FDA") retains jurisdiction over ingestible and topical products, including such products that contain hemp or hemp-derived CBD.

The FDA has not generally approved CBD or other individual cannabinoids as drugs, nor has the FDA deemed CBD or other individual cannabinoids permissible for use in dietary supplements, as dietary ingredients or as 'safe for use' in food. CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive (including beverages and animal products). In addition, the FDA is currently challenging whether CBD products can be sold in the U.S. without FDA approval. This matter is still in active discussion with the FDA and is unresolved as at the date of this Listing Statement. The FDA does not recognize CBD as 'safe for use' in food products.

While the Resulting Issuer disagrees with the position of the FDA, there is risk that the FDA could take law enforcement action against the Resulting Issuer. There is also a risk that state or local authorities could take enforcement actions against the Resulting Issuer.

Legal barriers applicable to selling hemp-derived CBD products result from several factors, including the fact that hemp and marijuana are both derived from the cannabis plant, the rapidly changing patchwork of state laws governing hemp-derived CBD, and the lack of FDA approval for CBD as a lawful ingredient, food additive or dietary supplement. CBD that is derived from marijuana, opposed to hemp, remains a controlled substance pursuant to the CSA.

There are a number of significant risks associated with the business of the Resulting Issuer. Unless and until the FDA recognizes CBD as safe for use in food products (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, and the business of the Resulting Issuer may be deemed to be producing or dispensing CBD products in violation of federal law in the United States.

There can be no assurance that third party service providers, including, but not limited to, suppliers, contractors and banks will not suspend or withdraw services which could negatively impact the business of the Resulting Issuer.

Any investment in the Resulting Issuer Shares is speculative due to a variety of factors, including the nature of the Resulting Issuer's business. An investment in these securities should only be made by persons who can afford a total loss of their investment. Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), represent significant risks concerning the Resulting Issuer's business activities.

These risks include, but are not limited to:

- **the DEA's interpretation and application of existing federal laws and rules;**
- **deference to and reliance on the DEA by federal, state, and/or local law enforcement and regulatory authorities;**
- **positions asserted by the FDA concerning products containing derivatives from hemp;**
- **uncertainty surrounding the characterization of cannabinoids as a dietary ingredient by the FDA; and**
- **enforcement activities by state and/or local law enforcement and regulatory authorities under the auspice of individual state law, regardless of any potential conflict thereby with federal law.**

If the Resulting Issuer's operations are found to be in violation of any of such laws or any other governmental regulations, the Resulting Issuer may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Resulting Issuer's operations or asset seizures, any of which could adversely affect the Resulting Issuer's business and financial results. If the FDA takes action against the Resulting Issuer or the CBD industry notwithstanding the regulatory regime surrounding the 2018 Farm Bill, this could have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations including the cessation of operations entirely.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Resulting Issuer's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Resulting Issuer's operations

rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Resulting Issuer's business and operational results.

Materially all of the Resulting Issuer's assets, liabilities and operations are exposed to U.S. hemp-related activities.

See "*Risk Factors*" for more information about the risks concerning the Resulting Issuer's business and operations.

See *"Regulatory Framework"* for more information about the position of the enforcement authorities.

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1. INTRODUCTION

1.1 Forward Looking Statements

Certain statements in this Listing Statement are forward-looking statements or information (collectively "**forward-looking statements**") within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "expects", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements in this Listing Statement include, but are not limited to:

- statements related to the completion of the Transaction and the events related thereto and contingent thereon;
- information with respect to our future financial and operating performance;
- the proposed use of proceeds available to the Resulting Issuer;
- statements in respect of the Resulting Issuer's future commercial activities, research and development activities, and the costs and timing of those activities;
- the Resulting Issuer's position concerning the legality of its business with regards to the manufacturing, distribution and sale of hemp-derived CBD and hemp-derived CBD products in the United States
- timing and receipt of, or need for, approvals, consents and permits under applicable legislation;
- statements in respect of the proposed composition of the management of the Resulting Issuer and our expected executive compensation;
- escrow and resale restrictions that will be applicable to the securities of the Resulting Issuer; and
- the impact of the COVID-19 on the Resulting Issuer's business and economy generally.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. We believe that the assumptions and expectations reflected in such forward-looking information are reasonable. Assumptions have been made regarding, among other things: (i) the Resulting Issuer's ability to obtain and maintain, as applicable, necessary regulatory approvals (if any); (ii) the favourable regulation and treatment by the FDA of hemp-derived CBD and hemp-derived CBD products in the United States; (iii) general business and economic conditions; (iv) the Resulting Issuer's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Resulting Issuer's ability to attract and retain skilled management and staff, as applicable; (vii) market competition; (viii) the market for and potential revenues to be derived from the Resulting Issuer's products; and (ix) the costs, timing and future plans concerning operations of the Resulting Issuer will be consistent with current expectations. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

By their nature, forward-looking statements involve numerous inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of Viking, Happy Tea, or the Resulting Issuer, that could influence actual results include, but are not limited to risks relating to the following: (i) completion of the Transaction; (ii) limited operating history; (iii) reliance on management; (iv) additional financing; (v) profitability of the Resulting Issuer; (vi) ongoing ongoing costs and obligations; (vii) access and price of raw materials and supply chain management; (viii) competition; (ix) future acquisitions or dispositions; (x) unfavorable publicity or consumer perception; (xi) product liability and product recalls; (xii) product approvals; (xiii) research and development; (xiv) difficulty in developing products; (xv) market acceptance by customers; (xvi) promotion and maintenance of brands; (xvii) dependence on suppliers, skilled labour and the Packer Facilities; (xviii) reliance on broker and distribution agreements; (xix) difficulties forecasting; (xx) management of growth; (xxi) intellectual property risks; (xxii) fraudulent or illegality by employees, contractors and consultants; (xxiii) security breaches and information technology cyber-attacks; (xxiv) issues obtaining insurance on acceptable insurance; (xxv) changes in laws, regulations, and guidelines; (xxvi) general regulatory risks; (xxvii) Farm Bill risks and the potential for incorrect interpretation of federal law; (xxviii) regulation of hemp-derived CBD products; (xxix) access to financial institutions and the negative impact of regulatory scrutiny on raising capital; (xxx) volatility in the market price of the Resulting Issuer Shares; (xxxi) epidemics/pandemics and other public health crises, such as COVID-19; and (xxxii) management's success in anticipating and managing the foregoing factors, as well as the risks described under "*Risk Factors*" and other risks set out in this Listing Statement and the documents incorporated by reference herein.

Our forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this Listing Statement. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update any forward-looking statements, except as, and to the extent required by, applicable securities laws.

1.2 General Matters

The information contained or referred to in this Listing Statement relating to the Happy Tea has been furnished by the Happy Tea. In preparing this Listing Statement, Viking has relied upon Happy Tea to ensure that the Listing Statement contains full, true and plain disclosure of all material facts relating to Happy Tea. Although Viking has no knowledge that would indicate that any statements contained herein concerning Happy Tea are untrue or incomplete, neither Viking nor any of its principals assumes any responsibility for the accuracy or completeness of such information or for any failure by Happy Tea to ensure disclosure of events or facts that may have occurred which may affect the significance or accuracy of any such information.

Any market data, forecasts or statistical information used in this Listing Statement, unless otherwise specified, were obtained from publicly available sources. Although Viking believes these sources to be generally reliable, the accuracy and completeness of such information are not guaranteed and have not been independently verified.

1.3 Glossary

Unless the context otherwise requires or where otherwise provided, the following words and terms shall have the meanings set forth below when used in this Listing Statement.

"**2014 Farm Bill**" means Section 7606 of the Agricultural Act of 2014.

"**2018 Farm Bill**" means the U.S. federal Agriculture Improvement Act of 2018.

"**2016 Final Rule"** has the meaning set forth in *Regulatory Framework – Development of Current Regulatory Framework – DEA Position*.

"**Administrator**" has the meaning set forth in *Options to Purchase Securities – Description of Stock Option Plan.*

"**Affiliate**" means a Company that is affiliated with another Company as described below: A Company is an "Affiliate" of another Company if:

(a) one of them is the Subsidiary of the other, or

(b) each of them is controlled by the same Person.

A Company is "controlled" by a Person if:

(a) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and

(c) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

(a) a Company controlled by that Person, or

(d) an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

"**Amicus Brief**" has the meaning set forth in Regulatory Framework - Development of Current Regulatory Framework – DEA Position.

"**Assignment Agreement**" means the assignment agreement between BC Co. and Viking dated July 28, 2020, whereby BC Co. assigned the Letter of Intent to Viking.

"**Associate**" has the meaning ascribed to such term in the *Securities Act* (British Columbia), as amended, including the regulations promulgated thereunder.

"**Audit Committee**" has the meaning set forth in *Audit Committee.*

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"BC Co." means 1208004 B.C. Ltd., incorporated on May 8, 2019 pursuant to the BCBCA and existing under the laws of the Province of British Columbia.

"**Business Combination**" means the business combination among Viking and Happy Tea pursuant to which Happy Tea will complete a reverse take-over of Viking.

"**Business Day**" means a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Vancouver, British Columbia.

"**cannabis**" means the general designation of the plants *Cannabis sativa L.*, *Cannabis indica* and *Cannabis ruderalis*. Unless the context otherwise requires, reference to "cannabis" herein shall mean *Cannabis sativa L.*

"**CBD**" means cannabidiol. Happy Tea only uses hemp-derived CBD, as permitted by applicable laws. See *Description of the Business – Happy Tea* and *Regulatory Framework.*

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**COO**" means chief operating officer.

"**Closing**" means the completion of the Business Combination.

"**Committee**" has the meaning set forth in *Options to Purchase Securities – Description of Stock Option Plan.*

"**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

"**Concurrent Offering**" has the meaning set forth in *General Development of the Business – Business Combination Among Viking and Happy Tea.*

"**Consolidation**" means the consolidation of the issued and outstanding Viking Shares on May 14, 2020 on the basis of one (1) post-consolidation Viking Share for every ten (10) pre-consolidation Viking Shares issued and outstanding, to become effective prior to Closing.

"**Control Person**" means, in respect of an issuer, any Person or Company that holds or is one of a combination of Persons or Companies that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

"**COVID-19**" means the COVID-19 pandemic.

"**CSA**" means the U.S. Controlled Substances Act.

"**CSE**" means the Canadian Securities Exchange.

"**CSE Listing**" means the listing of the Resulting Issuer Shares on the CSE.

"**DBCA**" means the *Business Corporations Act* (Delaware).

"**DEA**" means the Drug Enforcement Administration.

"**DOJ**" means the U.S. Department of Justice.

"**DSHEA**" means the Dietary Supplement Health and Education Act.

"**First Financing**" has the meaning set forth in *General Development of the Business – Happy Tea.*

"**FDA**" means the U.S. Food and Drug Administration.

"**FDCA**" means the U.S. Federal Food, Drug, and Cosmetics Act.

"**Finder's Warrants**" has the meaning set forth in *General Development of the Business – Business Combination Among Viking and Happy Tea.*

"**FTC**" means the Federal Trade Commission.

"**GRAS**" has the meaning set forth in *Regulatory Framework – FDA Regulation*.

"**Gonzalez Loans**" has the meaning set forth in *General Development of the Business – Happy Tea.*

"Happy Tea" means Happy Supplements Inc. prior to giving effect to the Business Combination, formerly a limited liability company incorporated on September 4, 2018 pursuant to the *Limited Liability Company Act* (Delaware) and subsequently converted to a corporation under the DBCA under the name of "Happy Supplements Inc." on February 13, 2020.

"**Happy Tea Board**" means the board of directors of Happy Tea.

"**Happy Tea Financial Statements**" means the audited financial statements of Happy Tea for the period from inception September 4, 2018 to August 31, 2019 and the unaudited interim financial statements for the nine months ended May 31, 2020, which are attached to this Listing Statement as Schedule "C".

"**Happy Tea Shareholder**" means a holder of Happy Tea Shares.

"**Happy Tea Shares**" means common shares in the capital of Happy Tea.

"**Happy Tea Warrantholder**" means a holder of Happy Tea Warrants.

"**Happy Tea Warrants**" means warrants to purchase Happy Tea Shares.

''**HIA v. DEA III**'' has the meaning set forth in *Regulatory Framework - Development of Current Regulatory Framework – DEA Position.*

"**IFRS**" means the International Financial Reporting Standards, as adopted by the Canadian Accounting Standards Board.

"**IND Preclusion**" has the meaning set forth in *Regulatory Framework – FDA Regulation.*

"**Industrial Hemp**" or "**hemp**" means any part of the cannabis plant, including extracts, cannabinoids and derivatives with a THC concentration of not more than 0.3% on a dry weight basis, lawfully cultivated in the United States pursuant to, and in compliance with, a state agricultural pilot program which sanctions such activity.

"**Insider**" if used in relation to an issuer, means:

(a) a director or senior officer of the issuer;

(e) a director or senior officer of the Company that is an Insider or Subsidiary of the issuer;

(f) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or

(g) the issuer itself if it holds any of its own securities.

"**Interim Rules**" as the meaning set forth in *Regulatory Framework – Development of Current Regulatory Framework – The 2018 Farm Bill.*

"**KDA Decision**" has the meaning set forth in *Regulatory Framework – General Overview.*

"**Letter of Intent**" means the amended and restated letter of intent with respect to the Transaction between BC Co. and Happy Tea entered into on March 3, 2020 amending and restating the letter of intent dated May 23, 2019, as amended on November 18, 2019 and amended and restated on December 27, 2019.

"**Listing Date**" means the date of the CSE Listing.

"**Listing Statement**" means this listing statement.

"**Marihuana Extract Rule**" has the meaning set forth in *Regulatory Framework – Development of Current Regulatory Framework – DEA Position.*

"**Membership Interests**" has the meaning set forth in *General Development of the Business – Happy Tea.*

“**NEX**” means the NEX board of the TSX-V.

“**NI 52-110”** has the meaning set forth in *Audit Committee.*

“**Non-Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“**Nutrition Formulators**” has the meaning set forth in *Narrative Description of the Business – Sales and Distribution – Packer Facilities.*

“**Omnibus Appropriations Law**” has the meaning set forth in *Regulatory Framework – Development of Current Regulatory Framework – The Omnibus Appropriations Law.*

“**Option Plan**” means the Resulting Issuer’s rolling 10% stock option plan.

“**Packer Facilities**” has the meaning set forth in *Narrative Description of the Business – Sales and Distribution – Packer Facilities*.

“**Person**” means a Company or individual.

“**PMAD**” has the meaning set forth in *Narrative Description of the Business – Sales and Distribution – Packer Facilities*.

“**Pro Forma Financial Statements**” means the unaudited pro forma balance sheet for the Resulting Issuer as at June 30, 2020 to give effect to the Transaction as if it had taken place as of June 30, 2020 that is attached to this Listing Statement as Schedule “E”.

“**Pubco**” has the meaning set forth in *General Development of the Business – Happy Tea.*

“**Pubco Share**” has the meaning set forth in *General Development of the Business – Happy Tea.*

“**Registrar**” means the British Columbia corporate registry.

“**Resulting Issuer**” means Viking after giving effect to the Business Combination, at which time Viking is expected to be renamed “Happy Supplements Inc.”.

“**Resulting Issuer Board**” means the board of directors of the Resulting Issuer.

“**Resulting Issuer Options**” means options to purchase Resulting Issuer Shares.

“**Resulting Issuer Shares**” means shares in the capital of the Resulting Issuer.

“**Resulting Issuer Shareholder**” means a holder of Resulting Issuer Shares.

“**Resulting Issuer Stock Option Plan**” means the share or stock option plan of the Resulting Issuer, in the form of the current Viking Option Plan.

“**Resulting Issuer Warrants**” means warrants to purchase Resulting Issuer Shares.

“**Second Financing**” has the meaning set forth in *General Development of the Business – Happy Tea.*

“**Share Exchange Agreement**” means the share exchange agreement dated July 28, 2020, among Viking, Happy Tea and the Happy Tea Shareholders pursuant to which the parties will complete the Business Combination.

"**Statement of Principles**" means the Statement of Principles on Industrial Hemp published by the USDA, the DEA, and the FDA on August 12, 2016.

"**Subsidiary**" includes, with respect to any Person, Company, partnership, limited partnership, trust or other entity, any Company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such Person, Company, partnership, limited partnership, trust or other entity.

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

"**Term**" has the meaning set forth in *Options to Purchase Securities – Description of Stock Option Plan.*

"**THC**" means delta-9-tetrahydrocannabinol.

"**Third Financing**" has the meaning set forth in *General Development of the Business – Happy Tea.*

"**Transaction**" means the completion of the (i) Concurrent Offering, (ii) the Business Combination, and (iii) the CSE Listing.

"**TSX-V**" means the TSX Venture Exchange.

"**Unit Financing**" has the meaning set forth in *General Development of the Business – Viking*.

"**USAM**" means the United State's Attorney's Manual.

"**USDA**" means the U.S. Department of Agriculture.

"**Viking**" means Viking Gold Exploration, Inc. prior to giving effect to the Business Combination, incorporated under predecessor legislation, The Business Corporations Act of Ontario, by Letters Patent on May 13, 1936, and continued in British Columbia pursuant to the BCBCA on August 12, 2019.

"**Viking Board**" means the board of directors of Viking.

"**Viking Financial Statements**" means the unaudited interim financial statements for the six month period ended June 30, 2020 and the audited financial statements for the financial years ended December 31, 2019, December 31, 2018 and December 31, 2017, which are attached to this Listing Statement as Schedule "A".

"**Viking Option Plan**" means the stock option plan of Viking.

"**Viking Options**" means options to purchase Viking Shares.

"**Viking Shares**" means the common shares in the capital of Viking.

"**Viking Shareholders**" means a holder of Viking Shares.

"**Viking Warrants**" means warrants to purchase Viking Shares.

Words importing the masculine shall be interpreted to include the feminine or neuter and the single to include the plural and vice versa where the context so requires.

In this Listing Statement, other words and phrases that are capitalized have the meanings assigned in this Listing Statement.

All references to "$", "CDN$" or "dollars" in this Listing Statement are to the lawful currency of Canada unless otherwise expressly stated.

2. CORPORATE STRUCTURE

2.1 Corporate Name

Viking

The full corporate name of Viking is "Viking Gold Exploration Inc." Viking's head office is located at 1680 – 200 Burrard Street, Vancouver, British Columbia V6C 3L6 and registered and records office is located at 400-725 Granville Street, Vancouver, BC V7Y 1G5.

In connection with the Business Combination, it is expected that Viking will file a notice of alteration to change its name to "Happy Supplements Inc."

Happy Tea

The full corporate name of Happy Tea is "Happy Supplements Inc." Happy Tea's head office and registered office are located Suite 5816, 8 The Green, Dover, DE 19901.

Resulting Issuer

The Resulting Issuer is intended to be named "Happy Supplements Inc." and its registered office address will be Suite 1680 – 200 Burrard St., Vancouver, BC V6C 3L6.

2.2 Incorporation

Viking

Viking was incorporated on May 13, 1936 under predecessor legislation, The Business Corporations Act of Ontario, by Letters Patent on May 13, 1936 under the name "New Augarita Porcupine Mines Limited", which was subsequently changed to "Royal Aerospace Corp." on November 10, 1987. On October 20, 1993, Viking changed its name to "Royal Diamond Casino Corp." and subsequently changed its name back to "Royal Aerospace Corp." on February 6, 1995. Viking further changed its name to "Royal Group Capital Corporation" on March 11, 1997 and to "Copper Hill Corporation" on September 23, 1997. On February 13, 2004, Viking changed its name to its current name, "Viking Gold Exploration Inc." Each of Viking's name changes was pursuant to the *Business Corporations Act* (Ontario).

On August 12, 2019 Viking continued into British Columbia pursuant to the *Business Corporations Act* (British Columbia) ("**BCBCA**").

Viking is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. Viking Shares were previously listed on the TSX-V for trading under the trading symbol "VGC". On March 24, 2016, Viking's share listing was transferred from the TSX-V to NEX where they traded under the trading symbol "VGC.H". On May 19, 2015, the Viking Shares were halted from trading and remained suspended until May 14, 2020, at which time they were reinstated for trading on the NEX. Trading of the Viking Shares was subsequently halted on July 28, 2020, and will remain halted in accordance with TSX-V and CSE policies until all required documentation with respect to the Business Combination has been received and the TSX-V, CSE, and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

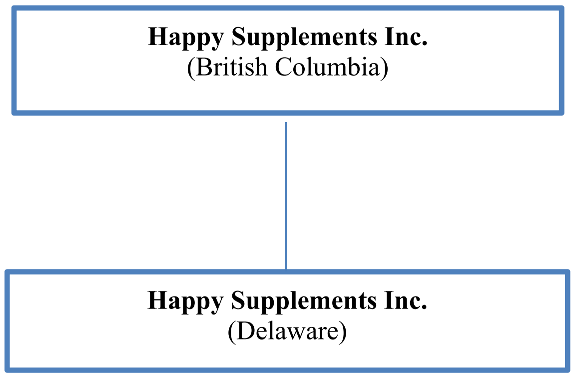
Happy Tea

Happy Tea was formed as a limited liability company on September 4, 2018 pursuant to the *Limited Liability Company Act* (Delaware) and subsequently converted to a corporation under the *Business Corporations Act* (Delaware) ("**DBCA**") under the name of "Happy Supplements Inc." on February 13, 2020.

2.3 Intercorporate Relationships

Set forth below is a current organizational chart for Viking and Happy Tea prior to giving effect to the Transaction.

Set forth below is the organizational chart for the Resulting Issuer following the completion of the Transaction.



2.4 Fundamental Change or Acquisition

Not applicable.

2.5 Non-Corporate Issuers or Issuers Incorporated Outside Of Canada

Not applicable.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 General Business

Viking

Viking was initially a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a specific focus on gold. On February 13, 2004, Viking completed a reorganization, changing its name from “Copper Hill Corporation” to “Viking Gold Exploration Inc.” and completing a share consolidation on the basis of four (4) pre-consolidation shares for one (1) post-consolidation share. Since February 13, 2004, Viking has not earned significant revenue and is considered an exploration stage entity. There has been no determination whether Viking’s properties contain mineral reserves that are economically recoverable.

In January 2018, Viking sold three interests in the Northwest Territories to Goldmining Inc. for 60,000 common shares of Goldmining Inc. with a fair market value of $79,800. Viking subsequently sold the Goldmining Inc. shares for proceeds of $63,450, resulting in a net loss of $15,936.

Viking continued into the province of British Columbia on August 12, 2019.

On each of August 15, 2019 and May 14, 2020, Viking completed a share consolidation, on the basis of one (1) post-consolidation Viking Share for each ten (10) pre-consolidation Viking Share.

On August 19, 2019, Viking issued 482,662 Viking Shares valued at $220,031 to settle trade payables of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and amounts due to related parties of $190,068.

In 2019, Viking had to take various measures to address working capital concerns. As at December 31, 2019, Viking had loans payable in the aggregate amount of $249,160, the majority of which have subsequently been repaid. As at June 30, 2020, Viking had the following loans payable:

Date of Issuance	Date of Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%(1)	$ 33,425	$ 12,189	$ 45,614(2)
August 22, 2018	December 20, 2018	10%/20%(1)	$ 25,000	$ 7,206	$ 32,206
	Total		$ 58,425	$ 19,395	$ 77,820(2)

Notes:

(1) The loan bears interest at 10% until its maturity date, after which the interest rate increases to 20% if not repaid.

(2) Value excludes a bonus payable as at May 14, 2020 to the lender in the amount of $10,000 plus GST.

On June 2, 2020, Viking granted 125,000 stock options (the "**Viking Options**", and each a "**Viking Option**") to its directors, officers and consultants. Each Viking Option is exercisable by the holder to acquire one Viking Share at a price of $0.32 per Viking Share, for a period of three years from the date of grant. The grant of the Viking Options was accepted by the NEX.

On July 6, 2020, Viking completed a private placement of 1,183,333 units at a price of $0.30 per unit for gross proceeds of $355,000 (the "**Unit Financing**"). Each unit consisted of one Viking Share and one Viking Warrant. Each Viking Warrant entitled the holder to purchase one Viking Share at a price of $0.40 for a period of one (1) year from the date of issuance.

On July 21, 2020, Viking completed a private placement of 333,333 Viking Shares at a price of $0.30 per Viking Share for gross proceeds of $100,000.

On July 28, 2020, Viking entered into the Assignment Agreement with BC Co., pursuant to which BC Co. assigned the Letter of Intent to Viking.

Other than the transactions detailed herein, Viking has not completed any significant acquisitions or dispositions during the most recently completed financial year ended December 31, 2019 or the current financial year.

Happy Tea

Happy Tea was formed as a limited liability company on September 4, 2018 pursuant to the *Limited Liability Company Act* (Delaware) and subsequently converted to a corporation under the *Business Corporations Act* (Delaware) ("**DBCA**") under the name of "Happy Supplements Inc." on February 13, 2020.

Michael Gonzalez, CEO of Happy Tea, initially funded Happy Tea through loans (the "**Gonzalez Loans**") totalling USD$2,522,842.36, advanced to Happy Tea from the date of incorporation, September 4, 2018, through February 2019. The Gonzalez Loans were used to launch Happy Tea's tea sachets (see "*Narrative Description of the Business – Description of the Business – Happy Tea – Happy Tea Products"*). On March 2, 2020, Happy Tea issued Michael Gonzalez an interest free convertible promissory note with respect to the Gonzalez Loans, convertible into 17,000,000 Happy Tea Shares at the sole discretion and election of Michael Gonzalez. On March 2, 2020, the Gonzalez Loans were converted into 17,000,000 Happy Tea Shares at a price of USD$0.14 per Happy Tea Share.

On June 21, 2019, Happy Tea issued 10,000,000 membership interests ("**Membership Interests**") at a price of $0.05 per Membership Interest for proceeds of $500,000. From July 2019 through December 2019, in a series of tranches, Happy Tea issued an additional 7,468,616 Membership Interests at a price of $0.25 per Membership Interest for proceeds of $1,867,154.[1] The aggregate proceeds of $2,367,154 were used to expand Happy Tea's product line and to continue to market and develop Happy Tea's existing products. When Happy Tea converted into a corporation under the DBCA on February 13, 2020, each outstanding Membership Interest was converted into one fully paid and non-assessable Happy Tea Share with a par value of $0.01 per share, such that the proportional ownership interest of each record holder of Membership Interests remained the same following Happy Tea's conversion into a corporation.

On March 3, 2020 Happy Tea entered into the Letter of Intent with BC Co., amending and restating the letter of intent dated May 23, 2019, as amended on November 18, 2019 and amended and restated on December 27, 2019. The Letter of Intent provided that BC Co. would enter into a definitive agreement with Happy Tea, containing representations and warranties customary for similar transactions, pursuant to which BC Co. would acquire 100% of the securities of Happy Tea in exchange for securities of BC Co. or its assignee. It was the intent of BC Co. to assign the Letter of Intent or the definitive agreement, if entered into, to a Canadian listed reporting issuer or to another entity which will then complete a going-public transaction ("**Pubco**"). As consideration, BC Co. would cause Pubco to issue one (1) common share (a "**Pubco Share**") for each outstanding Happy Tea Share. In addition, BC Co. agreed to arrange an investment, on a best efforts basis, in an amount no less than $4,000,000 as specified below:

- Happy Tea would issue and BC Co. will arrange, a private placement of Happy Tea Shares in the aggregate principal amount of $500,000, at a price of $0.05 per Happy Tea Share (the "**First Financing**");

- Happy Tea would issue and BC Co. will arrange, a private placement of Happy Tea Shares in the aggregate amount of $1,717,154 at a price of $0.25 per Happy Tea Share (the "**Second Financing**"); and

- Happy Tea will issue and BC Co. would arrange, a private placement of Happy Tea Shares and/or Pubco Shares in the aggregate amount of $2,000,000 at a price no less than $0.25 per Happy Tea Share or Pubco Share, as applicable (the "**Third Financing**").

In connection with the Third Financing, Happy Tea and/or Pubco had the right to pay commission to eligible finders consisting of up to (i) 7% of the gross proceeds of the Third Financing in cash, and (ii) 7% of the gross proceeds of the Third Financing payable in Happy Tea Shares and/or Pubco Shares. The Letter of Intent also provided that Happy Tea would issue up to 9,000,000 Happy Tea Warrants as directed by BC Co, each exercisable into one (1) Happy Tea Share at a price of $0.05 per Happy Tea Share for a period of one year, upon completion of financings of the Second Financing.

Pursuant to the Letter of Intent, Pubco agreed to enter into a consulting agreement with BC Co. for an initial term of six (6) months, pursuant to which BC Co. would provide capital markets consulting services to Pubco for a fee of $5,000 per month.

BC Co. subsequently assigned the Letter of Intent to Viking pursuant to the terms of the Assignment Agreement.

From August 2019 to August 2020, Happy Tea expanded its product offerings from three to six products (see "*Narrative Description of the Business – Description of the Business – Happy Tea – Happy Tea Products*"). Happy Tea now offers Happy CBD Cream, Happy CBD Gummies and Happy CBD Oil. Along with product development, Happy Tea also launched its exclusive subscription model offering new CBD products on a monthly basis to its customers. Since the launch of the subscription model in July 2020, Happy Tea has retained over 100 subscribers, with the goal is to retain 5,000 recurring subscribers by the end of calendar 2020 (see "*Narrative Description of the Business – Description of the Business – Happy Tea – Sales and Distribution – Online Sales*").

[1] The 7,468,616 Membership Interests were issued in 9 tranches as follows: (i) 681,616 Membership Interests on July 1, 2019 for gross proceeds of $170,404; (ii) 50,000 Membership Interests on September 9, 2019 for gross proceeds of $12,500; (iii) 300,000 Membership Interests on September 12, 2019 for gross proceeds of $75,000; (iv) 325,000 Membership Interests on September 17, 2019 for gross proceeds of $81,250; (v) 3,400,000 Membership Interests on October 11, 2019 for gross proceeds of $850,000; (vi) 200,000 Membership Interests on November 20, 2019 for gross proceeds of $50,000; (vii) 812,000 Membership Interests on November 21, 2019 for gross proceeds of $203,000; (viii) 600,000 Membership Interests on November 24, 2019 for gross proceeds of $150,000; and (ix) 1,100,000 Membership Interests on December 31, 2019 for gross proceeds of $275,000.

3.2 Business Combination Between Viking And Happy Tea

Viking, Happy Tea, and the Happy Tea Shareholders entered into a share exchange agreement dated July 28, 2020 (the "**Share Exchange Agreement**"). Pursuant to the terms of the Share Exchange Agreement, Viking will acquire 100% of the issued and outstanding securities of Happy Tea and Happy Tea will become a wholly-owned subsidiary of the Resulting Issuer.

Upon completion of the Business Combination (the "**Closing**") the Resulting Issuer will continue to carry on the business of Happy Tea as currently constituted, under the new name "Happy Supplements Inc." or such other name as may be approved by the Resulting Issuer Board. The Business Combination is an arm's length transaction and constitutes a reverse takeover of Viking by Happy Tea, pursuant to the policies of the CSE. In connection with the Business Combination, the Resulting Issuer will voluntarily delist from the TSX-V and will apply to list its common shares on the CSE.

Pursuant to the terms of the Share Exchange Agreement, the existing Happy Tea Shareholders will receive Resulting Issuer Shares in exchange for their Happy Tea Shares. It is currently expected that 34,468,616 Resulting Issuer Shares will be issued pro-rata to the Happy Tea Shareholders as consideration for 100% of the issued and outstanding Happy Tea Shares. The Resulting Issuer Shares are being issued at a deemed value of $0.25 per Resulting Issuer Share, for a total deemed value of $8,617,154. Upon Closing, Happy Tea Shareholders will, in aggregate, hold 34,468,616 Resulting Issuer Shares, or approximately 90.2%, on an undiluted basis (not including any securities issued pursuant to the Concurrent Offering).

Each Happy Tea Warrant issued and outstanding will be exchanged for one Resulting Issuer Warrant. It is currently expected that an aggregate of 9,000,000 Resulting Issuer Warrants will be issued to the Happy Tea Warrantholder. Each Resulting Issuer Warrant will entitle the warrantholder to acquire one Resulting Issuer Share. The exercise price of each Resulting Issuer Warrant is $0.05 and each Resulting Issuer Warrant expires on March 31, 2021.

Pursuant to the Share Exchange Agreement, Viking has agreed to undertake a non-brokered private placement offering of 2,000,000 Viking Shares at a price of $0.25 per share for gross proceeds of $500,000 (the "**Concurrent Offering**"). The Viking Shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. A commission of 7% in cash and 7% in finder's warrants to purchase Viking Shares (the "**Finder's Warrants**") may be payable and issuable to third parties in connection with the portion of the Concurrent Offering for which they are responsible. A total of 140,000 Finder's Warrants may be issued to third parties upon completion of the Concurrent Offering. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer.

Trading of the Viking Shares was halted on July 28, 2020, and will remain halted in accordance with TSX-V and CSE policies until all required documentation with respect to the Business Combination has been received and the TSX-V, CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

3.3 Trends, Commitments, Events or Uncertainties

The most significant trends and uncertainties which management expects could impact its business and financial condition are: (i) the changing legal and regulatory regime which regulates the production and sale of CBD related products; and (ii) the ability of companies to raise adequate capital to carry out their business objectives. See Section 17 - *Risk Factors*.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Description of the Business

Viking

Viking was initially a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a specific focus on gold, but in 2019 Viking decided to seek potential opportunities in different sectors to increase shareholder value.

Happy Tea

Happy Tea produces a variety of products including beverage sachets, bottled drinks, edibles and topicals, which are infused with hemp extracts, adaptogens or CBD. Happy Tea only uses CBD derived from legally cultivated Industrial Hemp, as permitted by applicable laws. Happy Tea utilizes laboratory-specific techniques to achieve a stable composition of ingredients and to ensure quality control. Happy Tea's products are designed to help consumers live and feel better by connecting consumers with natural ingredients that help support pain, sleep and anxiety relief, as well as a range of other conditions. Happy Tea differentiates its products from other products on the market by ensuring that each new product brought to market tastes, feels and identifies with the Happy Tea brand and aligns with its consumers.

Happy Tea Products

Happy Tea has four branded product lines: (1) tea sachets; (2) CBD cream; (3) CBD gummies; and (4) CBD oil. Happy Tea's fifth product line, CBD infused water, is currently in its trial phase. Happy Tea's CBD-infused product formulations combine organic and natural ingredients designed to promote mind and body wellness. All of Happy Tea's products contain zero THC.

Tea Sachets

Each Happy Tea tea sachet includes 14 sticks that offer 10-milligrams of natural hemp extract. Happy Tea sticks are water-soluble and do not create a filmy oil layer when mixed with water. Happy Tea sticks are offered in two varieties: (1) Lemon Zen; and (2) Mixed Berry.

CBD Cream

Happy Tea CBD cream is designed to provide consumers with potential relief from minor aches and pains. Happy Tea CBD cream allows consumers to absorb CBD through their skin, opposed to directly ingesting it. Happy Tea CBD cream is produced in 1.7-ounce bottles that include 250-milligrams of CBD.

<u>CBD Gummies</u>

Happy Tea gummies are offered in a variety of flavours and offer consumers a convenient and easy to eat product. Happy Tea's gummies, which are infused with high quality hemp, are reliably dosed and tasty. Each gummy contains a 20-milligram dose of CBD.

<u>CBD Oil</u>

Happy Tea CBD oil is a blend of hemp oil, organic hemp seed oil and organic medium-chain triglyceride oil, and is free of preservatives, flavouring and additives. Each dropper offers the consumer 1 millilitre of all natural and herbal CBD oil. CBD oil extracted from hemp has been used for thousands of years to assist with stress and a variety of other problems.

<u>CBD Infused Water</u>

Happy Tea is currently in the trial stages of developing its CBD infused water. In Q3 of 2020 Happy Tea placed an order with a manufacturer that provides bottling solutions, such as branding, formulation, and bottling for various customers. Happy Tea anticipates that production will be complete in Q4 2020 and that its CBD infused water will be brought to market in Q1 2021. Happy Tea has already allotted funds to its CBD infused water program and does not anticipate any further costs related to its CBD infused water in the next 12 months.

Each bottle of Happy Tea's CBD infused water, which will be offered in berry and lemonade flavours, will contain a 10-milligram dose of CBD which will be placed in a unique bottle closure. In addition to ensuring the accuracy of dosing, the unique bottle closure will provide instant and pressurized mixing of the CBD and water immediately prior to consumption. The CBD infused water is comprised of high-grade, pure ingredients and includes vitamins A, B6, C, as well as magnesium. Happy Tea's CBD infused water will also be vegan and is gluten, sugar, alcohol, and THC free.

Packer Facilities

Happy Tea uses two companies, Nutrition Formulators Inc. ("**Nutrition Formulators**") based in Miramar, Florida and PMAD Corp. ("**PMAD**", together with Nutrition Formulators, the "**Packer Facilities**") based in San Diego, California, to manufacture Happy Tea's tea sachets, CBD cream, CBD gummies, and CBD oil. The Packer Facilities combined have sufficient capacity to satisfy Happy Tea's demands over the next 12 to 24 months. Both Nutrition Formulators and PMAD manufacture products for multiple brands and operate via monthly payment orders opposed to fixed term contracts. Products at the Packer Facilities are ordered on demand for e-commerce sales or through purchase orders from distributors and/or retailers. Happy Tea does not have any manufacturers on monthly retainer.

Both Packer Facilities utilize third party testing facilities to conduct cannabinoid potency testing on Happy Tea's products to ensure they contain the correct amount of CBD and do not contain any THC.

Sales and Distribution

Happy Tea currently sells and distributes its branded product lines in all U.S. states (excluding Nebraska, Idaho and South Dakota) where legally permitted (see "*Regulatory Framework*"). Happy Tea intends to target online consumers, clinical markets and mass market channels to achieve greater market penetration and gain market share in established markets (see below "*Sales and Distribution*" for a breakdown of Happy Tea's sales and distribution strategy/model). Beyond e-commerce, Happy Tea plans to focus distribution on a front office management system that will train and motivate field agents with established relationships in targeted channels for a focused, representative approach to retail. Happy Tea believes this approach is ideal for the hemp products market as it provides an opportunity to focus marketing resources on educating targeted customers about the potential health benefits of CBD and other key ingredients in Happy Tea's products.

<u>Online Sales</u>

Happy Tea's products are currently sold on Happy Tea's website as well as via online retailers such as Amazon. Happy Tea's website has various restrictions in place that limit the sale of Happy Tea products to jurisdictions where hemp-derived CBD products are legally permitted (see "*Regulatory Framework*"). Happy Tea has also developed a subscription-based model for its online customers.

Happy Tea intends to establish a membership program for its customers to help generate recurring revenue. The program, Platinum Members USA, is in the trial phase and is built on Shopify Inc.'s e-commerce platform. Platinum Members USA will give subscribers access to exclusive deals and promotions on various brands and products, including Happy Tea's CBD infused products. The subscription-based model will charge customers a recurring monthly fee of $12.47 per month to access the platform and participate in the deals and promotions.

Happy Tea currently offers its customer base a price reduction on its products to encourage them to opt into a monthly subscription plan. The goal of the subscription plan is to create consistent and steady monthly revenue along with extending the current customer retention period from two months to over six months. The subscription-based model is meant to reduce one-time purchases and build greater overall value for customers.

Happy Tea currently sells over 400 units per month. Happy Tea launched its subscription platform in July 2020 and currently retains 100 customer subscriptions, generating over $8,000 in sales in July 2020. This amount is expected to increase as product awareness builds and as Happy Tea launches their current products on Amazon.com and though affiliate networks in late 2020.

Broker and Distribution Agreements

Happy Tea intends to sell its products to retailers via brokers and distributors that target: (a) chains and independent health good stores; (b) grocery stores; (c) convenience stores; (d) drug stores; and (e) the mass retail market.

Marketing

Happy Tea's marketing plan primarily focuses on marketing to its target demographic, young consumers (+21 years of age), via social media marketing. Happy Tea's social media marketing plan includes on-boarding large social media influencers, including A-List celebrities, to use and create social content to distribute content across various social media platforms, such as Facebook, Instagram and TikTok. With social media marketing, Happy Tea will be able to identify key markets to host events, brand activations and build strategic partnerships. Happy Tea will continue to strengthen its online presence through search engine optimization, and keyword ranking. Happy Tea has not signed any strategic partnership agreements with any regional or national firms at this time. Happy Tea is still researching options.

In addition to social media marketing, Happy Tea intends to market its products though its broker network and by conducting promotional activities. Happy Tea's initial marketing thrust will be to support the retailers and distribution network with point of sales displays and other marketing materials, strategically adding extensive public relations and other marketing programs as the markets dictate.

Happy Tea garnered national media attention in late 2019 when television personality star, Kylie Jenner, endorsed Happy Tea's products.[2] After Jenner recommended Happy Tea via her Instagram account, CNN noted that it solidified Happy Tea "as the Next Big Thing to take over Insta feed everywhere."[3] Happy Tea has also been profiled on Yahoo Finance, Forbes, and The Street.[4]

The Resulting Issuer

Upon completion of the Transaction, the Resulting Issuer's business shall continue to be the business of Happy Tea.

Business Objectives and Milestones

In the 12 months following the completion of the Transaction, the Resulting Issuer intends to accomplish the following business objectives and milestones. While there is no particular event that must occur for the Resulting Issuer's business objectives to be accomplished, the Resulting Issuer currently aims to achieve significant milestones in connection with the development of the Resulting Issuer's business.

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[2] Ben Curren, "*Influencers and Entrepreneurs are Accelerating the CBD Craze – Just Ask Happy Tea.*" (September 20, 2019), (online: https://www.forbes.com/sites/bencurren/2019/09/20/influencers-and-entrepreneurs-are-accelerating-the-cbd-craze-just-ask-happy-tea/#2d053fd01779).

[3] AJ Willingham, *"Kylie Jenner is promoting CBD-laced 'Happy Tea.' What is it?* (August 13, 2019), (online: https://www.cnn.com/2019/08/13/health/kylie-jenner-happy-tea-cbd-fit-tea-trnd/index.html).

[4] Yahoo Finance, *"The Market Has Its First CBD Infused Product and It's 'Happy'"* (August 11, 2019), (online: https://finance.yahoo.com/news/market-first-cbd-infused-product-020700568.html); Ben Curren, "*Influencers and Entrepreneurs are Accelerating the CBD Craze – Just Ask Happy Tea."* (September 20, 2019), (online: https://www.forbes.com/sites/bencurren/2019/09/20/influencers-and-entrepreneurs-are-accelerating-the-cbd-craze-just-ask-happy-tea/#2d053fd01779); Tony Owusu, *"Exclusive: CBD-Infused Happy Tea to IPO in January"* (August 21, 2019), (online: https://www.thestreet.com/video/happy-tea-to-ipo-in-january-15064107).

Business Objective	Significant Events or Major Components	Time Period	Anticipated Costs Related to the Event
Develop Broker Network[1]	• Establish working relationships with brokers. • Provide training to brokers to sell key products.	6 months after completion of the Transaction	$50,000
Increase Manufacturing Capacity	• Add one or two additional, strategically positioned co-packer facilities.	6 months after completion of the Transaction	$15,000
Expand Retail Distribution	• Engage various retailers to introduce products throughout North America.	12 months after completion of the Transaction	$200,000[2]

Note:

(1) Happy Tea has not entered into distribution agreements at this time but is currently in discussion with several large retail brands. The intended agreements would be to explore a nationwide launch.

(2) $100,000 will be used for expanding retail distribution and $100,000 will be used to purchase inventory in order to support expansion.

Total Funds Available

General

The Resulting Issuer has historically relied upon equity and debt financings to satisfy its capital requirements and may require further equity and debt capital to finance its development, expansion and acquisition activities moving forward. As at August 31, 2020, Viking had estimated working capital of $22,000 and Happy Tea had estimated working capital of $120,000. Upon closing of the Concurrent Offering, the Resulting Issuer expects to have $607,000 of available funds.

Principal Purposes

The available funds will be used to fund, in order of priority, the Resulting Issuer's estimated expenditures during the next 12 months of operations, which are budgeted for as follows:

Item	
Source of Funds	($)
Concurrent Offering net proceeds[1]	465,000
Estimated consolidated working capital of Viking as at August 31, 2020	22,000
Estimated consolidated working capital of Happy Tea as at August 31, 2020	120,000
Total:	607,000
Proposed Use of Available Funds	
Cost to complete the Transaction[2]	100,000
General and administrative expenses[3]	72,000
Sales and marketing[4]	55,000
Develop broker network	50,000
Increase manufacturing capacity	15,000

Expand retail distribution	100,000
Purchase inventory(5)	100,000
Unallocated Working Capital	115,000
Total:	607,000

Notes:

(1) Gross proceeds of $500,000 less commission of $35,000.

(2) Includes legal, audit, regulatory and other expenses related to completion of the Transaction not yet paid as of the date of the Listing Statement.

(3) General and administrative expenses of $36,000 including CEO, CFO, CTO, accounting and administration salaries and public company regulatory costs, including legal and audit costs, transfer agent fees, and costs of Shareholder communications, of $36,000.

(4) Sales and marketing is targeted to online media which results in a cost of $55,000.

(5) Includes inventory purchased in advance to support expanded retail distribution.

Principal Products and Services

Happy Tea currently has four branded product lines: (1) tea sachets, (2) CBD cream, (3) CBD gummies, and (4) CBD oil. Happy Tea's fifth product line, CBD infused water, is currently in its trial phase. All of Happy Tea's products will be distributed in all U.S. states (excluding Nebraska, Idaho and South Dakota) where legally permitted (see "*Regulatory Framework*"), (see "*Narrative Description of the Business – Description of the Business – "Happy Tea"*). Happy Tea's CBD-infused product formulations combine organic and natural ingredients designed to promote mind and body wellness. Happy Tea anticipates the CBD consumer market will continue to grow as education regarding the benefits of CBD become more well-known. Happy Tea intends to serve this growing market with its consumable and topical CBD infused products.

Happy Tea focuses on providing its customers with a variety of CBD infused products that are designed for discreet consumption and to promote body and mind wellness. For customers who enjoy the use of topicals or different consumables, Happy Tea offers an array of CBD infused products tailored to each customers preference. Each of Happy Tea's products is lab tested to ensure they do not contain any heavy-metals, pesticides, or solvents.

Happy Tea's flagship products are its tea sachets, which are offered in Lemon Zen and Mixed Berry flavours. Happy Tea's tea sachets contain 10-milligrams of lab-tested, sustainably sourced CBD, and are offered at an affordable price point. The tea sachets are specifically designed for CBD enthusiasts who crave an alternate way to consume CBD.

In addition to its tea sachets, Happy Tea has three newly developed product lines: CBD cream, CBD oil, and CBD gummies. Happy Tea's CBD cream is packaged in a small 1.7-ounce, white, cap-top container for easy use and convenience. Happy Tea's CBD oil is free preservatives, flavoring and additives, and is a blend of hemp, organic hemp seed, and organic medium-chain triglyceride oils. Lastly, Happy Tea’s CBD gummies offer consumers an easy and fun way to consume high quality CBD. Each of Happy Tea’s gummies includes 20-milligrams of CBD.

Production

Happy Tea utilizes the Packer Facilities to manufacture and produce its four branded product lines. PMAD currently manufactures and develops Happy Tea’s CBD cream, gummies and oils, and Nutrition Formulators manufactures and develops Happy Tea’s tea sachets. Both Packer Facilities are required to third-party test all products for the active CBD ingredient and provide their results to Happy Tea before full production of a purchase order. The Packer Facilities only commence production when they receive a production order from Happy Tea, which is based off sales and current inventory levels. Both Packer Facilities have indicated that they can expand their operations annually to meet Happy Tea’s increasing demand and growth over the next 12 to 24 months.

Sales and Distribution

Happy Tea has identified four core channels for its distribution network, as follows:

1. Online Consumers via E-commerce and Web Affiliates

a. Affiliates: Happy Tea plans to list its products on appropriate affiliate distribution websites and market its products on such websites as follows:
- Conduct social media campaigns following store to store demonstrations;
- Merchandise through web affiliates with online affiliate registration; and
- Purchase online advertising through companies such as Leafly and Greenspace.

b. Natural and Specialty Retailers: Happy Tea plans to market its products to online natural and specialty stores, as follows:
- Conduct social media advertising with links to relevant blogs that have references and links to web affiliates and e-commerce retailers;
- Participate in public relations blogs;
- Advertise at tradeshows, events and conduct in-store sampling events to promote consumer brand awareness; and
- Work with web affiliates to conduct advertising campaigns for increased traffic to their websites.

2. Integrated Health – Naturopathy Clinics and Retail

- Conduct in-store experiential brand marketing, retail sales and merchandising, sampling and promotions, demonstrations, and primary market research surveys;
- Participate in the national channel tradeshow circuit to major suppliers;
- Obtain endorsements from respected brand ambassadors; and
- Participate in affiliate and loyalty programs, with discount promotions and points incentives.

3. Natural and Specialty Grocery Retailers

- Conduct in-store experiential brand marketing, retail sales and merchandising, sampling and promotions, demonstrations, and primary market research surveys;
- Participate in the national channel tradeshow circuit to major suppliers;
- Obtain endorsements from respected brand ambassadors; and
- Participate in affiliate and loyalty programs, with discount promotions and points incentives.

4. Mass Marketing

- Conduct a social media campaign, with social influencer programming;
- Run a targeted channel multimedia advertising and brand marketing campaign;
- In store sampling, education and point of sale promotions at all participating locations;
- Retail merchandising and experiential installations at related industry events;
- Media relations with articles, editorials and blogs focused on Happy Tea's products.

Research and Development

Happy Tea has an in-house research and development department, consisting at this time of Happy Tea's management team, which focuses on developing innovative new products and technologies. Happy Tea intends to borrow best practices from the pharmaceutical, consumer packaged goods and consumer products industries to assist with its research and development efforts. Happy Tea is striving to develop new products that address a variety of different consumer needs. Happy Tea plans to conduct consumer testing on the new products it develops, the results of which will dictate which new products Happy Tea choses to focus on and further develop. In the near term, Happy Tea plans to continue researching the beverages industry as it anticipates the launch of its CBD infused water in Q1 2021. Additionally, Happy Tea will continue to research and develop Happy Tea branded apparel and accessories.

Employees

Happy Tea plans to work with retail brokers in the United States who will be retained as contractors. Happy Tea also anticipates hiring additional contractors and employees to oversee logistics and support brokers, distributors, and retailers. Currently, Happy Tea expects to hire 3-5 contractors in the next 12 months whose compensation will be commission based. Management is responsible for overseeing Happy Tea's operations, corporate administration, business development and research. Happy Tea's managerial relationships with manufacturers, distillers, development/research companies, bottling companies, and certain retail customers will provide the foundation through which Happy Tea will grow its business. Happy Tea's management will be expanded to retain certain individuals who have extensive experience in the CBD and consumer product industries. See *Directors and Officers of the Resulting Issuer.*

Intellectual Property

Happy Tea intends to obtain trademark protection in the United States for its product designs and slogans. Happy Tea will assert its rights under trade secret, unfair competition, trademark and copyright laws to protect its intellectual property, including product design, product research and trademarks. The trademark for "Happy Tea" has been filed in both the United States (application numbers: 88775826, 88118429) and the European Union (application number: 965643). Additionally, Happy Tea owns the following domain names:

- Happytea.com;
- CBDHappyTea.com;
- HappyHemp.org; and
- TryHappyTea.com.

On January 28, 2020, Happy Tea completed all the necessary filings to secure its trademarks. Happy Tea anticipates approval by December 2020.

Market Overview

Industry Information

There are three different strains of cannabis—*Cannabis sativa L.*, *Cannabis indica* and *Cannabis ruderalis*. Years of selective cultivation of *Cannabis sativa L.* has produced two sub-types of the strain: marijuana and hemp. The two plants differ in terms of appearance and cannabinoid composition, most notably in that hemp possesses only trace amounts of the THC found in marijuana. While a distinction is drawn between hemp and marijuana both legally and colloquially, scientifically speaking they are the same plant and are more properly referred to as *Cannabis sativa L.* The different names have become a means by which to draw a distinction between the psychoactive properties of marijuana and hemp, and the level of THC which each contains. The difference is that marijuana, with its higher concentration of THC and lower concentration of CBD, has psychoactive properties, while hemp, with its lower concentration of THC and higher concentration of CBD, generally does not.

Cannabinoids—chemical compounds—are a group of phytochemical compounds in cannabis that have diverse pharmacological effects.[5] Cannabinoids activate receptors and signal pathways in various parts of the body, including the immune, reproductive and nervous systems, to produce therapeutic as well as recreational effects.[6]

Both CBD and THC are cannabinoids that can be extracted from *Cannabis sativa L*. Even though their chemical structures are similar, CBD and THC target different receptors in humans, and therefore carry out different functions. The psychoactive effect is caused by THC, which targets cannabinoid receptors in the brain. CBD, on the other hand, exhibits low affinity to cannabinoid receptors in the brain and, so far, has proved to have little to do with the psychotropic effect of cannabis.

CBD is found throughout the seeds, stalk and flowers of cannabis plants, including hemp and marijuana. Unlike many of the 100+ cannabinoids that scientists are currently aware of, CBD naturally occurs in significant quantities in cannabis, so it is easily extracted from the plant in the form of cannabis oil or powders.

CBD has become increasingly popular as research and studies have provided more information about its benefits, including ease of consumption. As advancements in processing have increased, consumption methods have also changed. The benefits of CBD can now be found in topical applications, pills, oil, and even beverages. Despite varying degrees of opinions on which method is most advantageous, there is increasing research in support of ingestion methods such as food and drink.

Market Opportunity

According to one of the industry leading CBD market research firms, Hemp Business Journal, the CBD market will grow to an estimated $2.1 billion market in 2020, with $450 million of those sales coming from hemp-based sources.[7] Key growth drivers for CBD drinks include loosening of regulatory implementation by major brewers and innovation by numerous start-ups. In addition, consumers are increasingly looking for natural products with health benefits and to reduce their alcohol consumption.

Competition

Happy Tea faces intense competition from other companies, some of which have longer operating histories, larger financial resources, and more production and marketing experience than Happy Tea. Further, because of the early stage of the industry in which Happy Tea operates, Happy Tea expects to face additional competition from new entrants

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[5] Christelle M. Andre at al., “Cannabis sativa:The Plant of the Thousand and One Molecules” (February 4, 2016) (online: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4740396/).
[6] Christelle M. Andre at al., “Cannabis sativa:The Plant of the Thousand and One Molecules” (February 4, 2016) (online: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4740396/).
[7] Debra Borchardt, “The Cannabis Market That Could Grow 700% By 2020” (December 12, 2016) (online: https://www.forbes.com/sites/debraborchardt/2016/12/12/the-cannabis-market-that-could-grow-700-by-2020/#369b9b7f4be1)

CBD Product Industry

The fast-growing market for CBD and products infused with CBD in North America has created a competitive environment for manufacturers and producers alike, as well as other types of companies who provide goods and services to the CBD industry. To remain competitive, Happy Tea will require a continued high level of investment in new product development, research and development, manufacturing, marketing, sales and client support. Established pharmaceutical companies are also entering the CBD space and could become potential competitors.

Whereas certain of Happy Tea's competitors focus on only one or two products, Happy Tea believes it has an advantage because it intends to have a broad selection of products that will enable it to insulate its margins as the different market segments fluctuate.

Beverage Industry

The beverage industry is extremely competitive. The principal areas of competition include pricing, packaging, development of new products and flavors, and marketing campaigns. Happy Tea's products compete directly against a wide range of drinks produced by a relatively large number of manufacturers. Most of these brands have enjoyed broad, well-established national recognition for years, through well-funded advertising and marketing campaigns. In addition, companies manufacturing these products generally have far greater financial, marketing, and distribution resources than Happy Tea. Happy Tea's products will compete generally with all liquid refreshments, including bottled water and numerous specialty beverages, such as SoBe, Snapple, Arizona, Vitamin Water, Gatorade, and PowerAde.

Important factors that will affect Happy Tea's ability to compete successfully include the continued public perception of the benefits of CBD, product taste and flavour, trade and consumer promotions, packaging, branded product advertising, and pricing. Happy Tea also competes for distributors to market its product over those of competitors, provide stable and reliable distribution, and secure adequate shelf space in retail outlets.

Competitor Comparison

Happy Tea has identified the following companies as its primary competitors:

Competitor	**Description of Business**	**Operations Location**
Buddha Tea	Online CBD Tea offers a water-soluble lineup of 6 CBD teas, Tulsui Ashwagandha, Mushroom Defense, Matcha, Green Tea, Peppermint, Chamomile blend and Turmeric & Ginger. Loose tea pack retailing for $11.99.	Carlsbad, CA
Oki CBD Iced Tea	Online CBD flavored water and iced tea. The iced teas come in four flavors, Mint Relax, Ginger Harmony, Honey Tranquil and Raspberry Serene, with 12 pack of any flavor retailing for $72. Each bottle contains 20-milligrams of CBD.	San Diego, CA
CBD America Shaman Unsweet Tea	Unsweet Tea product infused with 10-milligram of natural CBD. Six pack of 355ml cans retailing for $30.00	Kansas, MO
Cliques Creek Hemp Tea	Blend of hemp seed oil and natural flavors. Offers three flavors, including Original Recipe,	Lancaster County, PA

	Passionfruit and Mint, and Peach, Lemon and Dandelion. 12 pack retailing for $79.	
New Age Marley Mellow Mood	Three CBD products including Marley Mellow Mood, Marley Wellness Shots (two ounce if tropical flavors combined with 25-milligram of CBD) and Marley Chocolate with 10-milligram of CBD per serving. 12 pack retailing for $60.	Denver, CO
Mood33	Hemp-infused herbal teas with 33-milligram of full spectrum hemp extract. Six different flavors with each flavor having its own unique targeted effects. 12 pack retailing for $88.	Santa Monica, CA

Regulatory Overview

General

The following overview is subject to and qualified by the more detailed descriptions in the following sections entitled *"Development of Current Regulatory Framework"*, *"U.S. State Law – Industrial Hemp"*, *"FDA Regulation"*, and *"Risk Factors"*.

The Resulting Issuer will not produce or sell medicinal or recreational marijuana or products derived therefrom. The Resulting Issuer will sell hemp-based CBD products. While such products come from the same plant genus and species, hemp and marijuana are legally distinct and generally regulated, respectively, by two separate overarching bodies of law: the 2018 Farm Bill and the CSA. Hemp, by legal definition, contains less than 0.3% THC on a dry weight basis, which is generally not a sufficient level to create a psychoactive effect like marijuana.

Consequently, the Resulting Issuer's products will not be sold pursuant to the rules and regulations governing the cultivation, transportation and sale of medicinal or recreational marijuana. The Resulting Issuer will process, develop, manufacture and sell its products pursuant to the 2018 Farm Bill and in accordance with applicable state and local laws. If sold internationally, the Resulting Issuer's products will be sold in accordance with the laws of the importing and exporting jurisdictions.

The 2014 Farm Bill allowed Industrial Hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. The Statement of Principles published by the USDA, the DEA, and the FDA in 2016 confirmed that state departments of agriculture, and persons licensed, registered, or otherwise authorized by them to conduct research under an agriculture pilot program in accordance with the 2014 Farm Bill, or persons employed by or under a production contract or a lease with them to conduct such research, may grow or cultivate Industrial hemp as part of the agricultural pilot program.

Additionally, in connection with a federal court settlement resulting from *Kentucky Dept. of Agriculture v. Drug Enforcement Administration*, No. 3:14-cv-372 (W.D. Ky. 2014) (the "**2014 KDA Decision**") the DEA conceded that a fair reading permits cultivation by nominees. In that case, the Kentucky Department of Agriculture sued the DEA, asking for a temporary restraining order, for trying to block the importation of hemp seed for Kentucky's pilot program. The case was settled, and it was established that the Kentucky Department of Agriculture could contract out with private farmers to grow and cultivate the hemp crops.

The Omnibus Appropriations Law (as defined below) prohibited the federal government from using congressionally appropriated funds in contravention of the 2014 Farm Bill or to "prohibit the transportation, processing, sale, or use of [I]ndustrial [H]emp, or seeds of such plant, grown or cultivated in accordance with the [Farm Bill] within or outside the State in which the [I]ndustrial [H]emp is grown and cultivated."[8] The 2014 Farm Bill further authorized the

[8] Consolidated Appropriations Act, 2016, Division A, s. 762.

cultivation of Industrial Hemp in accordance with the 2014 Farm Bill, notwithstanding the CSA or any other federal law.

Certain government agencies (such as the DEA and FDA) and certain federal officials have historically challenged the scope of permissible commercial activity which may be conducted pursuant to state agricultural programs. Some DEA representatives, for example, have previously stated they believe that producers of CBD-based products produce and sell their products in violation of the CSA and the Federal Food, Drug, and Cosmetics Act (the "**FDCA**"). While the Resulting Issuer disagrees with the position of the DEA and of the FDA, and the 2018 Farm Bill should resolve the concern about violations of the CSA, there is a risk that changes in policy and laws could result in either or both of the DEA and FDA taking law enforcement actions against the Resulting Issuer.

Prior to the passage of the 2018 Farm Bill, legal barriers applicable to selling hemp and hemp-derived CBD products resulted from a number of factors, including: (i) the fact that hemp and marijuana are both derived from the cannabis plant; (ii) the rapidly changing patchwork of state laws governing hemp and hemp-derived CBD; (iii) the position of some DEA representatives that CBD is a controlled substance; (iv) and the lack of FDA approval for CBD as a lawful food ingredient, food additive or dietary supplement. Pursuant to the 2018 Farm Bill hemp-derived CBD is no longer subject to the CSA and U.S. businesses are legally permitted to manufacture and sell a wide array of hemp-derived CBD products in the U.S. and internationally. However, where CBD is derived from "marihuana" it is still considered a controlled substance under the CSA. The Resulting Issuer will only sell products that contain CBD from legally cultivated hemp, as permitted by applicable laws.

Stakeholders take different positions regarding the scope of legal activity in light of the interplay of federal and state law, and recent developments such as the passage of the 2018 Farm Bill, the September 30, 2017 decision of the World Anti-Doping Agency to drop CBD from its list of prohibited substances, and the World Health Organization Expert Committee on Drug Dependence preliminary report finding that CBD is safe, well-tolerated and non-addictive.[9] Additionally, recent DEA directives that could be interpreted to permit the sale of hemp-derived CBD products, and recent statements made by DEA representatives to the effect that enforcement of hemp products is not a priority, may impact the legal status of Industrial Hemp going forward.[10]

<u>Development of Current Regulatory Framework</u>

In addition to customary regulations applicable to any commercial business, operations related to hemp are subject to state, federal, and local laws, regulations, policies, and enforcement priorities in respect of the production, distribution, and sale of products intended for human ingestion or topical application.

Hemp is an agricultural commodity cultivated for use in the production of a wide range of products globally. Among others, hemp is used in the agriculture, textile, recycling, automotive, furniture, food and beverage, paper, construction materials, and personal care industries.

Botanically, hemp is categorized as *Cannabis sativa L.*, a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from hemp, including THC and CBD. These cannabinoids are responsible for a range of potential psychological and physiological effects. Hemp is distinguishable from its cousin marijuana, which also comes from the *Cannabis sativa L.* subspecies.

Historically, the effects of federal tax rendered the domestic farming of hemp impractical. In addition, with the science of distinguishing hemp from marijuana undeveloped, and fear of hemp as a psychoactive substance, states legally restricted growth and cultivation of the hemp plant. Subsequently, federal legislation scheduled all cannabis grown in the United States as a controlled substance, and as a result, until the passage of the 2014 Farm Bill, cultivating hemp for any purpose in the United States without a Schedule I registration with the DEA was illegal. The 2014 Farm Bill

[9] World Health Organization Expert Committee on Drug Dependence, Cannabidiol (CBD) Pre-Review Report, November 10, 2017.

[10] Bob Segall, "DEA: Feds won't arrest CBD oil users, neither should Indiana," (November 6, 2017), (online: https://www.wthr.com/article/dea-feds-wont-arrest-cbd-oil-users-neither-should-indiana).

opened an approximately four-year window to allow hemp to be cultivated within the context of an agricultural pilot program and where permitted by state law.

The 2018 Farm Bill removed hemp from the CSA, meaning that hemp is no longer a controlled substance.

In summary, the cannabis plant is currently being regulated by the United States federal government as one (and potentially more) of the following: (i) "marihuana" as defined under the CSA; (ii) parts of the cannabis plant exempted from the CSA's definition of "marihuana"; and (iii) Industrial Hemp cultivated pursuant to and in accordance with the 2014 Farm Bill. Rather than distinguishing between "hemp" and "marijuana" based on the part of the plant from which the product is derived, the 2014 Farm Bill distinguishes Industrial Hemp and marijuana based on the concentration of THC. Any plant found to contain a higher concentration of THC exceeding 0.3% on a dry weight basis is considered marijuana and a Schedule I substance under the CSA.

The 2014 Farm Bill

In 2014, Congress enacted the 2014 Farm Bill. The 2014 Farm Bill allows certain defined institutions of higher education or state departments of agriculture to cultivate Industrial Hemp for research purposes, notwithstanding the CSA or any other federal law, provided certain conditions are met.[11]

The various state 2014 Farm Bill Industrial Hemp pilot programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education, and permissible commercialization. The 2014 Farm Bill did not establish a federal regulatory framework and gave significant discretion to states to adopt regulations governing hemp, but strictly defines Industrial Hemp to include any part of the cannabis plant, whether growing or not, with a delta THC concentration of not more than 0.3% on a dry weight basis. Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill is considered a Schedule I substance under the CSA (i.e., marijuana) and is illegal.[12] Accordingly, a product derived from the cannabis plant may only be classified as a Schedule I substance under the CSA to the extent that the product is derived from the part of the cannabis plant included in the definition of "marihuana" and/or which are not derived lawfully from Industrial Hemp grown in accordance with the 2014 Farm Bill.

The scope of the 2014 Farm Bill is limited to cultivation that is: (a) for research purposes (inclusive of market research); (b) part of an "agricultural pilot program" or other agricultural or academic research or done by an institution of higher education; and (c) permitted by state law.[13]

Accordingly, the Resulting Issuer has taken the position that if a CBD product is derived from Industrial Hemp cultivated within the framework established by the 2014 Farm Bill, per the DEA, USDA, and FDA, the product could legally be sold commercially, provided such products comply with the FDCA and other applicable laws. The Resulting Issuer will only use CBD in its products that is derived from Industrial Hemp grown and cultivated by farmers licensed with the applicable state.

Ann Bartuska, Acting under Secretary of the USDA, confirmed aspects of this interpretation in an August 25, 2017, writing, "We think it is clear that Section 7606 contemplated the sale and transport of Industrial Hemp for purposes of the pilot programs authorized by Section 7606 under a limited set of circumstances; namely, those involving the study of Industrial Hemp marketing."[14] In addition, the KDA Decision contemplates the transport of seed across state lines. Furthermore, a bipartisan group of 29 congressional members submitted the Amicus Brief (as defined below) arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity.

Note, there are differing interpretations with respect to whether states must explicitly permit the sale of Industrial

[11] 2014 Farm Bill, s. 7606(b).
[12] Controlled Substances Act, s. 202 Schedule 1(c)(10).
[13] 2014 Farm Bill, s. 7606(b)(1)-(2).
[14] United States Department of Agriculture, Letter to Senator McConnell (March 6, 2019) (online: https://www.kyagr.com/marketing/documents/HEMP_LAW_USDA-response-to-McConnell_2017-03.pdf).

Hemp and Industrial Hemp products in order to comply with the 2014 Farm Bill or the Statement of Principles. The Resulting Issuer takes the position that such activities comply whether or not the state has an agricultural pilot project in place. Certain other stakeholders may take a narrower interpretation, namely that in the absence of explicit state approval or recognition and/or of an agricultural pilot program, such activities are prohibited. Similarly, some DEA spokespersons have taken the position that the interstate commercial sale of consumable CBD products is outside the scope of the 2014 Farm Bill.

The Omnibus Appropriations Law

A key reason why federal agencies have not taken enforcement actions against the sale of Industrial Hemp-derived products is Congress' clear intent to prohibit agency interference with state agricultural pilot programs. In 2015, Congress enacted the Consolidated and Further Continuing Appropriations Act, 2015, which contained provisions to block congressionally appropriated funds from being used to interfere with state implementation of the 2014 Farm Bill, stating that "none of the funds made available" to the U.S. Justice Department and DEA "may be used in contravention" of the 2014 Farm Bill.[15] This provision was enacted, in part, in response to DEA enforcement actions, including actions to block seeds imported by some states in order to grow Industrial Hemp and in order to avoid similar DEA actions to stall full implementation of the 2014 Farm Bill.

Similar language was included in the Consolidated Appropriations Act, 2016.[16] The Omnibus Appropriations Law further clarified that agencies including the DEA, are blocked from prohibiting the "transportation, processing, sale, or use of Industrial Hemp, or seeds of such plant, grown or cultivated in accordance with the [Farm Bill] within or outside the State in which the Industrial Hemp is grown and cultivated".[17] This language was carried into the Consolidated Appropriations Act, 2017 and, importantly, provides significant federal protection to compliant hemp activity at the state level.[18]

On February 15, 2019, the Consolidated Appropriations Act, 2019 became law after signature by President Trump.

This bill reaffirmed the restrictions imposed by the prior consolidated appropriations acts of 2015, 2016, 2017 and 2018 and remains in effect until September 30, 2020, at which point some form of these protections are likely to be reauthorized. The Consolidated Appropriations Act, 2015, Consolidated Appropriations Act, 2016, Consolidated Appropriations Act, 2017, Consolidated Appropriations Act, 2018 and Consolidated Appropriations Act, 2019, are collectively defined herein as the "**Omnibus Appropriations Law**."

The Omnibus Appropriations Law has ensured the progress of state hemp programs, effectively protecting the transfer, the transport and — most critically — the sale of Industrial Hemp pursuant to the 2014 Farm Bill from federal interference. In addition, there is precedent that the Omnibus Appropriations Law provides significant protection against potential federal enforcement. In the *United States v McIntosh*, the Ninth Circuit Court of Appeals ruled that the Omnibus Appropriations Law prohibiting the use of federal funds to intervene with the implementation of state medical marijuana laws barred a federal enforcement action against a state compliant business.[19] Although this case is only controlling in the Ninth Circuit, it is evidence of the import of appropriations protections.

The 2018 Farm Bill, signed by President Trump December 20, 2018 reiterates that hemp includes any part of the cannabis plant having no more than 0.3% concentration of THC on a dry weight basis, as previously stated in the 2014 Farm Bill and the Omnibus Appropriations Law, and further clarified that hemp is not a listed substance under the CSA.

DEA Position

In addition to the federal government's guidance with respect to the scope of permissible activity under the 2014 Farm Bill, DEA regulation specific to CBD and other cannabinoids will inform the legality of the Resulting Issuer's

[15] Consolidated and Further Continuing Appropriations Act, 2015, Division B, s .539.
[16] Consolidated Appropriations Act, 2016.
[17] Consolidated Appropriations Act, 2016, Division A s.763.
[18] Consolidated Appropriations Act, 2016, Division A s.537.
[19] 833 F.3d 1163, 1168 (9th Cir. 2016).

operations. In 2016 the DEA published a regulation 2016 (the "**2016 Final Rule**") also referred to as the "**Marihuana Extract Rule**", which states that all extracts from the cannabis plant are Schedule I controlled substances, regardless of which part of the cannabis plant the extracts are derived from.[20] Although the DEA subsequently issued a clarification to the 2016 Final Rule, explaining that the 2016 Final Rule includes only extracts that fall within the CSA definition of marijuana, and does not include materials excluded from the CSA definition of marijuana, it makes it clear that the DEA does not believe CBD derived can be derived in commercially viable amounts form parts of the plant exempted from CSA control, noting that the cannabinoids are concentrated in the flower and that CBD present in the stalk is generally due to the presence of resin. As defined above, according to the DEA, resin from any part of the plant is clearly included in the CSA definition of "marijuana".[21]

This position is again emphasized in a 2018 Ninth Circuit Court of Appeals case of *Hemp Industries Association, et al., Petitioners, v. Drug Enforcement Administration, et al., Respondents*, Nos. 03-71336; 03-71603, 2017 WL 10721879 (C.A.9) ("**HIA v. DEA III**"). In this case, HIA and other industry petitioners filed a Petition for Review seeking to block the implementation of the DEA's 2016 Final Rule on marihuana extracts, in part, claiming that the 2016 Final Rule conflicted with the 2014 Farm Bill. In response to the case, a bipartisan group of 29 congressional members submitted an amicus brief (the "**Amicus Brief**") arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity. On April 30, 2018, the Ninth Circuit Court of Appeals denied the HIA's appeal of the 2016 Final Rule based on procedural grounds, but importantly confirmed that the 2014 Farm Bill adequately acknowledges the conflict and preempts the CSA, confirming that the 2016 Final Rule does not apply to Industrial Hemp grown lawfully under the 2014 Farm Bill. Therefore, to the extent that products include CBD derived lawfully pursuant to the 2014 Farm Bill, the Resulting Issuer believes they are pre-empted from CSA control.

On May 22, 2018, the DEA issued an internal directive to its agents concerning the legality of Industrial Hemp and Industrial Hemp-derived products. The key language states:

> "Products and materials that are made from the cannabis plant and which fall outside the CSA definition of marijuana (such as sterilized seeds, oil or cake made from the seeds, and mature stalks) are not controlled under the CSA. Such products may accordingly be sold and otherwise distributed throughout the United States without restriction under the CSA or its implementing regulations. The mere presence of cannabinoids is not itself dispositive as to whether a substance is within the scope of the CSA; the dispositive question is whether the substance falls within the CSA definition of marijuana."[22]

Further, they clarified the controversial Marihuana Extract Rule:

> "This directive does not address or alter DEA's previous statements regarding the drug code for marijuana extract and regarding resin. See Establishment of a New Drug Code for Marihuana Extract, 81 Fed. Reg. 90194 (Dec. 14, 2016); Clarification of the New Drug Code (7350) for Marijuana Extract. As DEA has previously explained, the drug code for marijuana extract extends no further than the CSA does, and it thus does not apply to materials outside the CSA definition of marijuana."[23]

To be clear, the DEA has stated that it has no enforcement authority over hemp or hemp-derived products that are excluded from the CSA. This may include any product derived from hemp grown as part of the 2014 Farm Bill-authorized pilot program, which the 2014 Farm Bill explicitly includes "notwithstanding" the CSA.

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[20] Drug Enforcement Administration 21 CFR Part 1308, "Summary", para 2.
[21] U.S. Drug Enforcement Administration, Controlled Substances, Schedules, Marijuana, Clarification of the New Drug Code 7350 for Marijuana Extract, (online:https://www.deadiversion.usdoj.gov/schedules/marijuana/m_extract_7350.html).
[22] U.S. Drug Enforcement Admin., Controlled Substances Schedules, Marijuana, DEA Internal Directive Regarding the Presence of Cannabinoids in Products and Materials Made from the Cannabis Plant (online: https://www.deadiversion.usdoj.gov/schedules/marijuana/dea_internal_directive_cannabinoids_05222018.html).
[23] U.S. Drug Enforcement Admin., Controlled Substances Schedules, Marijuana, DEA Internal Directive Regarding the Presence of Cannabinoids in Products and Materials Made from the Cannabis Plant (online: https://www.deadiversion.usdoj.gov/schedules/marijuana/dea_internal_directive_cannabinoids_05222018.html).

Of course, the DEA did not specifically articulate this exception. As discussed elsewhere, the scope of permitted activity under the 2014 Farm Bill is still the subject of debate and proposed federal legislation may clarify the scope of permissible activity.

Further, despite the DEA's concession that it maintains no jurisdiction with regard to 2014 Farm Bill activities, there remains concern over the extent to which other federal, state and local agencies defer to the DEA's earlier, negative rhetoric towards the 2014 Farm Bill in the Statement of Principles, thereby causing adverse impacts against those acting pursuant to the 2014 Farm Bill including limited, misguided enforcement by state and local authorities that are confused by DEA's conflicting interpretations of, and misrepresentations of the congressional intent behind, the

2014 Farm Bill's hemp amendment.

FDA Approval of Epidiolex

On June 25, 2018, the FDA issued to GW Pharmaceuticals PLC its approval for Epidiolex, the first cannabis derived prescription medicine to be available in the U.S. The active ingredient in Epidiolex is CBD. It is possible that this approval (which acknowledges the medical efficacy of CBD), in addition to an FDA solicitation of public comments on cannabis safety and medical efficacy and other factors discussed herein, may initiate a rescheduling of marijuana or marijuana derivatives pursuant to the CSA

The 2018 Farm Bill

The 2018 Farm Bill was signed into law on December 20, 2018. The 2018 Farm Bill, among other things, removes hemp, its extracts, derivatives, and cannabinoids from the CSA, and allows for federally sanctioned hemp production under the purview of the USDA, in coordination with state departments of agriculture that elect to have primary regulatory authority.[24] The 2018 Farm Bill removed hemp from the CSA by amending the definition of "marihuana", generally making hemp an ordinary agricultural commodity under federal law.[25] Despite continued regulation of the hemp industry, this newly enacted legislation eliminates much legal ambiguity concerning the interplay of federal and state law. A common misunderstanding surrounding the passage of the 2018 Farm Bill is that it also legalized CBD and various CBD products in all circumstances. This stems from Section 12619 of the 2018 Farm Bill, which exempts hemp and its derivatives from the CSA by excluding hemp and its derivatives from the definition of "marihuana". Where CBD is derived from lawfully cultivated hemp, it is not considered a controlled substance under federal law. However, where CBD is derived from "marihuana" it is considered a controlled substance under the CSA. Further, while many state controlled substances laws mirror the CSA as amended by the 2018 Farm Bill, some states have more restrictive laws governing hemp and CBD or other cannabinoid products. For example, some states prohibit the sale of hemp flower or buds to anyone who is not a licensed hemp cultivator or processor. Other states prohibit the sale of certain kinds of products containing hemp-derived CBD. In addition, many states are in the process of reforming state criminal laws to conform with the change in federal law.

U.S. states and territories of Indian Tribes can adopt their own regulatory plans, if such plans are at least as restrictive as the USDA's industrial regulations, so long as the plans meet minimum federal standards and are preapproved by the USDA. Regulation concerning production of hemp requires a state or Indian Tribe government desiring primary regulatory authority to submit to the USDA a plan for hemp production under which the state or tribe monitors and regulates production.

Hemp production in states and territories of Indian Tribes that do not choose to submit their own plans for USDA review (and that do not prohibit hemp production) will be governed by the USDA regulation and will require USDA licenses. On October 31, 2019, the USDA issued interim rules for implementation of the new federally- authorized program (the "**Interim Rules**") that "establish a federal plan for producers in States and territories of Indian Tribes" that do not have their own USDA-approved plan.[26] The federal program includes provisions for (i) maintaining information on the land where hemp is produced, (ii) ensuring compliance with the program, (iii) testing levels of

[24] 2018 Farm Bill, s. 10113.
[25] 2018 Farm Bill, s. 2619(b).
[26] USDA Interim Rules, "Supplementary Information", para. 1.

THC, and (iv) licensing requirements.[27] The Secretary of Agriculture is responsible for creating federal hemp licensing. Federal licensing only recently commenced, and the USDA has approved only a few state plans. The Interim Rules give states the express authority to adopt more stringent plans governing hemp production if such states submit plans approved by the USDA that meet minimum federal standards.

Notwithstanding the passage of the 2018 Farm Bill, the hemp cultivation and research provisions contained in the 2014 Farm Bill will remain in effect until one year after the issuance of the Interim Rules (i.e., October 30, 2020). However, once a state hemp production plan is approved by the USDA, the transition from that state's 2014 Farm Bill pilot program to the 2018 Farm Bill approved plan will be determined at the discretion of each state, pursuant to their respective administrative laws. As a result, in many states, the 2014 Farm Bill will remain the primary federal law governing domestic hemp production for much of the 2020 growing season.

Hemp cultivated pursuant to a 2018 Farm Bill-approved program can be transported in interstate commerce if produced in compliance with state and federal law.[28] Specifically, under the 2018 Farm Bill, no state can prohibit the transportation of hemp or hemp products within and between the states, if the hemp or hemp product was produced in accordance with the 2018 Farm Bill production requirements. These protections arguably do not apply to hemp cultivated pursuant to the 2014 Farm Bill or other state laws that are broader than the 2014 Farm Bill or 2018 Farm Bill and they do not necessarily apply to products derived from hemp, which are often prohibited in different forms in many states.

Under the 2018 Farm Bill, hemp is no longer excluded from federal crop insurance coverage.[29] In this respect, the law treats hemp like any other agricultural commodity. Further, hemp research has received additional eligibility for federal funding. Federally insured banks now are beginning to offer banking services to hemp producers operating in compliance with applicable laws.

U.S. State Law – Industrial Hemp

Historically, the 50 U.S. states have had different laws (or lack thereof) regulating or prohibiting hemp. Prior to the implementation of the 2018 Farm Bill (and corresponding state federal/state approval requirements), Kentucky, Tennessee, Indiana, Missouri and Colorado had passed laws that explicitly exempted hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as cannabis. However, there are other states that have prohibited or restricted the retail sale of hemp-derived CBD products, many of which follow the FDA's position that hemp-derived CBD cannot presently be added to food, beverages, animal products, dietary supplements, unapproved drugs, certain cosmetic products, or some combination thereof. Additionally, some states allow companies to manufacture products containing hemp-derived CBD that the FDA prohibits. All state law is subject to change or to preemption depending on changes in federal laws or regulations. Happy Tea restricts, and the Resulting Issuer will continue to restrict, all sales to states where Happy Tea products are legally permitted.

Like with federal law, the analysis concerning state laws is also subject to change. In most states that regulate Industrial Hemp and Industrial Hemp derivatives, multiple agencies regulate such products (typically departments of agriculture for cultivation and departments of health for products), and there are often changes in law, regulation, policy, and enforcement priorities. Additionally, cities and counties within states may have law that is more restrictive than, or wholly prohibits certain Industrial Hemp-related activities. The USDA's approval of a state's Industrial Hemp production plan could also greatly affect hemp cultivation within the state. Lastly, changes in federal law are likely to affect state laws, regulations, policies, and enforcement priorities.

FDA Regulation

The governing food and drug law in the United States is the FDCA. The purpose of the FDCA is to forbid the movement in interstate commerce of adulterated or misbranded food, drugs, devices and cosmetics. The FDA is charged with protecting the integrity of the U.S. food supply and its cosmetic products, as well as monitoring the safety and efficacy of drugs, biological products, and almost any compound intended for human or animal

[27] USDA Interim Rules, "Summary", para 1.
[28] 2018 Farm Bill, s. 10114(a).
[29] 2018 Farm Bill, s. 1101(3).

consumption, among other areas. To date, the FDA has not approved any marijuana, hemp or CBD or other individual cannabinoids as permissible for use in dietary supplements, as dietary ingredients or as safe for use in food. This creates additional barriers to lawfully selling cannabinoid and cannabinoid-based products in the U.S.

The Dietary Supplement Health and Education Act (the "**DSHEA**"), an amendment to the federal FDCA, established a framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements in the United States. Generally, under the DSHEA, dietary ingredients marketed in the United States prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. "New" dietary ingredients (i.e. ingredients "not marketed in the United States before October 15, 1994") must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been "present in the food supply as an article used for food" without being "chemically altered." Any new dietary ingredient notification must provide the FDA with evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient "will reasonably be expected to be safe."

The FDA has taken the position that CBD cannot be marketed in a dietary supplement because it has been the subject of investigation as a new drug (such restrictions referred to as "**IND Preclusion**") however, since the FDA's May 31, 2019 hearing it has announced plans to issue further guidance on how CBD will be regulated by the FDA. There is evidence that Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals PLC, received authorization for its investigation as a new drug related to CBD in 2006. Excluded from the DSHEA definition of a dietary supplement is: "an article authorized for investigation as a new drug, antibiotic, or biological for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public, which was not before such approval, certification, licensing, or authorization marketed as a dietary supplement or as a food unless the Secretary of the USDA, in the Secretary's discretion, has issued a regulation, and notice and comment, finding that the article would be lawful under this Act." It is the FDA's interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation.

The Resulting Issuer believes there are significant arguments against this position in that all conditions of the statute must be met before the IND Preclusion applies, including: (1) authorization for investigation as a new drug; (2) substantial clinical investigations must be instituted; (3) such substantial investigations must be made public; and (4) all of the above must occur prior to the marketing of the article as a food or dietary supplement. The FDA takes the position that CBD was not marketed in a food or dietary supplement prior to all of the conditions for the IND Preclusion rendering effective.

The Resulting Issuer disagrees with this position as its products have already been sold in interstate commerce (prior to the publication of any substantial clinical investigations). Thus, the Resulting Issuer takes the position that the IND Preclusion does not apply. As of the date of this Listing Statement, the Resulting Issuer has not, and does not intend to file an investigational drug application with the FDA concerning any of its products that contain CBD derived from hemp.

The FDCA similarly does not recognize CBD as safe for use in food products, stating that a substance added to food is unsafe unless the substance is Generally Recognized as Safe ("**GRAS**"). The FDA to date has declined to recognize CBD as GRAS for human consumption, although certain hemp seed oils may be considered GRAS. However, the FDA has approved GRAS notices for three hemp seed ingredients that do not naturally contain THC or CBD but may contain "trace amounts" of THC and CBD, which the seeds may pick up during harvesting and processing when in contact with other parts of the hemp plant.[30] Further research is needed to determine if other cannabinoids would be considered GRAS or what steps would be necessary for them to be recognized as GRAS. In the meantime, stakeholders are collecting data to pursue a GRAS determination for CBD. Enforcement of this prohibition has been sporadic at best, with CBD products being sold across the nation with FDA enforcement generally limited to products making unlawful drug or health claims. But such sales of consumable CBD products, even if compliant with the CSA, would not be legal pursuant to the FDCA. However, GW Pharmaceuticals PLC's approval by the FDA of Epidiolex as a safe and effective drug for treatment of two (2) specific forms of seizures being Lennox-Gastaut syndrome and Dravet syndrome may signal a departure from prior positions. The Resulting Issuer's products containing CBD derived from

[30] Food and Drug Administration, "FDA Responds to Three GRAS Notices For Hemp-Seed Derived Ingredients for Use in Human Food", (online: https://www.fda.gov/food/cfsan-constituent-updates/fda-responds-three-gras-notices-hemp-seed-derived-ingredients-use-human-food)

hemp are not marketed or sold using claims that their use is safe and effective treatment for disease conditions pursuant to the FDCA.

The Resulting Issuer believes there is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids were present in the food supply and marketed prior to October 15, 1994. A determination that hemp products containing cannabinoids were not present in the food supply, marketed prior to October 15, 1994, and not otherwise permissible for use as a dietary ingredient or ingredients in food may have a materially adverse effect upon the Resulting Issuer and its business. Moreover, if the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would have a material adverse effect on the Resulting Issuer and its business.

Hemp derived products may be legally sold and marketed in the United States where they contain hemp lawfully imported from another country or cultivated pursuant to a state agricultural pilot program, provided the product complies with the FDCA and applicable state and federal law. Textiles, fibers, and certain food and cosmetic products containing hemp seed and hemp seed oils can be lawfully sold in compliance with federal law.

Compliance with the FDCA may prove difficult for most CBD products, while other hemp-based products such as hemp seed, hemp seed oils and certain non-consumable products may be able to achieve compliance with FDCA more easily. Regardless of the legality of any CBD product, risk is inherent in any commercial CBD business selling consumer CBD products until the FDA has provided clear guidance as to CBD products.

Equity Financing

Prior to the Listing Date, the Resulting Issuer intends to complete the Concurrent Offering.

Lending and Investment Policies and Restrictions

This section is not applicable to the Resulting Issuer.

Bankruptcy and Receivership

Neither the Resulting Issuer, nor any of its subsidiaries, has been the subject of any bankruptcy or any receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings, within any of the three most recently completed financial years (as applicable) or the current financial year.

Material Restructuring

See “*General Development of the Business – Business Combination Between Viking and Happy Tea*”.

4.2 Asset Backed Securities

The Resulting Issuer does not have any asset-backed securities.

4.3 Companies with Mineral Projects

The Resulting Issuer does not have any mineral projects.

4.4 Companies with Oil and Gas Operations

The Resulting Issuer does not have any oil and gas operations.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1 Annual Information

Viking

The following table summarizes the financial information for Viking for the six months ended June 30, 2020 and the last three completed financial years ended December 31, 209, 2018, and 2017. This summary financial information is taken from and should be read in conjunction with the Viking Financial Statements and related notes thereto attached hereto as Schedule "A".

Item	Six Months Ended June 30, 2020 (Unaudited)	Year Ended December 31, 2019 (Audited) ($)	Year Ended December 31, 2018 (Audited) ($)	Year Ended December 31, 2017 (Audited) ($)
Total revenues	Nil	Nil	Nil	Nil
Total expenses	74,349	92,111	118,531	58,796
Net Income (Loss)	74,349	80,521	(66,265)	53,760
Basic and Diluted Loss Per Share	0.06	0.01	(0.01)	0.001
Balance Sheet Data		**Year Ended December 31, 2019 (Audited) ($)**	**Year Ended December 31, 2018 (Audited) ($)**	**Year Ended December 31, 2017 (Audited) ($)**
Total Assets	41,928	899	62,397	42,326
Total Liabilities	476,075	778,696	1,140,746	1,054,410
Shareholders' Equity (Deficit)	(434,147)	(777,797)	(1,078,349)	(1,012,084)

Happy Tea

The following table summarized the financial information for Happy Tea for the period from inception September 4, 2018 to August 31, 2019 and the unaudited interim financial statements for the nine months ended May 31, 2020. This summary financial information should only be read in conjunction with the Happy Tea Financial Statements and related notes thereto attached hereto as Schedule "C".

Item	Nine Months Ended May 31, 2020 (Unaudited) (USD$)	Period from Inception to August 31, 2019 (Audited) (USD$)
Total revenues	96,928	319,425
Total expenses	1,195,090	3,192,917
Net Income (Loss)	(1,136,804)	(3,024,333)

Balance Sheet Data	Nine Months Ended May 31, 2020 (Unaudited) ($)	Year Ended August 31, 2019 (Audited) ($)
Total Assets	242,732	474,097
Total Liabilities	92,452	2,551,117
Equity (Deficit)	150,280	(2,077,020)

Resulting Issuer

The following table summarizes the pro-forma financial information of the Resulting Issuer following completion of the Transaction as at June 30, 2020. This summary financial information should only be read in conjunction with the Pro Forma Financial Statements and related notes thereto attached hereto as Schedule "E".

Balance Sheet Data	As at June 30, 2020 (Unaudited) (CDN$)
Total Assets	837,723
Total Liabilities	247,069
Shareholders' Equity Deficit	590,654

5.2 Quarterly Information

Viking

The following is a summary of Viking's quarterly results for each of the eight most recently completed quarters preceding the date of this Listing Statement:

Summary of quarterly results	Q1 2020 $	Q1 2020 $	Q4 2019 $	Q3 2019 $	Q2 2019 $	Q1 2019 $	Q4 2018 $	Q3 2018 $
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss and comprehensive loss	74,000	381,000	4,000	126,000	(32,000)	(17,000)	(61,000)	(22,000)
Earnings (loss) per share	0.06	0.30	0.00	0.01	(0.00)	(0.00)	(0.01)	(0.00)

Copies of the respective unaudited interim financial statements for the periods listed above for Viking are available on Viking's SEDAR profile at www.sedar.com.

5.3 Dividends

Viking

Viking does not have any restrictions that could prevent it from paying dividends. Viking intends to retain any earnings to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

Happy Tea

Happy Tea does not have any restrictions that could prevent it from paying dividends. Happy Tea intends to retain any earnings to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

5.4 Foreign GAAP

The financial information required in this Listing Statement has not been presented on the basis of foreign GAAP.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

Viking's Management's Discussion and Analysis for the year ended December 31, 2019 and the six months ended June 30, 2020 is attached to this Listing Statement as Schedule "B". Viking's Management's Discussion and Analysis should be read in conjunction with the Viking Financial Statements attached to this Listing Statement as Schedule "A".

Happy Tea's Management's Discussion and Analysis for the period of inception September 4, 2018 to August 31, 2019 and the nine months ended May 31, 2020 are attached to this Listing Statement as Schedule "D". Happy Tea's Management's Discussion and Analysis should be read in conjunction with the Happy Tea Financial Statements attached to this Listing Statement as Schedule "C".

7. MARKET FOR SECURITIES

The Viking Shares are presently listed on the NEX under the stock symbol "VGC.H". Trading of the Viking Shares was halted on July 28, 2020, and will remain halted in accordance with TSX-V and CSE policies until all required documentation with respect to the Business Combination has been received and the TSX-V, CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

See "*Description of Securities Resulting Issuer – Stock Exchange Price*" below.

The Happy Tea Shares are not listed on any securities exchange. The Resulting Issuer Shares are expected to be listed for trading on the CSE under the symbol "FITT“.

8. CONSOLIDATED CAPITALIZATION

Pro Forma Consolidated Capitalization

The following table summarizes the Resulting Issuer's pro forma common shares, on a consolidated basis, after giving effect to the Transaction as described in the Pro Forma Financial Statements attached hereto as Schedules "E":

Designation of Security	Amount Authorized or to be Authorized	Outstanding prior to giving effect to the Transaction	Outstanding immediately after giving effect to the Transaction and Concurrent Offering
Resulting Issuer Shares	Unlimited	2,827,042	40,195,658

Pro-Forma Fully Diluted Share Capital of the Resulting Issuer

In addition to the information set out in the capitalization table above, the following table sets out the diluted share capital of the Resulting Issuer after giving effect to the Transaction:

	Anticipated Resulting Issuer Shares Outstanding (as of the effective date of the Transaction)
Viking Shares issued and outstanding prior to the completion of the Transaction	2,827,042[(1)] (7.2%)
Resulting Issuer Shares issued to Happy Tea Shareholders pursuant to the Business Combination	34,468,616 (87.8%)
Resulting Issuer Shares issued to BC Co pursuant to the Assignment Agreement	900,000 (2.3%)
Resulting Issuer Shares issued pursuant to the Concurrent Offering	2,000,000 (2.5%)
Total Number of Resulting Issuer Shares (non-diluted)	**40,195,658 (100%)**
Reserved for issuance pursuant to currently outstanding Viking Warrants[(2)]	1,183,333
Reserved for issuance pursuant to Resulting Issuer Warrants to be issued to Happy Tea Warrantholder	9,000,000
Reserved for issuance pursuant to Finder's Warrants issued pursuant to the Concurrent Offering	140,000
Total Number of Resulting Issuer Shares Reserved for Issuance	**10,323,333**
Total Number of Resulting Issuer Shares (fully-diluted)	**50,518,991**

Notes:

(1) On a post-Consolidation basis.

(2) See "*General Development of the Business – Viking*".

9. OPTIONS TO PURCHASE SECURITIES

Options Outstanding

No Resulting Issuer Options are expected to be outstanding following the completion of the Transaction.

Description of Stock Option Plan

The Resulting Issuer will have a rolling stock option plan (the "**Option Plan**"), which will be adopted by the Viking Shareholders and Viking Board in connection with the closing of the Business Combination. The aggregate number of Resulting Issuer Shares reserved for issuance pursuant to the exercise of options granted in accordance with the

Option Plan ("**Resulting Issuer Options**") shall not exceed 10% of the Resulting Issuer Shares at the time of the grant.

The purpose of the Option Plan is to provide the Resulting Issuer with a mechanism to attract, retain and motivate qualified directors, officers, employees and consultants to contribute toward the long term goals of the Resulting Issuer, and to encourage such individuals to acquire Resulting Issuer Shares as long term investments.

The full text of the Option Plan is available upon written request made directly to the Resulting Issuer at its registered head office located at 1680-200 Burrard Street, Vancouver, B.C. V6C 3L6.

Administration

The Option Plan shall be administered by the Resulting Issuer Board, a special committee of the Resulting Issuer Board (the "**Committee**") or by an administrator appointed by the Resulting Issuer Board or the Committee (the "**Administrator**"). All determinations made by the Resulting Issuer Board or the Committee in good faith with respect to the Option Plan shall be final, conclusive and binding on all persons. Resulting Issuer Options may be granted under the Option Plan to such directors, officers, employees or consultants of the Resulting Issuer, as the Resulting Issuer Board, the Committee or the Administrator may from time to time designate.

Number of Common Shares Reserved

Subject to adjustment as provided for in the Option Plan, the aggregate number of Resulting Issuer Shares which will be available for purchase pursuant to Resulting Issuer Options granted under the Option Plan will not exceed 10% of the Resulting Issuer Shares issued and outstanding at the date of the grant. If any Resulting Issuer Option expires or otherwise terminates for any reason without having been exercised in full, the number of Resulting Issuer Shares in respect of such expired or terminated Resulting Issuer Option shall again be available for the purposes of granting Resulting Issuer Options pursuant to the Option Plan.

Exercise Price

The exercise price at which a Resulting Issuer Option holder may purchase a Resulting Issuer Share upon the exercise of a Resulting Issuer Option shall be determined by the Committee and shall be set out in the Resulting Issuer Option certificate issued in respect of the Resulting Issuer Option. The exercise price shall not be less than the price determined in accordance with CSE policies while, and if, the Resulting Issuer Shares are listed on the CSE.

Maximum Term of Options

The term of any Resulting Issuer Option granted under the Option Plan (the "**Term**") shall be determined by the Resulting Issuer Board, the Committee or the Administrator, as applicable, at the time the Resulting Issuer Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Resulting Issuer Option holder. In the event of death or disability, the Resulting Issuer Option shall expire on the earlier of the date which is one year following the date of disability or death and the applicable expiry date of the Resulting Issuer Option. Resulting Issuer Options granted under the Option Plan are not to be transferable or assignable other than to a Resulting Issuer Option holder's personal representative (i) entitled by law to act on behalf of such Resulting Issuer Option holder, in the case of a Resulting Issuer Option holder who for any reason is unable to manage his or her affairs, or (ii) appointed by a court or public authority having jurisdiction to do so, in the case of a deceased Resulting Issuer Option holder.

Termination

Subject to such other terms or conditions that may be attached to Resulting Issuer Options granted under the Option Plan, a Resulting Issuer Option holder may exercise a Resulting Issuer Option in whole or in part at any time and from time to time during the Term. Any Resulting Issuer Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Resulting Issuer Option. The expiry date of a Resulting Issuer Option shall be the date so fixed by the Committee at the time the Resulting Issuer Option is granted as set out in the Resulting Issuer Option certificate or, if no such date is set out in the Resulting Issuer Option certificate for the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability (as discussed above under "*Maximum Term of Options*") or in the event of certain triggering events occurring, as provided for under the Option Plan:

(a) Ceasing to Hold Office - In the event that the Resulting Issuer Option holder holds his or her Resulting Issuer Option as an executive and such Resulting Issuer Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Resulting Issuer Option shall be, unless otherwise expressly provided for in the Resulting Issuer Option certificate, the 30th day following the date the Resulting Issuer Option holder ceases to hold such position unless the Resulting Issuer Option holder ceases to hold such position as a result of:

(i) ceasing to meet the qualifications set forth in the corporate legislation applicable to the Resulting Issuer;

(ii) a special resolution having been passed by the shareholders of the Resulting Issuer removing the Resulting Issuer Option holder as a director of the Resulting Issuer or any subsidiary; or

(iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Resulting Issuer Option holder ceases to hold such position; or

(b) Ceasing to be Employed or Engaged - In the event that the Resulting Issuer Option holder holds his or her Resulting Issuer Option as an employee or consultant, and such Resulting Issuer Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Resulting Issuer Option shall be, unless otherwise expressly provided for in the Resulting Option certificate, the 30th day following the date the Resulting Issuer Option holder ceases to hold such position unless the Resulting Issuer Option holder ceases to hold such position as a result of:

(i) termination for cause;

(ii) resigning or terminating his or her position; or

(iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Resulting Issuer Option holder ceases to hold such position.

In the event that the Resulting Issuer Option holder ceases to hold the position of executive, employee or consultant for which the Resulting Issuer Option was originally granted, but comes to hold a different position as an executive, employee or consultant prior to the expiry of the Resulting Issuer Option, the Committee, the Resulting Issuer Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Resulting Issuer Option to stay in place for that Resulting Issuer Option holder with such Resulting Issuer Option then to be treated as being held by that Resulting Issuer Option holder in his or her new position and such will not be considered to be an amendment to the Resulting Issuer Option in question requiring the consent of the Resulting Issuer Option holder. Notwithstanding anything else contained in the Option Plan, in no case will a Resulting Issuer Option be exercisable later than the expiry date of the Resulting Issuer Option.

10. DESCRIPTION OF SECURITIES

10.1 General

Happy Tea

Happy Tea Shares

Happy Tea is authorized to issue 75,000,000 common shares each with a par value of $0.0001, of which 34,468,616 Happy Tea Shares are currently issued and outstanding. The holders of Happy Tea Shares are entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Happy Tea Share carries with it the right to one vote. In addition, the Happy Tea Shares have no pre-emptive, redemption, retraction, purchase or cancellation provisions. Distribution, in the form of dividends, may be declared when the directors of Happy Tea deem expedient.

Resulting Issuer

Resulting Issuer Shares

The Resulting Issuer is authorized to issue an unlimited number of common shares without par value, of which 2,827,042 Resulting Issuer Shares are currently issued and outstanding. See "*Consolidated Capitalization*" above. All issued and outstanding Resulting Issuer Shares will be fully paid and not subject to any future call or assessment. In addition, all Resulting Issuer Shares will rank equally as to voting rights, participation in a distribution of the assets of the Resulting Issuer on a liquidation, dissolution or winding-up of the Resulting Issuer and the entitlement to dividends as and when declared by the directors of the Resulting Issuer. The holders of Resulting Issuer Shares will be entitled to receive notice of all meetings of shareholders and to attend and vote the shares at the meetings. Each Resulting Issuer Share will carry with it the right to one vote. The Resulting Issuer Shares have no pre-emptive, conversion, exchange, redemption, retraction, purchase for cancellation or surrender provisions.

In the event of the liquidation, dissolution or winding-up of the Resulting Issuer or other distribution of its assets, the holders of the Resulting Issuer Shares will be entitled to receive, on a pro-rata basis, all of the assets remaining after the Resulting Issuer has paid out its liabilities. Distribution in the form of dividends, if any, will be will be paid wholly or partly by the distribution of specific assets or of fully paid Resulting Issuer Shares or of bonds, debentures or other securities of the Resulting Issuer, or in any one or more of those ways, as determined by the directors of the Resulting Issuer. See "*Dividend Policy*" below for particulars of the Resulting Issuer's anticipated dividend policy.

Resulting Issuer Warrants

The following Resulting Issuer Warrants are issued and outstanding:

Warrant Issuance Date	Total Number	Exercise Price	Expiration Date
July 6, 2020	1,183,333	$0.40	July 6, 2021
June 30, 2020	9,000,000	$0.05	March 3, 2021

Resulting Issuer Options

There are nil Resulting Issuer Options issued and outstanding.

Dividend Policy

The Resulting Issuer will retain any future earnings for use in its business and does not expect to pay dividends on the Resulting Issuer Shares in the foreseeable future. Any decision to pay dividends on Resulting Issuer Shares will be made by the Resulting Issuer Board on the basis of the earnings, financial requirements and other conditions existing at such time.

10.2 Debt Securities

Not applicable.

10.3 Other Securities

Not applicable.

10.4 Modification of Terms

Not applicable.

10.5 Other Attributes

Not applicable.

10.6 Prior Sales

The following table summarizes all securities issued by Viking within the last 12 months prior to the date of this Listing Statement:

Date of Issue	Description	Number of Securities	Price per Security
August 19, 2019	Common Shares	482,662(1)(2)	$0.46(1)(2)
July 6, 2020	Units(3)	1,183,333	$0.30
July 21, 2020	Common Shares	333,333	$0.30
Closing of the Business Combination	Common Shares	34,468,616	$0.25
Closing of the Concurrent Offering	Common Shares	2,000,000(4)	$0.25
Closing of the Concurrent Offering	Finder's Warrants	140,000(4)	$0.25

Notes:

(1) Value is on a pre-Consolidation basis.

(2) Issued to settle trade payable of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and settled amounts due to related parties of $225,068. Viking also paid cash of $35,000 to complete the settlement of the amounts due to related parties.

(3) Each unit consisted of one (1) Viking Share and one (1) Viking Warrant. Each Viking Warrant entitles the holder to purchase one (1) Viking Share at a price of $0.40 for a period of one (1) year from the date of issuance. See "*General Description of the Business – Viking*".

(4) Issued pursuant to the Concurrent Offering. See "*General Description of the Business – Business Combination Between Viking and Happy Tea*".

10.7 Stock Exchange Price

Trading of the Viking Shares was halted on July 28, 2020, and will remain halted in accordance with TSX-V and CSE policies until all required documentation with respect to the Business Combination has been received and the TSX-V, CSE and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

Period	High ($)	Low ($)	Volume
November 1-4, 2020	0.305	0.305	0
October, 2020	0.305	0.305	0
September, 2020	0.305	0.305	0
August, 2020	0.305	0.305	0
July, 2020	0.45	0.305	70,053
June, 2020	0.53	0.28	99,309
May 14-31, 2020	0.59	0.32	43,138
April, 2020	Viking Shares Suspended from Trading		
March, 2020	Viking Shares Suspended from Trading		
February, 2020	Viking Shares Suspended from Trading		
January, 2020	Viking Shares Suspended from Trading		
December, 2019	Viking Shares Suspended from Trading		
November, 2019	Viking Shares Suspended from Trading		
October, 2019	Viking Shares Suspended from Trading		
September, 2019	Viking Shares Suspended from Trading		
August, 2019	Viking Shares Suspended from Trading		
July, 2019	Viking Shares Suspended from Trading		
June, 2019	Viking Shares Suspended from Trading		
May, 2019	Viking Shares Suspended from Trading		

11. ESCROWED SECURITIES

As required under the policies of the CSE, the Resulting Issuer will enter into an escrow agreement as if the company was subject to the requirements of NP 46-201. Escrow releases will be scheduled at periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon completion of the Listing Date followed by six subsequent releases of 15% each every six months thereafter. The form of the escrow agreement must be as provided in NP 46-201.

The table below includes the details of escrowed securities that are held by Principals of the Resulting Issuer as at the date of this Listing Statement:

Designation of class	Number of Shares held in escrow	Percentage of class
Michael Gonzalez	17,000,000	42%

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the Resulting Issuer's directors and senior officers, the following are the only persons who beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Shares carrying more than 10% of all voting rights attached to all outstanding shares of the Resulting Issuer as of the date hereof:

Name	Resulting Issuer Shares (and % of Outstanding Resulting Issuer Shares) Owned, Controlled or Directed
Michael Gonzalez	17,000,000 (42%)

13. DIRECTORS AND OFFICERS OF THE RESULTING ISSUER

The following table set out information regarding each of the Resulting Issuer's directors and executive officers, including the name, municipality of residence, position or office held with the Resulting Issuer, and principal occupation of each proposed director and executive office of the Resulting Issuer, as well as the number of voting securities beneficially owned, directly or indirectly, or over which each exercises control or direction, excluding common shares issued on the exercise of convertible securities, are as follows:

Name, proposed position with Resulting Issuer, and place of the residence	Principal occupation during the last five years	Date of appointment as director or officer	Resulting Issuer Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed upon completion of the Transaction
Michael Gonzalez, CEO and Director, Orlando, Florida (1)	• Founder and CEO of Fit Products since June 2013. • Founder and CEO of Happy Supplements Inc. since September 2018.	Proposed	17,000,000 (42%)
P. Joseph Meagher, CFO, Vancouver, British Columbia	• CFO for various publicly listed companies.	Proposed	133,333 (0.33%)
Christopher Delgado, COO, Orlando, Florida	• COO of Happy Supplements since January 2020. • Director, Marketing & Events at Cardone Training Technologies. • Manager, Marketing & Events at Tom Ferry International.	Proposed	Nil (0%)
Dominic Verdejo, Director, Vancouver, British Columbia (1)	• Director of Viking since July 2018 and President and CEO of Viking since June 2019. • President, CEO and director of Kandario Gold Inc., since November 2017. • CEO and director of Bullion Gold Resources Corp. from April 2015 to August 2017.	Proposed	123,333 (0.30%)
Stephen Horgan, Director, Sandy Springs, Georgia (1)	• Executive Vice President, Managing Director and Co-Founder of	Proposed	Nil (0%)

	InterContinental Beverage Capital Inc.		

Notes:

(1) Member of the Audit Committee.

Pursuant to the provisions of the BCBCA, the Resulting Issuer will be required to have an audit committee whose proposed members are indicated above.

Management Details

The following are brief profiles of the Resulting Issuer's executive officers and directors:

Michael Gonzalez (34)*, Proposed Chief Executive Officer and Director*

Mr. Gonzalez is the founder and CEO of Fit Products and has over 6 years experience with health & wellness companies. Mr. Gonzalez also was the founder, President, CEO, CFO and Director of and Happy Tea until December 9, 2019. He has more than 10 years of experiences in various industries, from start-up companies to large privately held firms. Mr. Gonzalez received a Bachelor of Business Management from Florida State University in 2010.

Mr. Gonzalez will devote 80% of his time to the Resulting Issuer.

P. Joseph Meagher (36)*, Proposed Chief Financial Officer*

Mr. P. Joseph Meagher became a Chartered Professional Accountant (CPA, CA) in 2008, and obtained the Chartered Director (C.Dir.) designation from The Directors College (a joint venture between McMaster University and The Conference Board of Canada) in 2017. Mr. Meagher currently serves as the Chief Financial Officer for several publicly listed companies namely Gatling Exploration Inc., Pacton Gold Inc., Bessor Mineral Inc., Kanadario Gold Inc., and BlueBird Battery Metals Inc. Previously, Mr. Meagher worked at Smythe CPA from May 2005 to November 2011 where he was a Staff Accountant and then later a Manager. Mr. Meagher received a Bachelor of Commerce from the University of British Columbia in 2007.

Mr. Meagher will devote 10% of his time to the Resulting Issuer.

Christopher Delgado (28)*, Proposed Chief Operating Officer*

Mr. Delgado is an experienced sales leader and team builder working with industry leaders such as Tom Ferry International and Cardone Training Technologies. Mr. Delgado started his professional career as Corporate Planner within the fast food industry where he lead the corporate training, market expansion and incentive programs for over 350 operations of In-N-Out Burger Restaurants.

Mr. Delgado will devote 100% of his time to the Resulting Issuer.

Dominic Verdejo (40)*, Proposed Director*

Mr. Dominic Verdejo has experience in the venture capital markets, specializing in the design and implementation of market strategies and corporate development. He has particular expertise in the mineral exploration and development sector and has been involved in the financing of many successful public companies. Mr. Verdejo is currently President, CEO and a director of Kanadario Gold Inc., a position he has held since November 2017.

Mr. Verdejo has previously held the following roles: Vice President of Corporate Development at Bonterra Resources Inc. from May 2011 to December 2016; President of Pacton Gold Inc. from February 2017 until November 2017; Chief Executive Officer and a director of Bullion Gold Resources Corp. from April 2015 until August 2017; a director of Bullion Gold Resources Corp. from August 2017 until June 2018; a director of Pacton Gold Inc. from February 2011 until October 2018; an independent director of Golden Peak Minerals Inc. from June 2015 to April 2018; a director of Melkior Resources Inc. from November 2017 until June 2018; a director of Viking since July 2018; and President and Chief Executive Officer of Viking since June 2019.

Mr. Verdejo will devote 20% of his time to the Resulting Issuer.

***Stephen Horgan (63)**, Proposed Director*

Mr. Horgan is a senior executive and entrepreneur who has successfully built businesses domestically and internationally. He is currently an Executive Vice President, Managing Director and Co-Founder of InterContinental Beverage Capital Inc. Mr. Horgan previously served in executive positions for The Coca-Cola Company, Coors Brewing and MillerCoors. He was a CEO in the functional beverage industry where he led debt restructuring, investment and rebranding initiatives. Mr. Horgan's core expertise is consumer packaged goods, food, beverage, distribution, global retailers and franchising. He has worked and developed expertise with large retailers, bottlers, brewers and distribution companies around the world. He has extensive experience in the U.S. and international markets including Europe, South America and Asia where he has record of success.

In 2011, Mr. Horgan successfully launched Brand Aspirations, a consulting, advisement and investment company focused on nurturing and advising early stage companies. Brand Aspirations has worked with a broad range of companies and brands to compress the business cycle and deliver accelerated results. Earlier in his career, Mr. Horgan worked for the Atlantic Richfield Company in marketing and franchise management and was a labor negotiator with United Technologies. Mr. Horgan received a Bachelor of Business and Economics from the State University of New York at Oneonta in 1978, and received a Masters of Business Administration from the University of Connecticut School of Business in 1984.

Mr. Horgan has not entered into a non-competition, non-solicitation or non-disclosure agreement with the Resulting Issuer.

Mr. Horgan will devote 10% of his professional time to the Resulting Issuer.

Other Reporting Issuer Experience

The following table sets out the proposed directors, officers and promoters of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other issuers that are or were reporting issuers in any Canadian jurisdiction:

P. Joseph Meagher	Pacton Gold Inc.	TSX-V and Frankfurt	CFO	01/14 to present
	Bessor Minerals Inc.	TSX-V	CFO	06/14 to present
	BlueBird Battery Metals Inc.	TSX-V	CFO	09/16 to present
	Gatling Exploration Inc.	TSX-V	CFO	09/18 to present
	Kanadario Gold Inc.	TSX-V	CFO	07/19 to present
	Bonterra Resources Inc.	TSX-V	CFO	12/14 to 02/19
	Melkior Resources Inc.	TSX-V	CFO	06/17 to 08/18
	Bullion Gold Resources Corp.	TSX-V	CFO and Director	09/16 to 05/18
	Gold Plus Mining Inc. (formerly SYD Financial Inc.)	CSE	CFO and Director	07/15 to 10/17
	Nova Mentis Life Science Corp. (formerly Liberty Leaf Holdings Ltd.)	CSE	CFO and Director	06/12 to 05/17
	Alchemist Mining Inc.	CSE	CFO and Director	07/12 to 05/17

	Vangold Resources Ltd.	TSX-V	CFO	05/14 to 04/16
Dominic Verdejo	Viking Gold Exploration Inc.	TSX-V	President and CEO	06/19 - present
	Viking Gold Exploration Inc.	TSX-V	Director	07/18 - present
	Kanadario Gold Inc.	TSX-V	Director, President and CEO	11/17 -present
	BlueBird Battery Metals Inc.	TSX-V	Director	06/15 - 04/18
	Pacton Gold Inc.	TSX-V	Director	02/17 - 10/18
	Bullion Gold Resources Corp.	TSX-V	President and CEO	02/16 - 08/17
			Director	02/16 - 06/18

Corporate Cease Trade Orders or Bankruptcies

No director, office or promoter of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, is, or within 10 years before the date of the Listing Statement has been, a director or officer of any other issuer that, while that person was acting in that capacity:

1. was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days;

2. was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;

3. became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

4, within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No director, executive officer or promoter of the Resulting Issuer, or a shareholder holding a sufficient number of the Resulting Issuer's securities to affect materially the control of the Resulting Issuer, has been subject to:

1. any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or

2. any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Personal Bankruptcies

No director, executive officer or promoter of the Resulting Issuer or a shareholder holding a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons has, within the 10 years before the date of the Listing Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Certain of the directors, officers and promoters of the Resulting Issuer are currently, or may in the future become, involved in managerial or director positions with other issuers, both reporting and non-reporting, whose operations may, from time to time, be in direct competition with those of the Resulting Issuer or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of the Resulting Issuer.

In such event, the directors and officers of the Resulting Issuer will be required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests that they may have in any project or opportunity of the Resulting Issuer and abstain from voting thereon. In determining whether or not the Resulting Issuer will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Resulting Issuer may be exposed and its financial position at that time.

The directors, officers and promoters of the Resulting Issuer also have either other employment or other business or time restrictions placed on them and accordingly, these directors, officers and promoters will only be able to devote part of their time to the affairs of the Resulting Issuer, unless otherwise specified above.

Conflicts, if any, will be subject to the procedures and remedies prescribed by the BCBCA, the CSE and applicable securities law, regulations and policies.

14. CAPITALIZATION OF THE RESULTING ISSUER

Issued Capital – Post Consolidated Basis

Issued Capital	**Number of Securities (non-diluted)**	**Number of Securities (fully-diluted)**	**%of Issued (non-diluted)**	**% of Issued (fully diluted)**
Public Float				
Total outstanding (A)	40,195,658	50,518,991	100%	100%
Held by Related Persons or employees of the Resulting Issuer or Related Person of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Resulting Issuer upon exercise or conversion of other securities held) (B)	17,256,666	17,413,332	42.93%	34.47%
Total Public Float (A-B)	22,938,992	33,105,659	57.07%	65.53%
Freely-Tradeable Float				

Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	17,982,666	19,305,999	44.74%	38.22%
Total Tradeable Float (A-C)	22,212,992	31,212,992	55.26%	61.78%

Public Securityholders (Registered)

For the purposes of the following table, "public securityholders" are persons other than persons enumerated in section (B) of the Issued Capital table and only registered holders are listed.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	301	6,821
100 – 499 securities	274	62,685
500 – 999 securities	133	82,527
1,000 – 1,999 securities	61	81,201
2,000 – 2,999 securities	34	75,957
3,000 – 3,999 securities	12	39,645
4,000 – 4,999 securities	19	81,729
5,000 or more securities	102	19,585,804
TOTAL	936	22,915,919

Public Securityholders (Beneficial)

For the purposes of the following table, "public securityholders (beneficial)" include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary; but does not include "non-public securityholders" being those persons enumerated in section (B) of the above Issued Capital table.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	301	6,821
100 – 499 securities	274	62,685
500 – 999 securities	133	82,527
1,000 – 1,999 securities	61	81,201
2,000 – 2,999 securities	34	75,957

3,000 – 3,999 securities	12	39,645
4,000 – 4,999 securities	19	81,279
5,000 or more securities	107	2,907,854
TOTAL	940	40,706,585

Non-Public Securityholders (Registered)

For the purposes of this table, "non-public securityholders" are persons enumerated in section (B) of the above Issued Capital table.

Class of Security: Common Shares

Size of Holding	**Number of holders**	**Total number of securities**
1 – 99 securities	0	0
100 – 499 securities	0	0
500 – 999 securities	0	0
1,000 – 1,999 securities	0	0
2,000 – 2,999 securities	0	0
3,000 – 3,999 securities	0	0
4,000 – 4,999 securities	0	0
5,000 or more securities	3	17,256,666
TOTAL	3	17,256,666

Convertible Securities

The following are details for any securities convertible or exchangeable into Resulting Issuer Shares:

Description of Security (include conversion/exercise terms, including conversion/exercise price)			**Number of convertible/exchangeable securities outstanding**	**Number of listed securities issuable upon conversion/exercise**
Exercise Price	**Expiry Date**	**Type of Security**		
$0.40	July 6, 2021	Resulting Issuer Warrants	1,183,333	1,183,333
$0.05	March 3, 2021(1)	Resulting Issuer Warrants	9,000,000	9,000,000
$0.25	--(2)	Finder's Warrants	140,000	140,000

Notes:

(1) These Resulting Issuer Warrants are expected to be issued in connection with the Business Combination.
(2) These Finder's Warrants expected to be issued in connection with the Concurrent Offering.

15. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Resulting Issuer's policies on compensation for its executive officers are intended to provide appropriate compensation for executives that is internally equitable, externally competitive and reflects individual achievements in the context of the Resulting Issuer. The overriding principles in establishing executive compensation provide that compensation should:

(a) reflect fair and competitive compensation commensurate with an individual's experience and expertise to attract and retain highly qualified executives;

(b) reflect recognition and encouragement of leadership, entrepreneurial spirit and team work;

(c) reflect an alignment of the financial interests of the executives with the financial interest of the Resulting Issuer's shareholders;

(d) include stock options and, in certain circumstances, bonuses to reward individual performance and contribution to the achievement of corporate performance and objectives;

(e) reflect a contribution to enhancement of shareholder value; and

(f) provide incentive to the executives to continuously improve operations and execute on corporate strategy.

Goals and Objectives

The Resulting Issuer's compensation philosophy is aimed at attracting and retaining quality and experienced people, which is critical to the success of the Resulting Issuer. Executive compensation is comprised of three elements: base fee or salary, short-term incentive compensation (discretionary cash bonuses) and long-term incentive compensation (stock options). The Resulting Issuer's Board reviews all three components in assessing the compensation of individual executive officers and of Resulting Issuer as a whole.

Base fees or salaries and bonuses (discretionary) are intended to provide current compensation and a short-term incentive for executive officers to meet the Resulting Issuer's goals, as well as to remain competitive with the industry. Base fees or salaries are compensation for job responsibilities and reflect the level of skills, expertise and capabilities demonstrated by the executive officers. Executive officers will also be eligible to receive discretionary bonuses as determined by the Resulting Issuer's Board from time to time based on each officer's responsibilities, his or her achievement of individual and corporate objectives and Resulting Issuer's financial performance. Cash bonuses are intended to reward the executive officers for meeting or exceeding the individual and corporate performance objectives set by the Resulting Issuer's Board.

Stock options are an important part of the Resulting Issuer's long-term incentive strategy for its officers, permitting them to participate in any appreciation of the market value of Resulting Issuer Shares over a stated period of time, and are intended to reinforce commitment to long-term growth and shareholder value. Stock options reward overall corporate performance, as measured through the price of the Resulting Issuer Shares and enable executives to acquire and maintain a significant ownership position in the Resulting Issuer. Stock options also represent an additional form of compensation to Resulting Issuer's executive officers without directly impacting the Resulting Issuer's cash resources.

Viking Summary Compensation Table

The following table (presented in accordance with National Instrument Form 51-102F6 – *Statement of Executive Compensation*) sets forth all annual and long term compensation for services paid by Viking to each individual who was a CEO, CFO, or one of the three most highly compensated executive officers (in addition to the CEO and CFO) of Viking whose total compensation exceeded $150,000 (collectively the "**Named Executive Officers**" or "**NEOs**") during the Resulting Issuer's three most recently completed financial years ended December 31, 2019, December 31, 2018 and December 31, 2017, as applicable:

Name and Principal Position	Year	Salary ($)	Share-Based Awards ($)	Option Based Awards ($)-	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-term Incentive Plans			
Mark Edwards (Former President, CEO, CFO, and Director)[(1)]	2019	5,000	Nil	Nil	Nil	Nil	Nil	Nil	5,000
	2018	24,000	Nil	Nil	Nil	Nil	Nil	Nil	24,000
	2017	24,000	Nil	Nil	Nil	Nil	Nil	Nil	24,000
Dominic Verdejo (President, CEO, and Director)	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Danny Lee (Interim CFO)	2019	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

(1) Mr. Edwards resigned as President, CEO, CFO, and director on December 9, 2019.

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

As of December 31, 2019, there were no option-based or share-based awards outstanding to the Named Executive Officers.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by the Named Executive Officers during the year ended December 31, 2019.

Pension Plan Benefits

The Resulting Issuer does not have any pension, retirement or deferred compensation plans, including defined contribution plans.

Termination and Change of Control Benefits

The Resulting Issuer has not entered into any compensatory plans, contracts or arrangements with any of its Named Executive Officers whereby such officers are entitled to receive compensation as a result of the resignation, retirement or any other termination of employment of the Named Executive Officer with the Resulting Issuer or a change in the Named Executive Officer's responsibilities following a change in control.

Management/Employment Contracts

The Resulting Issuer has not entered into any management or employment contracts.

Viking Director Compensation Table

No compensation was paid to Viking's directors, other than directors who are also Named Executive Officers listed in the "*Viking Summary Compensation Table*" above, during the fiscal year ended December 31, 2019.

Share-based awards, option-based awards and non-equity incentive plan compensation

Outstanding Share-Based Awards and Option-Based Awards

As of December 31, 2019, there were no option-based or share-based awards outstanding to the non-executive directors of Viking.

Incentive Plan Awards – Value Vested or Earned During the Year

No option-based awards or share-based awards were vested in, and no non-equity incentive plan compensation was earned by, the non-executive directors of Viking during the year ended December 31, 2019.

Compensation Discussion and Analysis of the Resulting Issuer

It is anticipated that the objectives, criteria and analysis of the compensation of the executive officers of the Resulting Issuer will be, in all material respects, the same as Viking's current philosophy and policies on executive compensation. Notwithstanding the foregoing, there may be circumstances where, for sound business reasons, the Boar determines that another compensation strategy is in the best interests of the Resulting Issuer.

Summary Compensation Table of the Resulting Issuer

The following table summarizes the proposed compensation to be paid by the Resulting issuer to its CEO and CFO, and each other executive officer whose total compensation is anticipated to exceed $150,000 (collectively, the "**Proposed NEOs**") during the 12-month period following the Listing Date.

	SUMMARY COMPENSATION TABLE							
Name and Principal Position	**Salary (US$)**	**Share based Awards**	**Option-Based Awards ($)**	**Non-Equity Incentive Plan Compensation**		**Pension Value**	**All Other Compensation ($)**	**Total Compensation(US$)(1)**
				Annual Incentive Plans ($)	**Long-Term Incentive Plans ($)**			
Michael Gonzalez,(1) CEO and Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
P. Joseph Meagher, CFO	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Christopher Delgado, COO	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Note:

(1) Summary compensation excludes any compensation received by Mr. Gonzalez pursuant to his position as CEO of FitProducts LLC, a related party of Happy Tea. See "*Narrative Description of the Business – Employees*".

Incentive Plan Awards

As of the date of this Listing Statement, the Resulting Issuer does not propose to grant any additional share-based awards to its Proposed NEOs during the first year following the completion of the Business Combination. Any future grants of incentive stock options will be as determined by the Resulting Issuer's Board from time to time.

See also "Options to Purchase Securities" above.

Pension Plan Benefits

As of the date of this Listing Statement, the Resulting Issuer does not expect to establish any pensions, retirement or deferred compensation plans, including defined contribution plans for its Proposed NEOs in the first year following the Listing Date.

Termination and Change of Control Benefits

Viking does not currently have any compensatory plan, contract or agreement with any NEO.

Happy Tea has entered into employment agreements with all of the officers listed above.

Compensation of Directors

Following the Listing Date, it is anticipated that the non-executive directors of the Resulting Issuer will not receive cash compensation in their capacities as directors of the Resulting Issuer. The directors of the Resulting Issuer will be entitled to reimbursement for transportation and other out-of-pocket expenses incurred for attendance at board meetings and in connection with discharging their director functions.

Non-executive directors of the Resulting Issuer will also be entitled to receive incentive stock options as determined by the Resulting Issuer's Board from time to time. Other than as disclosed in this Listing Statement, the Resulting Issuer does not intend to grant any stock options to non-executive directors in the first year following the Listing Date.

See also "Options to Purchase Securities" above.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director or officer of the Resulting Issuer or person who acted in such capacity in the last financial year of Viking, or proposed director or officer of the Resulting Issuer, or any Associate of any such director or officer is, or has been, at any time since the beginning of the most recently completed financial year of Viking, indebted to Viking nor is any indebtedness of any such person to another entity the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Viking or the Resulting Issuer.

17. AUDIT COMMITTEE

Audit Committee

The Resulting Issuer will have an audit committee (the "**Audit Committee**") comprised as follows:

Member	Independence	Financially Literacy
Michael Gonzalez	Independent(1)	Financially Literate
Dominic Verdejo	Not Independent	Financially Literate
Stephen Horgan	Independent(1)	Financially Literate

Note:

(1) Within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**").

A description of the education and experience of each Audit Committee member that is relevant to the performance of their responsibilities as an Audit Committee members may be found under the headings *Directors and Officers of the Resulting Issuer.*

Audit Committee Charter

The Resulting Issuer's Board will adopt a written charter setting forth the responsibilities, powers and operations of the Audit Committee consistent with NI 52-110.

Mandate and Responsibilities of the Audit Committee

The Audit Committee's mandate and responsibilities will include: (i) reviewing and recommending for approval to the Resulting Issuer's Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Resulting Issuer's public disclosure of financial information extracted or derived from the Resulting Issuer's financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Resulting Issuer of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing such other audit, review or attest services for the Resulting Issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Resulting Issuer or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Resulting Issuer; and (vii) reviewing and approving the Resulting Issuer's hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Resulting Issuer.

Section 6.1 Exemption

The Resulting Issuer is a "venture issuer" as defined in NI 52-110. The Resulting Issuer is relying upon the exemption in section 6.1 of NI 52-110 for venture issuers which allows for an exemption from Part 3 – *Composition of the Audit Committee* and Part 5 – *Reporting Obligations* of NI 52-110, which exempts the Resulting Issuer from the requirements to comply with the restrictions on the composition of the its Audit Committee, and the disclosure requirements of its Audit Committee as more specifically set out in NI 52-110.

Pre-Approval Policies and Procedures

It is not anticipated that the Resulting Issuer will adopt specific policies and procedures for the Audit Committee, however, the engagement of non-audit services will be subject to the prior approval of the Audit Committees

18. RISK FACTORS

An investment in the Resulting Issuer Shares involves a high degree of risk and should be considered highly speculative due to the nature of the Resulting Issuer's business and its present stage of development. An investment in the Resulting Issuer's securities is suitable only for those knowledgeable and sophisticated investors who are willing to risk loss of their entire investment. Readers should consult with their professional advisors to assess an investment in the Resulting Issuer's securities. In evaluating the Resulting Issuer and its business, investors should carefully consider, in addition to the other information contained in this Listing Statement, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Resulting Issuer or in connection with the Resulting Issuer's operations

Transactional Risks

Completion of the Transaction is Subject to Conditions Precedent

The Completion of the Transaction is subject to a number of conditions precedent, including the approval by the CSE. Certain of such conditions precedent are outside the control of either or both of Viking and Happy Tea, and there can be no assurance that these conditions will be satisfied.

Termination of the Share Exchange Agreement

The Share Exchange Agreement specifies that the parties' obligation to effect the Transaction is conditional upon the satisfaction of a number of conditions, including receipt of all required regulatory approvals. If any of these conditions are not satisfied or waived, the Transaction may not be completed. Each of Viking and Happy Tea has the right, in certain circumstances, in addition to termination rights relating to the failure to satisfy the conditions of Closing, to terminate the Share Exchange Agreement. Accordingly, neither Viking nor Happy Tea cannot provide any assurance that the Share Exchange Agreement will not be terminated by either Viking or Happy Tea prior to the completion of the Transaction.

Potential Undisclosed Liabilities Associated with the Transaction

Upon completion of the Transaction, Happy Tea a direct wholly-owned subsidiary of the Resulting Issuer and will continue to have the liabilities that existed prior to completion of the Transaction. There may be liabilities of Happy Tea that Viking failed to discover or was unable to accurately assess or quantify in its due diligence.

Market for the Resulting Issuer Shares

There can be no assurance that an active trading market for the Resulting Issuer Shares will develop or, if developed, that any market will be sustained. The price at which the Resulting Issuer Shares will trade cannot be predicted. Fluctuations in the market price of the Resulting Issuer Shares could cause an investor to lose all or part of its investment in Resulting Issuer Shares. Factors that could cause fluctuations in the trading price of the Resulting Issuer Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Resulting Issuer or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) fluctuations in the trading volume of the Resulting Issuer Shares or the size of the Resulting Issuer's public float; (iv) actual or anticipated changes or fluctuations in the Resulting Issuers results of operations; (v) actual or anticipated changes in the expectations of investors or securities analysts; (vi) litigation involving the Resulting Issuer, its industry, or both; (vii) regulatory developments in the United States and foreign countries; (viii) general economic conditions and trends; (ix) major catastrophic events; (x) escrow releases and sales of large blocks of the Resulting Issuer Shares; (xi) departures of key employees or members of management; or (xii) an adverse impact on the Resulting Issuer from any of the other risks cited herein.

Business and Operational Risks

Reporting Issuer Status

From the date of incorporation to the date of this Listing Statement, Happy Tea has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the TSX-V and the CSE, as applicable. As a reporting issuer, the Resulting Issuer will be subject to reporting requirements under applicable securities law and stock exchange policies. Happy Tea is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to Happy Tea's financial management control systems to manage its obligations as a subsidiary of a public company. Compliance with these requirements will increase legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Resulting Issuer will be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls, procedures, and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm the Resulting Issuer's business and results of operations. The Resulting Issuer may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of Happy Tea expects that being a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Resulting Issuer to retain qualified directors and executive officers.

Limited Operating History

Happy Tea began carrying on business in 2018 and has only recently begun to generate revenue. The Resulting Issuer, whose business will be that of Happy Tea's, is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Resulting Issuer will be successful in achieving a return on Shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Additional Financing

In order to execute the anticipated growth strategy, the Resulting Issuer will require some additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. The Resulting Issuer's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Resulting Issuer's growth and may have a material adverse effect upon future profitability. The Resulting Issuer may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Ongoing Costs and Obligations

The Resulting Issuer expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Resulting Issuer's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Access to Raw Materials

In the hemp industry, there is a risk that raw input materials or materials purchased from a third-party processor or producer could be contaminated with pesticides, heavy metals, mycotoxin, and microbial agents. The quality assurance tests required for marijuana flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to each state governing hemp body through its traceability system. In conjunction with States Departments of Agriculture, each state board conducts random screening for pesticide residues. It is possible the much of hemp product may not move forward in processing, delivery, or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

If the Resulting Issuer's licensed processors and co-packagers or other third-party services providers fail to have positive testing results, the Resulting Issuer could experience negative adverse effect on its operations and ability to produce and sell its products.

Price of Raw Materials

Costs of the ingredients and packaging for food products are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand, changes in governmental trade and agricultural programs, epidemics/pandemics and other public health crises, such as COVID-19. Volatility in the prices of raw materials and other supplies food could increase the cost of the Resulting Issuer's cost of sales and reduce its profitability. Moreover, the Resulting Issuer may not be able to implement product price increases to cover any increased costs, or any price increases implemented may result in lower sales volumes. If the Resulting Issuer is not successful in managing its ingredient and packaging costs, and unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases could have a material adverse effect the Resulting Issuers business, results of operations and result of its operations.

Supply Chain Management

Insufficient or delayed supply of products threatens could threaten the Resulting Issuer's ability to meet customer demands while over capacity threatens the Resulting Issuer's ability to generate profit. Specifically, the impact of COVID-19 may adversely impact the Resulting Issuer's access to products. Some of these products may be available from only a single supplier or a limited group of suppliers. Accordingly, any failure by the Resulting Issuer to properly manage its supply chain could have a material adverse effect on its business, financial condition and results of its operations.

Competition

It is likely that the Resulting Issuer will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Resulting Issuer. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

Because of the early stage of the industry in which the Resulting Issuer operates, the Resulting Issuer expects to face additional competition from new entrants. To become and remain competitive, the Resulting Issuer will require research and development, marketing, sales and support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Resulting Issuer.

If the number of users of CBD products in the United States increases, the demand for products will increase and the Resulting Issuer expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Resulting Issuer will require a continued high level of investment in research and development, marketing, sales and client support. The Resulting Issuer may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Resulting Issuer.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Resulting Issuer's ongoing business; (ii) distraction of management; (iii) the Resulting Issuer may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Resulting Issuer's operations; and (vi) loss or reduction of control over certain of the Resulting Issuer's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Resulting Issuer at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Resulting Issuer. A strategic transaction may result in a significant change in the nature of the Resulting Issuer's business, operations and strategy. In addition, the Resulting Issuer may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Resulting Issuer's operations.

Unfavorable Publicity or Consumer Perception

The Resulting Issuer believes the hemp industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the hemp and hemp derived products produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of hemp products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the hemp market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for medical hemp and on the business, results of operations, financial condition, cash flows or prospects of the Resulting Issuer. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of hemp in general, or associating the consumption of medical hemp with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

Product Liability

The Resulting Issuer would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its customers' products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the hemp used to derive the CBD used in the Resulting Issuer's customers' products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of hemp alone or in combination with other medications or substances could occur. The Resulting Issuer may be subject to various product liability claims, including, among others, that the product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Resulting Issuer could result in increased costs, could adversely affect the Resulting Issuer's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer. There can be no assurances that the Resulting Issuer will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Resulting Issuer's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Resulting Issuer will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Resulting Issuer's products were subject to recall, the image of that product, the Resulting Issuer could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Resulting Issuer may require advance approval of its products from federal, state, provincial and/or local authorities. While the Resulting Issuer intends to follow the guidelines and regulations of each applicable federal, state, provincial and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, state, provincial and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Resulting Issuer's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Resulting Issuer is unable to maintain an acceptable degree of quality control of its products, the Resulting Issuer will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Resulting Issuer's business, results of operations and financial condition.

Research and Development

Before the Resulting Issuer can obtain regulatory approval (if required) for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals (if any) to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

If the Resulting Issuer cannot successfully develop, manufacture and distribute its products, or if the Resulting Issuer experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Resulting Issuer may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Resulting Issuer's ability to effectively enter the market. A failure by the Resulting Issuer to achieve a low-cost structure through economies of scale would have a material adverse effect on the Resulting Issuer's commercialization plans and the Resulting Issuer's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Resulting Issuer has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Resulting Issuer cannot guarantee that it will achieve market acceptance for any new products and services that the Resulting Issuer may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Resulting Issuer to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Resulting Issuer's business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Resulting Issuer is substantially dependent on continued market acceptance of its products by consumers. Although the Resulting Issuer believes that the use of products similar to the products to be designed and manufactured by the Resulting Issuer is gaining international acceptance, the Resulting Issuer cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Resulting Issuer believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Resulting Issuer's products to be of high quality, or if the Resulting Issuer introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Resulting Issuer will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Resulting Issuer may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Resulting Issuer incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Dependence on Suppliers and Skilled Labour

The ability of the Resulting Issuer to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Resulting Issuer will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Resulting Issuer's capital expenditure plans may be significantly greater than anticipated by the Resulting Issuer's management, and may be greater than funds available to the Resulting Issuer, in which circumstance the Resulting Issuer may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Dependence on Manufacturers

The Resulting Issuer is dependent on manufacturers, including the Packer Facilities, to manufacture its products. The Resulting Issuer's manufacturers may be subject to damage or interruption from, among other things, fire, natural or man-made disaster, disease outbreaks or public health pandemics, such as COVID-19, power loss, telecommunications failure, unauthorized entry, computer viruses, denial-of-service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. It is also possible that, due to the current uncertainty in the regulatory landscape regulating hemp derived CBD products, the Resulting Issuer's manufacturers may elect, at any time, to decline or withdraw services necessary for the Resulting Issuer's operations. Loss of its manufacturers may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

If the Resulting Issuer's manufacturers are unable to manufacture, or are delayed in manufacturing, the Resulting Issuer's products, the Resulting Issuer may be unable to meet customer demand. Moreover, the Resulting Issuer may have to find alternative manufacturers of acceptable quality and in the appropriate volumes, which could significantly limit or delay production. If the Resulting Issuer determines that it is necessary to contract other third-party manufacturers, any delay in production could have an adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Reliance on Broker and Distribution Agreements

The Resulting Issuer intends to sell its products to retailers via brokers and distributors. No assurances can be given that the Resulting Issuer will be successful in entering into broker and distribution agreements, or that such agreements will be available to the Resulting Issuer on terms which are acceptable. The Resulting Issuer's failure to establish a broker network could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Difficulty to Forecast

The Resulting Issuer must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Resulting Issuer.

Management of Growth

The Resulting Issuer may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Resulting Issuer to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Resulting Issuer to deal with this growth may have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Resulting Issuer to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Resulting Issuer's results of operations or cause it to fail to meet its reporting obligations. If the Resulting Issuer or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Resulting Issuer's consolidated financial statements and materially adversely affect the trading price of the Resulting Issuer Shares.

Conflicts of Interest

Certain of the directors and officers of the Resulting Issuer are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Resulting Issuer and as officers and directors of such other companies.

Litigation

The Resulting Issuer may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Resulting Issuer becomes involved be determined against the Resulting Issuer, such a decision could adversely affect the Resulting Issuer's ability to continue operating and the market price for the Resulting Issuer Shares. Even if the Resulting Issuer is involved in litigation and wins, litigation can redirect significant company resources.

Intellectual Property Risks

The Resulting Issuer will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Resulting Issuer will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Resulting Issuer may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Resulting Issuer's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Resulting Issuer's business, results of operations or prospects.

Fraudulent or Illegal Activity by Employees, Contractors And Consultants

The Resulting Issuer is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. It may not always be possible for the Resulting Issuer to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Resulting Issuer to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Resulting Issuer from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Resulting Issuer, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Resulting Issuer's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Resulting Issuer's operations, any of which could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Resulting Issuer's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Resulting Issuer's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Resulting Issuer's reputation and results of operations.

The Resulting Issuer has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Resulting Issuer will not incur such losses in the future. The Resulting Issuer's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Resulting Issuer may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Resulting Issuer's product and its lack of legal availability outside of channels approved by federal or state governments (as applicable), as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Resulting Issuer's facilities could expose the Resulting Issuer to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Resulting Issuer's products.

Operating Risks and Insurance

The Resulting Issuer's operations will be subject to hazards inherent in the hemp industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Resulting Issuer to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Resulting Issuer will continuously monitor its operations for quality control and safety. However, there are no assurances that the Resulting Issuer's safety procedures will always prevent such damages. Although the Resulting Issuer will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Resulting Issuer will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Resulting Issuer, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Resulting Issuer, the Resulting Issuer's ability to conduct normal business operations and on the Resulting Issuer's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Resulting Issuer may be subject to liability for risks against which it cannot insure or against which the Resulting Issuer may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Resulting Issuer's normal business activities. Payment of liabilities for which the Resulting Issuer does not carry insurance may have a material adverse effect on the Resulting Issuer's financial position and operations.

Issuance of Debt

From time to time, the Resulting Issuer may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Resulting Issuer's debt levels above industry standards for companies of similar size. Depending on future exploration and development plans, the Resulting Issuer may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Resulting Issuer. Neither the Resulting Issuer's notice of articles nor its articles will limit the amount of indebtedness that the Resulting Issuer may incur. As a result, the level of the Resulting Issuer's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Resulting Issuer may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Resulting Issuer which may be dilutive to the other Shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Resulting Issuer's financial estimates, projections and other forward-looking information accompanying this Listing Statement were prepared by the Resulting Issuer without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should research the Resulting Issuer, and its historical entities, Seaway and Sweet Earth and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Resulting Issuer might achieve.

Certain Remedies and Rights to Indemnification may be Limited

The Resulting Issuer's governing documents will provide that the liability of the Resulting Issuer Board and the Resulting Issuer's officers are eliminated to the fullest extent allowed under the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Thus, the Resulting Issuer and the Shareholders of the Resulting Issuer may be prevented from recovering damages for alleged errors or omissions made by the members of the Resulting Issuer Board. The Resulting Issuer's governing documents will also provide that the Resulting Issuer will, to the fullest extent permitted by law, indemnify members of the Resulting Issuer Board for certain liabilities incurred by them by virtue of their acts on behalf of the Resulting Issuer.

Going-Concern Risk

The *pro forma* financial statements of the Resulting Issuer have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Resulting Issuer's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Resulting Issuer will be successful in completing an equity or debt financing or in achieving profitability. The *pro forma* financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Resulting Issuer be unable to continue as a going concern.

Client Acquisitions

The Resulting Issuer's success depends on its ability to attract and retain consumers of its products. There are many factors which could impact the Resulting Issuer's ability to attract and retain customers, including but not limited to the Resulting Issuer's ability to continually produce desirable and effective products, the successful implementation of the Resulting Issuer's client-acquisition plan and continued growth in the aggregate number of consumers choosing to use hemp either recreationally or medically. The Resulting Issuer's failure to acquire and retain customers would have a material adverse effect on the Resulting Issuer's business, operating results and financial condition.

Credit Risk

The Resulting Issuer will be exposed to credit risk through its cash and cash equivalents. Credit risk arises from deposits with banks and outstanding receivables. The Resulting Issuer does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Industry and Regulatory Risks

Regulatory Regime

The business and activities of the Resulting Issuer are heavily regulated in all jurisdictions where it will carry on business. The Resulting Issuer's operations will be subject to various laws, regulations and guidelines by governmental authorities. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Resulting Issuer, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Resulting Issuer's products and services. Achievement of the Resulting Issuer's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. the Resulting Issuer cannot predict the impact of the compliance regime that is being implemented for the United States hemp industries. Similarly, the Resulting Issuer cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

The Resulting Issuer will incur ongoing costs and obligations related to regulatory compliance in the United States. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Resulting Issuer's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

Change in Laws, Regulations and Guidelines

The Resulting Issuer's operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Resulting Issuer, the Resulting Issuer may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Resulting Issuer's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Resulting Issuer's business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Resulting Issuer's ability to operate in the U.S, as a result of regulatory changes or other unanticipated events could require extensive changes to the Resulting Issuer's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer.

General Regulatory Risks

The Resulting Issuer's business will be subject to a variety of laws, regulations and guidelines and licensing requirements in the United States. Achievement of the Resulting Issuer's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

The Resulting Issuer will be required to obtain or renew further government permits, licenses and registrations for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Resulting Issuer's part. The duration and success of the Resulting Issuer's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Resulting Issuer may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Resulting Issuer. To the extent permits, licenses or registrations are not obtained, amended or renewed, or are subsequently suspended or revoked, the Resulting Issuer may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

There is no assurance that the Resulting Issuer's licenses, permits or registrations will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Resulting Issuer could impede the ongoing or planned operations of the Resulting Issuer and have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

The Resulting Issuer may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Resulting Issuer's reputation, require the Resulting Issuer to take, or refrain from taking, actions that could harm its operations or require the Resulting Issuer to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Resulting Issuer's business, financial condition, results of operations or prospects.

Differing Local Rules and Regulations May Limit Ability to Expand into New Markets

Expansion of the Resulting Issuer's business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose the Resulting Issuer to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject the Resulting Issuer to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Resulting Issuer. For example, different localities may impose different rules on how hemp may be cultivated, manufactured, processed, distributed and/or transported. Each of the political subdivisions currently has the right to subject participants in the hemp industry operating within its jurisdiction to its own set of rules and regulations regarding the acquisition and maintenance of required licenses, permits or registrations, and the conduct of business, including prohibiting such operations and business in full or in part, regardless of the rules and regulations of other political subdivisions in which the Resulting Issuer operates. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

Constraints on Marketing Products

The development of the Resulting Issuer's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States, and the legal environment in the United States—particularly the existence of federal criminal laws that may prohibit certain marketing of hemp or hemp products limits companies' abilities to compete for market share in a manner similar to other industries. If the Resulting Issuer is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Resulting Issuer's sales and results of operations could be adversely affected.

Risks Specifically Related to the United States

The Resulting Issuer operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Resulting Issuer incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with laws or regulations may result in additional costs for corrective measures, penalties, fines, fees, revocation or denial or licenses, permits, or other forms of authorization, or in restriction or prohibition of operations. In addition, changes in federal, state, or local laws, policies, or regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Resulting Issuer and, therefore, on the Resulting Issuer's prospective returns. Further, the Resulting Issuer may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Resulting Issuer and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies, which may be imposed. Changes in government levies, including taxes, could reduce the Resulting Issuer's earnings and could make future capital investments or the Resulting Issuer's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs and other consumer products sold in interstate commerce.

As set forth in greater detail above, on December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes hemp from the CSA and amends the Agricultural Marketing Act of 1946 to allow for hemp production and sale in the United States. Under the 2018 Farm Bill, hemp is defined as "the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a [THC] concentration of not more than 0.3 percent on a dry weight basis." The USDA issued Interim Rules pursuant to the 2018 Farm Bill and has authority to review and approve state hemp production plans or issue federal hemp production licenses to operators in states who do not submit plans but do not prohibit hemp production. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA.

Until such time as the USDA approves a state's hemp proposed plan, commercial sale of hemp may not be permissible depending, in large part, on whether the state authorizes such sale pursuant to the 2014 Farm Bill's marketing research provisions. Although the Interim Rules are now in place, the timing of finalized federal rules and regulations, the acceptance of state hemp production plans, the issuance of state-specific rules and regulations, and the finalization of FDA regulations cannot be assured. Even the finalization of a hemp production plan would probably not regulate the sale of products containing hemp derivatives. There can be no assurance that the FDA will approve CBD or other cannabinoids as an additive to consumer products under the FDCA, or change its interpretation of the FDCA that many CBD products are unlawful. It is not yet fully known what role the FDA will have in regulating hemp and CBD derived from hemp, though the FDA has made clear that it believes that food, beverages, animal products, dietary supplements, unapproved drugs, and certain cosmetic products containing CBD are currently prohibited. Changes in laws, regulations, or policies could substantially threaten or have a materially adverse effect on the operations of hemp businesses.

The potential for multi-agency enforcement (including state and local agencies) post-rescheduling of cannabis and post-removal of hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal hemp businesses, including certain of Issuer's State Operators.

Incorrect Interpretation of Federal Law

The Resulting Issuer's position in that the 2018 Farm Bill permanently removed hemp from the CSA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of hemp products on the basis that they are controlled substances, so long as the THC level is at or below 0.3% (though the DEA has some regulatory authority over hemp as set forth in detail above). There is a risk that the Resulting Issuer's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal, state, or local authorities. A successful challenge to such position by a federal, state, or local authority could have a material adverse effect on the Resulting Issuer, including civil, criminal, or administrative judgments, penalties, assessments, fees, damages, fines, the curtailment or restructuring of the Resulting Issuer's operations, asset seizures, imprisonment, or the denial, termination, revocation, suspension, or cancellation of regulatory licenses, permits, or applications ("Entitlements").

Regulation of Hemp Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug or other consumer product. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or ingestible product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body . . . for cleansing, beautifying, promoting attractiveness, or altering the appearance." *See* FDCA § 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients, except for colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a "monograph" for a particular drug category, as established by the FDA's OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive (including beverages and animal products). Additionally, the FDA has taken the position that any advertisement of any kind of medical benefit for any product containing CBD (including, without limitation, cosmetics and inhalable products) could render that product a drug.

Laws, regulations, and policies governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. As set forth in greater detail above, under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA, as set forth in the Interim Rules. Many states have already submitted hemp production plans to the USDA but few have been approved.

Federal, state, and local laws, regulations, and policies concerning hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%.

Violations of any of these laws, regulations, or policies, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Resulting Issuer's operations, as well as adverse publicity and potential harm to the Resulting Issuer's reputation.

Changes in laws, regulations, policies, or enforcement priorities may also drastically affect the commercial viability of Issuer's business. If certain CBD products are prohibited, Resulting Issuer may no longer be able to sell certain products or provide certain services.

Transportation

Federal, state, and local laws, regulations, and policies may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with the 2018 Farm Bill through the state, as applicable.

Notwithstanding the foregoing, hemp transporters have been routinely arrested while transporting hemp in the U.S., for numerous reasons. First, some states still outlaw hemp, and hemp produced pursuant to the 2014 Farm Bill or other state laws arguably does not enjoy the same protections that hemp produced pursuant to the 2018 Farm Bill does. Second, law enforcement officers often confuse hemp for marijuana, as the two plants can look and smell identical. Third, if hemp is tested during transit and has excessive THC content, it will be considered marijuana. This last point can be problematic as the THC content in raw hemp can increase over time and due to exposure to heat; thus even hemp that tested below the THC threshold could later be considered illegal marijuana.

Access to Financial Institutions

Since the production and possession of cannabis is currently illegal under U.S. federal law and the Resulting Issuer relies on exemptions promulgated pursuant to the 2018 Farm Bill regarding hemp, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. Financial institutions also often regularly refuse to offer banking services to companies that are not involved in the state-licensed marijuana industry but who lawfully cultivate, process, or sell hemp or hemp derivatives. Despite the shift in federal laws, many banks are highly risk averse and are concerned with the constant and unpredictable changes in federal, state, and local laws, policies, regulations, or enforcement priorities governing hemp, and therefore choose not to service companies in the hemp industry. Some financial institutions that do offer banking services to hemp companies could terminate accounts on short notice if there is a change in law, regulation, policy, or enforcement priorities, or if the financial institution decides that it no longer wishes to bank monies derived from the hemp industry. The inability to open or maintain bank accounts with certain institutions could materially and adversely effect the business of the Resulting Issuer.

Negative Impact of Regulatory Scrutiny on Raising Capital

The Resulting Issuer's business activities will rely on newly established and/or developing laws, regulations, policies, and enforcement priorities in multiple jurisdictions (including federal, state, and local jurisdictions). These laws, regulations, policies, and enforcement priorities are rapidly evolving and subject to change with minimal or no notice. Regulatory changes may adversely affect the Resulting Issuer's profitability or cause it to cease operations entirely. The hemp industry may come under scrutiny or further scrutiny by the USDA, FDA, FTC, Securities and Exchange Commission, DOJ, Financial Industry Regulatory Authority, Environmental Protection Agency, U.S. Customs and Border Patrol, or other applicable federal, state, local, or non-governmental regulatory authorities or self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations, policies, or enforcement priorities that may be proposed or implemented, or whether any proposals will become law. The regulatory uncertainty surrounding the Resulting Issuer's industry may adversely affect the business and operations of the Resulting Issuer, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Resulting Issuer or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Resulting Issuer.

Trademark Risks

The United States Patent and Trademark Office ("**USPTO**") is responsible for issuing federal trademarks in the United States. Trademarks may be issued only for marks that are lawfully used in commerce. The USPTO's position is that products containing CBD that are prohibited by the FDA are generally not subject to trademark protection as they may not be lawfully used in interstate commerce. Therefore, if the Resulting Issuer sells products or provides services that the FDA or another agency prohibits, the Resulting Issuer may not be able to obtain federal trademark protection for such goods or services.

State trademark laws vary greatly. Even if the Resulting Issuer is able to secure state trademark rights, (1) those rights will typically require that the Resulting Issuer lawfully uses a trademark in the state in which trademark registrations are sought, and (2) the rights will not extend outside of that state.

Taxation

Though Internal Revenue Code 280E (which prohibits most deductions by companies who traffic in certain controlled substances under the CSA) no longer applies to hemp by virtue of the 2018 Farm Bill, states and localities may impose additional taxes on hemp or hemp-derived products. Federal, state, and local tax laws are subject to change.

Consumer Litigation

Since the passage of the 2018 Farm Bill and the proliferation of hemp-derived CBD as an additive in many consumer products, there has been a host of consumer class action and other lawsuits filed against CBD companies. Many of these lawsuits allege that CBD companies make false or misleading claims. The FDA takes the position that CBD may cause liver damage and other health problems. In addition to the risks of enforcement by governmental authorities, there is a higher risk of consumer litigation in the CBD industry.

Import and Export Risks

The U.S. Customs and Border Patrol, as well as other federal agencies, regulates the import and export of products in the United States. While hemp is no longer a controlled substance under the CSA (and thus is not a controlled substance under the U.S. federal *Controlled Substances Import-Export Act*), many factors could arise when importing or exporting hemp biomass or products containing hemp derivatives. Given the different THC-concentration standards in other countries, a product that is considered hemp in the United States could be considered marihuana or another controlled or unlawful substance in another country, implicating international treaties and criminal, civil, or administrative laws in other countries. The USDA regulates the importation of plants and seeds into the US and has provided guidance on the requirements for importing hemp plants and seeds. However, the USDA does not regulate the importation of hemp-derived products. Additionally, the FDA and other agencies may have jurisdiction over certain consumer products that are imported or exported, and the importer or exporter could face civil, criminal, or administrative liability in the United States if a product is not imported or exported in accordance with all applicable laws, regulations, and policies. The risks surrounding imports and exports are difficult to anticipate and are subject to immediate change.

Market and Other Risks

Volatility in the Market Price of the Resulting Issuer's Securities

Securities of hemp companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, currency fluctuations and market perceptions of the attractiveness of particular industries. The price of the Resulting Issuer Shares is also likely to be significantly affected by short-term changes in hemp, by the Resulting Issuer's financial condition or results of operations as reflected in its quarterly financial statements and by other operational and regulatory matters. As a result of any of these factors, the market price of the Resulting Issuer Shares at any given point in time may not accurately reflect their long-term value.

Payment of Dividends Unlikely

There is no assurance that the Resulting Issuer will pay dividends on its shares in the near future or ever. The Resulting Issuer will likely require all its funds to further the development of its business.

Economic Environment

The Resulting Issuer's operations could be affected by general economic context conditions should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Resulting Issuer's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Resulting Issuer's management.

Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability, natural disasters, epidemics/pandemics, and other public health crises, such as COVID-19. Any sudden or rapid destabilization of global economic conditions could impact the Resulting Issuer's ability to obtain equity or debt financing in the future on terms favourable to the Resulting Issuer. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Resulting Issuer's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the hemp industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Resulting Issuer's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

Epidemics/Pandemics and other Public Health Crises

The Resulting Issuer is vulnerable to the general economic effects of epidemics/pandemics and other public health crises, such as COVID-19. Due to the recent outbreak of COVID-19, there has been a substantial curtailment of travel and business activities, globally. A number of countries have also limited the shipment of products in and out of their borders, which could negatively impact supply chains. If not resolved quickly, the impact of COVID-19 could have a material adverse effect on the Resulting Issuer's business, financial condition, results of operations or prospects.

19. PROMOTERS

Other than as set out below, there are no promoters of the Resulting Issuer or any subsidiary of the Resulting Issuer within the last two years immediately preceding the date hereof.

The following persons are promoters of the Resulting Issuer:

Name	Number and Percentage of Resulting Issuer Shares Upon Completion of the Transaction	Nature and Amount of Services Received by the Resulting Issuer
Michael Gonzalez	17,000,000 (42%)	CEO of Happy Tea prior to the Transaction
Dominic Verdejo	123,333 (0.30%)	President, CEO, and a director or Viking prior to the Transaction

20. LEGAL PROCEEDINGS

On December 8, 2015, Viking received a Cease Trade Order from the British Columbia and the Ontario Securities Commissions for failure to file its quarterly financial statements for September 30, 2015. Both Cease Trade Orders were revoked on April 4, 2019.

As of the date of this Listing Statement, there are no legal proceedings to which Viking, Happy Tea, or the Resulting Issuer is a party or of which any of their property is the subject matter. Additionally, to the reasonable knowledge of the management of the Resulting Issuer, there are no such proceedings contemplated.

21. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors, executive officers and promoters of the Resulting Issuer, principal shareholders, or any Associate or Affiliate of such persons, has or has had any material interest, direct or indirect, in any material transaction within the three years before the date of this Listing Statement or in any proposed transaction that has materially affected or may affect the Resulting Issuer.

22. AUDITORS, TRANSFER AGENTS AND REGISTRARS

The current auditors of Viking are UHY McGovern Hurley LLP ("**UHY**"), located at Suite 800, 251 Consumers Rd., North York, Ontario, M2J 4R3.

The auditors of the Resulting Issuer will be Dale Matheson Carr-Hilton Labonte LLP, located at Suite 1500 – 1140 W. Pender St., Vancouver, BC V6E 4G1.

Viking's registrar and transfer agent, TSX Trust Company, located at Suite 2700, 650 West Georgia Street, Vancouver, BC V6B 4N9, will be the registrar and transfer agent of the Resulting Issuer.

23. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Resulting Issuer in the previous two years are the following:

(a) the Assignment Agreement; and

(b) the Share Exchange Agreement.

24. INTEREST OF EXPERTS

The auditor of Viking, UHY, audited the financial statements of the Viking for the years ended December 31, 2018 and 2019 and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia. Based on information provided by UHY, UHY has not received nor will receive any direct or indirect interests in the property of the Viking and will not receive any direct of indirect interests in the property of the Resulting Issuer. Neither UHY nor any of the directors, officers, employees and partners thereof, beneficially own, directly or indirectly, any securities of Viking or the Resulting Issuer or its Associates and Affiliates.

25. OTHER MATERIAL FACTS

The Resulting Issuer is not aware of any other material facts relating to the Resulting Issuer that are not disclosed under the preceding items and are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Resulting Issuer.

26. FINANCIAL STATEMENTS

Viking

A copy of the unaudited financial statements of Viking for the six months ended June 30, 2020, and the audited financial statements for the financial years ended December 31, 2019, December 31, 2018, and December 31, 2017 are attached hereto as Schedule "A".

Happy Tea

A copy of the audited financial statements of Happy Tea for the period of inception September 4, 2018, to August 31, 2019, and the unaudited interim financial statements for the nine months ended May 31, are attached hereto as Schedule "B".

Resulting Issuer

A copy of the unaudited pro-form balance sheet for the Resulting Issuer as at June 30, 2020, to give effect to the Transaction as if it had taken place as of June 30, 2020, is attached hereto as Schedule "E".

CERTIFICATE OF THE RESULTING ISSUER

Pursuant to a resolution duly passed by its Board of Directors, the Resulting Issuer hereby applies for the listing of the above-mentioned securities on the CSE. The foregoing contains full, true and plain disclosure of all material information relating to the Resulting Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 5th day of November, 2020.

"Dominic Verdejo"	*"Danny Lee"*
Dominic Verdejo, Chief Executive Officer	*Danny Lee, Chief Financial Officer*
"Karly Oliver"	*"Nathan Tribble"*
Karly Oliver, Director	*Nathan Tribble, Director*

CERTIFICATE OF THE PROMOTERS

The foregoing contains full, true and plain disclosure of all material information relating to the Resulting Issuer. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, British Columbia this 5th day of November, 2020.

"*Michael Gonzalez*"	*"Dominic Verdejo"*
Michael Gonzalez *Promoter*	*Dominic Verdejo* *Promoter*

SCHEDULE "A"

AUDITED FINANCIAL STATEMENTS OF VIKING FOR THE FINANCIAL YEARS ENDED DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017 AND THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

VIKING GOLD EXPLORATION INC.

Condensed Interim Financial Statements

For the Six Months Ended June 30, 2020

(Unaudited – Expressed in Canadian Dollars)

VIKING GOLD EXPLORATION INC.

June 30, 2020

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Condensed Interim Financial Statements

VIKING GOLD EXPLORATION INC.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

		June 30, 2020		December 31, 2019
Assets				
Current				
Cash	$	40,345	$	90
Receivables		1,583		809
Total Assets	$	41,928	$	899
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 10 and 15)	$	111,075	$	127,903
Subscription receipts (note 19)		355,000		-
Loans payable (note 11)		10,000		249,160
Provision for indemnification of flow-through subscribers (note 13)		-		401,633
Total Liabilities		476,075		778,696
Shareholders' Deficiency				
Share capital (note 14)		9,245,200		9,229,033
Share-based payments reserves		20,794		-
Deficit		(9,700,141)		(10,006,830)
Total Shareholders' Deficiency		(434,147)		(777,797)
Total Liabilities and Shareholders' Deficiency	$	41,928	$	899

Going Concern (note 2)
Commitments and Contingencies (note 18)
Subsequent Events (note 19)

Approved on behalf of the Board:

"Nathan Tribble" ……………………………… Director Nathan Tribble

"Dominic Verdejo" ……………………………… Director Dominic Verdejo

The accompanying notes are an integral part of these condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2020	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Expenses				
Depreciation (note 8)	$ -	$ 30	$ -	$ 105
Interest (notes 11 and 12)	11,299	5,861	17,313	15,555
Management fees (note 15)	-	-	-	5,000
Office and miscellaneous	3,306	1,083	6,520	1,116
Professional fees	14,271	5,687	15,805	9,477
Rent	6,000	-	12,000	-
Share-based payments (notes 14 and 15)	27,361	-	27,361	-
Shareholder communications and investor relations	-	8,675	512	8,675
Transfer agent and filing fees	12,112	7,784	15,433	7,784
Loss Before Other Items	(74,349)	(29,120)	(94,944)	(47,712)
Other Items				
Adjustment to provision for indemnification of flow-through subscribers (note 13)	-	-	401,633	-
Realized loss on investments (note 7)	-	-	-	(905)
Change in unrealized loss on investments (note 7)	-	(2,500)	-	(250)
Net Income (Loss) and Comprehensive Income (Loss) for the Period	$ (74,349)	$ (31,620)	$ 306,689	$ (48,867)
Basic and Diluted Earnings (Loss) Per Share	$ (0.06)	$ (0.04)	$ 0.24	$ (0.06)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	1,287,299	797,714	1,283,838	797,714

The accompanying notes are an integral part of these condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Changes in Shareholders' Deficiency

(Unaudited – Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Share-based Payments Reserve	Deficit	Total
Balance, December 31, 2018	**797,714**	**$ 9,009,002**	**$ -**	**$ (10,087,351)**	**$ (1,078,349)**
Net loss and comprehensive loss for the period	-	-	-	(48,867)	(48,867)
Balance, June 30, 2019	**797,714**	**9,009,002**	**-**	**(10,136,218)**	**(1,127,216)**
Shares issued for settlement of debt	482,662	220,031	-	-	220,031
Net income and comprehensive income for the period	-	-	-	129,388	129,388
Balance, December 31, 2019	**1,280,376**	**9,229,033**	**-**	**(10,006,830)**	**(777,797)**
Exercise of stock options	30,000	9,600	-	-	9,600
Fair value of stock options exercised	-	6,567	(6,567)	-	-
Share-based payments (note 14)	-	-	27,361	-	27,361
Net income and comprehensive income for the period	-	-	-	306,689	306,689
Balance, June 30, 2020	**1,310,376**	**$ 9,245,200**	**$ 20,794**	**$ (9,700,141)**	**$ (434,147)**

The accompanying notes are an integral part of these condensed interim financial statements.

VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Cash Flows
For the Six Months Ended June 30,
(Unaudited – Expressed in Canadian Dollars)

	2020	2019
Operating Activities		
Net income (loss)	$ 306,689	$ (48,867)
Items not involving cash		
Depreciation	-	105
Interest accrued on loans payable	17,313	11,423
Interest accrued on convertible debentures	-	4,132
Share-based payments	27,361	-
Realized loss on investments	-	905
Adjustment to provision for indemnification of flow-through subscribers	(401,633)	-
Change in unrealized loss on investments	-	250
Changes in non-cash working capital		
Receivables	(774)	(7,094)
Accounts payable and accrued liabilities	(16,828)	(54,363)
Cash Used in Operating Activities	(67,872)	(93,509)
Investing Activity		
Proceeds on sale of investments	-	5,095
Cash Provided by Investing Activity	-	5,095
Financing Activities		
Loan proceeds	-	44,850
Repayment of loans	(256,473)	-
Proceeds from share issuances	364,600	-
Cash Provided by Financing Activities	108,127	44,850
Inflow (Outflow) of Cash (net)	40,255	(43,564)
Cash, Beginning of Period	90	44,802
Cash, End of Period	$ 40,345	$ 1,238

Supplemental Disclosure with Respect to Cash Flows (note 16)

The accompanying notes are an integral part of these condensed interim financial statements.

1. NATURE OF OPERATIONS

Viking Gold Exploration Inc. (the "Company" or "Viking") is a Canadian mineral exploration company with interests in projects located in Québec. The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5. The Company was incorporated under the laws of the Province of Ontario, and on August 6, 2019 was continued into British Columbia. The Company is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. On May 14, 2020, Viking was reinstated for trading on the NEX board of the TSX Venture Exchange ("TSX-V").

On August 15, 2019 and May 14, 2020, the Company performed two common share consolidations, each on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidations.

The Company's exploration projects are described in note 9. There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has a net income during the six months ended June 30, 2020 of $306,689 (2019 - loss of $48,867) (before the change in estimate of provision, the June 30, 2020 loss was $94,944) and as at June 30, 2020 has a deficit of $9,700,141 (December 31, 2019 - $10,006,830), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. As at June 30, 2020, the Company also had a working capital deficiency of $434,147 (December 31, 2019 - $777,797). The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

2. GOING CONCERN (Continued)

If the going concern assumption were not appropriate for these condensed interim financial statements then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of Compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The condensed interim financial statements of the Company should be read in conjunction with the Company’s 2019 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on August 24, 2020.

b) Basis of Measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for investments, which are measured at fair value. These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements for the year ended December 31, 2019.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Critical judgments in applying accounting policies (continued)

a) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

b) Going Concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the condensed interim financial statements.

a) Decommissioning Liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year.

Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at June 30, 2020 and December 31, 2019, the Company had no known rehabilitation requirements, and accordingly, no provision has been made.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty (continued)

b) Fair Value of Stock Options Granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

c) Income, Value Added, Withholding and Other Taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

d) Commitments, Contingencies and Provisions

See notes 13 and 18.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as amortized cost; investments, as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities and loans payable, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

There are no financial instruments at June 30, 2020 or December 31, 2019 classified in the fair value hierarchy.

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $1,583 (December 31, 2019 - $809) owing from the Canada Revenue Agency. The Company has minimal credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of June 30, 2020 equal $476,075 (December 31, 2019 - $778,696). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of June 30, 2020. The cash available is not sufficient to meet the Company's financial obligations at June 30, 2020. The Company will need to raise additional capital in order to address its liquidity (see note 19).

c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) Currency risk – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider the related interest rate risk to be significant. The Company incurs interest on fixed rate debentures and loans payable. It may be subject to changes in cash flows resulting from rate changes upon renewal.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

d) Capital Management

The Company considers its capital to be comprised of shareholders' deficiency.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company spends its working capital and raises additional amounts as needed. The Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

(Unaudited – Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital Management (continued)

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended June 30, 2020 and year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements other than of the TSX-V, which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of June 30, 2020, the Company is not compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

7. INVESTMENTS

During the year ended December 31, 2019, 50,000 shares of Cartier Resources Inc. were sold for net proceeds of $5,095, resulting in a loss on sale of investments of $905. Also, 250,000 shares of Troy Energy Corp. were sold for net proceeds of $4,750, resulting in a loss on sale of investments of $15,250.

8. EQUIPMENT

		Furniture and Equipment
Cost		
Balance, December 31, 2018	**$**	**4,741**
Disposal		(4,741)
Balance, December 31, 2019 and June 30, 2020	**$**	**-**
Accumulated Depreciation		
Balance, December 31, 2018	$	**4,151**
Depreciation		164
Disposal		(4,315)
Balance, December 31, 2019 and June 30, 2020	**$**	**-**
Net Book Value, December 31, 2019	**$**	**-**
Net Book Value, June 30, 2020	**$**	**-**

9. EXPLORATION AND EVALUATION ASSETS

a) The Company retains a 0.6% net smelter return royalty in Viking Yellowknife JV, which the purchaser can buy back for $1,000,000.

b) In 2011, the Company acquired a 100% interest in the Verneuil East Property located in Québec.

(Unaudited – Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

	June 30, 2020	December 31, 2019
Trade payables (note 14)	$ 47,325	$ 43,955
Accrued Part XII.6 tax and related amounts (note 13)	30,000	35,198
Accrued liabilities	25,000	40,000
Due to related parties (note 15)	8,750	8,750
	$ 111,075	$ 127,903

On April 4, 2019, the Company agreed to settle $15,000 of trade payables for 25,000 common shares of the Company valued at $0.36 per share. On August 19, 2019, the Company issued the common shares and recorded a gain on settlement of debt of $6,000.

11. LOANS PAYABLE

Loans payable at June 30, 2020:

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ -	$ 10,000	$ 10,000

* The loans bear interest at 10% until the maturity date, after which the interest rate increases to 20% if not repaid.

Loans payable at December 31, 2019:

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 10,522	$ 43,947
July 17, 2018	November 14, 2018	10%/20%*	40,850	11,886	52,736
August 22, 2018	December 20, 2018	10%/20%*	25,000	5,959	30,959
January 28, 2019	May 28, 2019	10%/20%*	10,000	1,513	11,513
February 27, 2019	June 27, 2019	10%/20%*	9,850	1,328	11,178
March 20, 2019	July 18, 2019	10%/20%*	5,000	616	5,616
May 24, 2019	September 21, 2019	10%/20%*	20,000	1,754	21,754
August 2, 2019	November 30, 2019	10%/20%*	20,000	1,156	21,156
December 9, 2019	April 7, 2020	10%/20%*	50,000	301	50,301
Total			$ 214,125	$ 35,035	$ 249,160

* The loans bear interest at 10% until the maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading (note 1). This payment was accrued during the six months ended June 30, 2020.

12. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum, which will be paid on maturity.

Interest expense on the Debentures for the six months ended June 30, 2020 was $nil (2019 - $4,132).

On April 4, 2019, the Company agreed to settle $165,263 worth of convertible debentures ($107,500 of principal and $57,763 of accrued interest) for 330,526 common shares of the Company valued at $0.50 per share. On August 19, 2019, the Company issued the common shares and the remaining accrued interest of $4,129 was recorded as a gain on settlement of debt.

13. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Québec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers had a combined personal income tax rate of 47.97% and were eligible for both the federal 15% and provincial 5% investment tax credits;
- Québec subscribers had a combined personal income tax rate of 48.22% and were eligible for the federal 15% investment tax credit and the 150% Canadian exploration expenditures "super-allowance";
- Of the $552,828 shortfall, $73,329 applied to Ontario subscribers and $479,499 applied to Québec subscribers; and
- Subscribers would be assessed two years' interest on reassessed amounts.

During 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall. No further subscribers have made claims for additional taxes owing. Based on the lack of claims to date, the Company has adjusted its estimate of the provision to $nil at June 30, 2020.

As at June 30, 2020 and December 31, 2019, the Company has also accrued in accounts payable and accrued liabilities (see note 10) the estimated federal Part XII.6 tax and similar Québec tax for 2013 and prior years.

During the year ended December 31, 2019, the Company reached an agreement to pay outstanding Part XII.6 tax of $48,093. The Company had previously accrued $70,627 for Part XII.6 tax, resulting in a recovery of $22,534.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in note 18a.

(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued

For the six months ended June 30, 2020

On May 14, 2020, the Company consolidated its common shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

During the six months ended June 30, 2020, the Company received $9,600 on the exercise of 30,000 stock options. The Company transferred $6,567, the value of the stock options, from the share-based payments reserves to share capital upon exercise of the options.

For the year ended December 31, 2019

On August 15, 2019, the Company consolidated its common shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

On August 19, 2019, the Company issued 482,662 common shares valued at $220,031 to settle trade payables of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and amounts due to related parties of $190,068.

c) Stock Options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. Options granted may not exceed a term of five years. All options vest when granted unless otherwise specified by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended June 30, 2020		**Year Ended December 31, 2019**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	-	-
Granted	125,000	$ 0.32	-	-
Exercised	(30,000)	$ 0.32	-	-
Outstanding, end of period	95,000	$ 0.32	-	-

(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL (Continued)

c) Stock Options (continued)

The following stock options were outstanding and exercisable at June 30, 2020:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
June 2, 2023	2.92	$ 0.32	95,000	95,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. The Company recognized share-based payments expense of $27,361 during the six months ended June 30, 2020 (year ended December 31, 2019 - $nil). The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Expected life (years)	3.00	N/A
Risk-free interest rate	0.27%	N/A
Annualized volatility	98.50%	N/A
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.35	N/A
Exercise price	$ 0.32	N/A
Weighted average grant date fair value	$ 0.22	N/A

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has used the historical volatility of a comparable company to estimate the volatility of the share price.

During the six months ended June 30, 2020, the Company transferred $6,567 from the share-based payments reserve to share capital upon the exercise of 30,000 stock options.

15. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of income (loss) and comprehensive income (loss):

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Short-term compensation	$ -	$ 5,000
Share-based payments	20,794	-
	$ 20,794	$ 5,000

During the six months ended June 30, 2020, short-term compensation to related parties consisted of $nil (2019 - $5,000) in management fees.

As at June 30, 2020, the Company has outstanding amounts payable to officers, directors and advisory committee members of the Company of $8,750 (December 31, 2019 - $8,750) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

(Unaudited – Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS (Continued)

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 127,136 common shares of the Company valued at $0.36 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

See note 19a for additional disclosure.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		June 30, 2020		June 30, 2019
Income tax paid	$	-	$	-
Interest paid	$	42,348	$	-

17. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada.

18. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Québec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in note 13.

b) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

19. SUBSEQUENT EVENTS

a) On July 6, 2020, the Company closed a private placement for gross proceeds of $355,000. The private placement consisted of 1,183,333 units at a price of $0.30 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.40 for a period of one year. Directors and officers of the Company subscribed for 196,667 units.

b) On July 23, 2020, the Company closed a private placement for gross proceeds of $100,000. The private placement consisted of 333,333 common shares at a price of $0.30 per share.

19. SUBSEQUENT EVENTS (Continued)

c) On July 28, 2020, the Company entered into an assignment and novation agreement with 1208004 B.C. Ltd. (“1208004”), pursuant to which it has acquired the right to enter into a share exchange agreement dated July 28, 2020, among the Company, Happy Supplements Inc., a Delaware corporation doing business as Happy Tea (“Happy Tea”), and the securityholders of Happy Tea (the “Definitive Agreement”). Happy Tea develops health and wellness supplements that contain cannabidiol and other cannabinoids derived from industrial hemp (as permitted by applicable laws).

   Pursuant to the terms of the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of Happy Tea (the “Acquisition”), and Happy Tea will become a wholly owned subsidiary of the Company.

   Upon completion of the Acquisition, the Company will carry on the business of Happy Tea as currently constituted, under the new name “Happy Supplements Inc.” or such other name as may be approved by the Board of Directors (the “Resulting Issuer”). The Acquisition is an arm’s length transaction and constitutes a reverse takeover of the Company by Happy Tea. In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSX-V and will apply to list its common shares on the Canadian Securities Exchange (the “CSE”, and together with the TSX-V, the “Exchange”).

   The existing shareholders of Happy Tea will receive common shares of the Resulting Issuer (“Resulting Issuer Shares”) in exchange for their common shares of Happy Tea. It is currently expected that a total of 34,468,616 Resulting Issuer Shares will be issued pro rata to the shareholders of Happy Tea as consideration for 100% of the issued and outstanding common shares of Happy Tea. The Resulting Issuer Shares are being issued at a deemed value of $0.25 per Resulting Issuer Share.

   Each Happy Tea warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer (“Resulting Issuer Warrants”). It is currently expected that a total of 9,000,000 Resulting Issuer Warrants will be issued to the Happy Tea warrantholders. Each Resulting Issuer Warrant will entitle the warrantholder to purchase one Resulting Issuer Share at a price of $0.05 per Resulting Issuer Share until March 3, 2021.

   In addition, the Company will issue 900,000 Resulting Issuer Shares to 1208004 as an assignment fee in connection with the acquisition and pursuant to the terms of the assignment agreement at a deemed price of $0.25 per share.

   The Company has agreed to undertake a concurrent non-brokered private placement offering of 2,000,000 common shares at a price of $0.25 per common share for gross proceeds of $500,000.

   Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the concurrent non-brokered private placement, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all.

   Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

VIKING GOLD EXPLORATION INC.

Financial Statements

For the Years Ended December 31, 2019 and 2018

(Expressed in Canadian Dollars)

VIKING GOLD EXPLORATION INC.

December 31, 2019 and 2018

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McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of Viking Gold Exploration Inc.

Opinion

We have audited the financial statements of Viking Gold Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income (loss) and comprehensive income (loss), statements of changes in shareholders' deficiency and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has a deficit and has a working capital deficiency as at December 31, 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
mcgovernhurley.com
t. 416-496-1234

with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 24, 2020

VIKING GOLD EXPLORATION INC.

Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2019	December 31, 2018
Assets		
Current		
Cash	$ 90	$ 44,802
Receivables	809	3,255
Investments (note 7)	-	13,750
Total Current Assets	899	61,807
Equipment (note 8)	-	590
Total Assets	$ 899	$ 62,397
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 10 and 15)	$ 127,903	$ 466,461
Loans payable (note 11)	249,160	107,392
Interest payable on convertible debentures (notes 12 and 15)	-	57,760
Convertible debentures (notes 12 and 15)	-	107,500
Provision for indemnification of flow-through subscribers (note 13)	401,633	401,633
Total Liabilities	778,696	1,140,746
Shareholders' Deficiency		
Share Capital (note 14)	9,229,033	9,009,002
Deficit	(10,006,830)	(10,087,351)
Total Shareholders' Deficiency	(777,797)	(1,078,349)
Total Liabilities and Shareholders' Deficiency	$ 899	$ 62,397

Going Concern (note 2)
Commitments and Contingencies (note 19)
Subsequent Events (note 20)

Approved on behalf of the Board:

"Nathan Tribble" ……………………………… Director
Nathan Tribble

"Dominic Verdejo" ……………………………… Director
Dominic Verdejo

The accompanying notes are an integral part of these financial statements.

VIKING GOLD EXPLORATION INC.

Statements of Income (Loss) and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Expenses		
Depreciation (note 8)	$ 164	$ 300
Interest (notes 11 and 12)	31,050	24,838
Management fees (note 15)	5,000	24,000
Office and miscellaneous	3,843	6,162
Professional fees	19,889	63,231
Rent	4,000	-
Shareholder communications and investor relations	8,675	-
Transfer agent and filing fees	19,490	-
Loss Before Other Items	(92,111)	(118,531)
Other Items		
Gain on disposition of exploration and evaluation assets (note 9)	-	79,800
Gain on settlement of debt	154,429	-
Loss on disposal of equipment	(426)	-
Realized loss on investments (note 7)	(16,155)	(15,284)
Change in unrealized gain (loss) on investments (note 7)	12,250	(12,250)
Change in estimated Part XII.6 tax accrual	22,534	-
Net Income (Loss) and Comprehensive Income (Loss) for the Year	$ 80,521	$ (66,265)
Basic and Diluted Earnings (Loss) Per Share	$ 0.01	$ (0.01)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	9,749,728	7,977,763

The accompanying notes are an integral part of these financial statements.

VIKING GOLD EXPLORATION INC.
Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Equity-settled Employee Benefit Reserve	Deficit	Total
Balance, December 31, 2017	**7,977,763**	**$ 9,009,002**	**$ 8,751**	**$ (10,029,837)**	**$ (1,012,084)**
Expiry of stock options	-	-	(8,751)	8,751	-
Net loss and comprehensive loss for the year	-	-	-	(66,265)	(66,265)
Balance, December 31, 2018	**7,977,763**	**9,009,002**	**-**	**(10,087,351)**	**(1,078,349)**
Shares issued for settlement of debt	4,826,620	220,031	-	-	220,031
Net income and comprehensive income for the year	-	-	-	80,521	80,521
Balance, December 31, 2019	**12,804,383**	**$ 9,229,033**	**$ -**	**$ (10,006,830)**	**$ (777,797)**

The accompanying notes are an integral part of these financial statements.

VIKING GOLD EXPLORATION INC.
Statements of Cash Flows
For the Years Ended December 31,
(Expressed in Canadian Dollars)

	2019	2018
Operating Activities		
Net income (loss)	$ 80,521	$ (66,265)
Items not involving cash		
Depreciation	164	300
Interest accrued on loans payable	26,918	8,117
Interest accrued on convertible debentures	4,132	15,721
Gain on disposition of exploration and evaluation assets	-	(79,800)
Gain on settlement of debt	(154,429)	-
Loss on disposal of equipment	426	-
Realized loss on investments	16,155	15,284
Change in unrealized (gain) loss on investments	(12,250)	12,250
Changes in non-cash working capital		
Receivables	2,446	2,791
Accounts payable and accrued liabilities	(133,490)	(23,410)
Cash Used in Operating Activities	(169,407)	(115,012)
Investing Activity		
Proceeds on sale of investments	9,845	70,516
Cash Provided by Investing Activity	9,845	70,516
Financing Activities		
Loan proceeds	114,850	99,275
Flow-through indemnification payment	-	(13,367)
Cash Provided by Financing Activities	114,850	85,908
(Outflow) Inflow of Cash	(44,712)	41,412
Cash, Beginning of Year	44,802	3,390
Cash, End of Year	$ 90	$ 44,802

Supplemental Disclosure with Respect to Cash Flows (note 16)

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Viking Gold Exploration Inc. (the "Company" or "Viking") is a Canadian mineral exploration company with interests in projects located in Quebec. The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5. The Company was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. Viking is currently a reporting issuer seeking reactivation on the NEX board of the TSX Venture Exchange ("TSX-V").

On August 12, 2019, the Company consolidated its common shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

The Company's exploration projects are described in note 9. There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

2. GOING CONCERN

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company has incurred net income during the year ended December 31, 2019 of $80,521 (2018 – net loss of $66,265) and as at December 31, 2019 has a deficit of $10,006,830 (2018 - $10,087,351), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. As at December 31, 2019, the Company also had a working capital deficiency of $777,797 (2018 - $1,078,939). The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

3. BASIS OF PREPARATION

a) Statement of Compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 24, 2020.

b) Basis of Measurement

These financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value, as explained in the significant accounting policies (note 4). These financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout by the Company for purposes of these financial statements.

a) Financial Instruments

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 *Financial Instruments* are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"), and "financial assets at amortized cost", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Cash and receivables held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the effective interest rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of income (loss) and comprehensive income (loss).

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of income (loss) and comprehensive income (loss). The Company's investments are classified as financial assets at FVPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments (continued)

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of income (loss) and comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income (loss) and comprehensive income (loss) when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable has been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held-for-trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, interest payable on convertible debentures and convertible debentures, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of income (loss) and comprehensive income (loss).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of income (loss) and comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments (continued)

Fair value hierarchy
The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly (e.g., broker quotes); and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial assets and liabilities are recognized in the statement of financial position when the Company has become party to the contractual provision of the instruments.

b) Exploration and Evaluation ("E&E")

E&E expenditures include the direct costs of mineral exploration rights, licenses, technical services and studies, environmental studies, exploration drilling and testing, production scale manufacturing tests, directly attributable overhead and administrative expenses, including remuneration of operating personnel and supervisory management, and all costs relating to the acquisition of mineral properties determined to be the acquisition of assets and liabilities for accounting purposes. E&E expenditures are expensed as incurred to the date that costs incurred are determined to be economically recoverable, the assessment of which would require the completion of a feasibility study that demonstrates a positive commercial outcome, and for the Company to decide to move forward with development of the property into a commercial operation such that it is probable that the future economic benefits will flow to the Company.

c) Equipment

Items of equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred. Depreciation of equipment is provided on a declining-balance basis over the estimated useful life at a rate of 20%.

d) Impairment

The carrying amounts of the Company's non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset's recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. An asset's recoverable amount is the greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses, other than for goodwill, may be reversed if there has been a change in the estimates used to determine the recoverable amount.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Decommissioning, Restoration and Similar Obligations

Obligations to perform, or fund, site decommissioning, restoration or other rehabilitative work arise when a disturbance to a mineral property is caused by exploration, development or production. The costs associated with these obligations are capitalized to the asset's carrying value and accrued as liabilities as incurred, using a current pre-tax risk-free interest rate and based on management's assumptions and best estimates. Capitalized costs are charged to profit or loss over the economic life of the related asset using the unit-of-production method of amortization. The related liability is adjusted each period for changes in the current pre-tax risk-free interest rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The increase in provisions for decommissioning, restoration and similar obligations due to the passage of time, is charged to profit or loss as a finance cost. The Company is not aware of any existing material decommissioning, restoration or similar obligations as at December 31, 2019 and 2018, as the disturbance to mineral properties through exploration to date is minimal.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits or investments. The Company has no banking arrangements for overdrafts or borrowings.

g) Income Taxes

Income tax expense (recovery) included in profit or loss is the sum of current and deferred tax as explained below.

Current tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the reporting date. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using tax rates enacted, or substantively enacted, as at the reporting date. The carrying amounts of individual deferred tax assets are reviewed at the reporting date and are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax expense (recovery) included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity, less adjustments for flow-through premiums, as further explained in note 4i.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Income Taxes (continued)

In assessing the probability that a potential deferred tax asset will be recovered, management makes estimates as to the Company's future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken by the Company will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

h) Share Capital and Common Share Purchase Warrants

The Company's common shares are classified as equity and may be issued on either a flow-through or non-flow-through basis. Certain unique aspects of flow-through shares are discussed in greater detail in note 4i.

The Company periodically issues units to investors consisting of common shares and common share purchase warrants in private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e., bifurcation) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units (such as legal, finders' and regulatory fees) are recognized as a decrease in share capital, net of related income tax effects. Other warrants (e.g., broker warrants issued in a private placement) are also included in transaction costs at their estimated issue date fair value, as determined using the Black-Scholes option pricing model. An offsetting credit is recorded in equity as a reduction of deficit.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, a related income tax charge is, if material, deducted from share capital.

The Company makes full and relevant disclosure of outstanding investor and other warrants in its financial statements, so that readers can assess the impact of potential future warrant exercises on the Company's cash flows and outstanding shares.

i) Flow-through Shares

The Company finances its exploration activities through the issuance of flow-through common shares. These shares transfer the tax deductibility of resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the accounting policy described below.

At the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the common shares over the value of the shares issued based on the quoted price.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Flow-through Shares (continued)

As qualifying exploration expenditures are made in each reporting period, the Company expenses these costs in the statement of income (loss). If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule", as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability, net of a proportionate amount of any related share issue premium. At the end of each reporting period, the Company discloses its outstanding flow-through expenditure commitment.

j) Share-based Payments

The Company's accounting policies for share-based payments are outlined below.

Employees

The term "employees" as used in these financial statements includes all officers, directors and others, including persons providing services that are similar to those provided by employees, e.g., certain consultants.

Equity-settled Transactions

An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received. When shares or other securities are issued to compensate key employees, the fair value is determined using the market value of the securities issued. When employees purchase shares or other securities on the same terms as non-employee investors, such transactions are not treated as share-based payments (see notes 4h and 4i).

Common share purchase options ("options") are granted to key employees as performance incentives. The fair value of options granted is determined using the Black-Scholes option pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded to an equity-settled employee benefit reserve. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance. When options expire or are forfeited, a transfer is made from the reserve to deficit. Accordingly, the balance of the reserve at each reporting date reflects the Company's unexpired/unexercised vested options.

The Company's stock option plan is described in note 14c. The Company's accounting policies for share-based payments made to acquire mineral property interests or to compensate brokers are discussed in notes 4b and 4h.

Cash-settled Transactions

A cash-settled transaction occurs when the Company enters into an agreement in which it incurs a liability linked to the Company's share price. Such transactions are recorded at the grant date, but are subsequently remeasured to fair value in each period, until the liability is settled. The Company has not entered into any cash-settled transactions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated in a similar manner, but with adjustments to give full effect to all dilutive potential common shares that were outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. Out-of-the-money warrants and options are considered to be anti-dilutive. The Company's convertible debentures have been excluded from the diluted loss per share for the years ended December 31, 2019 and 2018 as their effect is anti-dilutive.

l) New Accounting Standards Adopted During the Year

Initial adoption

On January 1, 2019, the Company adopted IFRS 16 *Leases* which specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

The Company has elected to apply IFRS 16 using a modified retrospective approach, which does not require restatement of prior period financial information. Modified retrospective application recognizes the cumulative effect of IFRS 16 as an adjustment to opening deficit at January 1, 2019 and applies the standard prospectively. The Company has determined that at January 1, 2019, adoption of IFRS 16 will not result in the recognition of a right-of-use ("ROU") asset nor a lease obligation as the Company had no leases during 2019.

Ongoing recognition and measurement

On the date that the leased asset becomes available for use, the Company recognizes a ROU asset and a corresponding lease obligation. Interest expense associated with the lease obligation is charged to the statement of income (loss) over the lease period with a corresponding increase to the lease obligation. The lease obligation is reduced as payments are made against the principal portion of the lease. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Depreciation of the ROU asset is recognized in depreciation expense.

ROU assets and lease obligations are initially measured on a present value basis. Lease obligations are measured as the net present value of the lease payments, which may include: fixed lease payments, variable lease payments that are based on an index or a rate, and amounts expected to be payable under residual value guarantees and payments to exercise an extension or termination option, if the Company is reasonably certain to exercise either of those options. ROU assets are measured at cost, which is comprised of the amount of the initial measurement of the lease obligation, less any incentives received, plus any lease payments made at, or before, the commencement date and initial direct costs and asset restoration costs, if any. The rate implicit in the lease is used to determine the present value of the liability and ROU asset arising from a lease, unless this rate is not readily determinable, in which case the Company's incremental borrowing rate is used.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

a) Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

b) Going Concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Decommissioning Liabilities

Rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from year to year.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty (continued)

a) Decommissioning Liabilities (continued)

Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs that will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for. As at December 31, 2019 and 2018, the Company had no known rehabilitation requirements, and accordingly, no provision has been made.

b) Fair Value of Stock Options Granted

The Company uses the Black-Scholes option pricing model to value the stock options granted during the year. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

c) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

d) Commitments, contingencies and provisions

See notes 13 and 19.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as amortized cost; investments, as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities, loans payable, convertible debentures and interest payable on convertible debentures, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ -	$ -	$ -	$ -

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

December 31, 2018	Level 1	Level 2	Level 3	Total
Investments	$ 13,750	$ -	$ -	$ 13,750

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $809 (2018 - $3,255) owing from the Canada Revenue Agency. The Company has minimal credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2019 equal $778,696 (2018 - $1,140,746). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of December 31, 2019. The cash available is not sufficient to meet the Company's financial obligations at December 31, 2019. The Company will need to raise additional capital in order to address its liquidity.

c) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) Currency risk – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider the related interest rate risk to be significant. The Company incurs interest on fixed rate debentures and loans payable. It may be subject to changes in cash flows resulting from rate changes upon renewal.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

(Expressed in Canadian Dollars)

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital Management

The Company considers its capital to be comprised of shareholders' deficiency.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company spends its working capital and raises additional amounts as needed. The Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2019 and 2018.

The Company is not subject to externally imposed capital requirements other than of the TSX-V, which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of December 31, 2019, the Company is not compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

7. INVESTMENTS

	December 31, 2019	December 31, 2018
Investment in Troy Energy Corp.		
At December 31, 2019 – nil common shares with a cost of $nil		
At December 31, 2018 – 250,000 common shares with a cost of $20,000	$ -	$ 7,500
Investment in Cartier Resources Inc.		
At December 31, 2019 – nil common shares with a cost of $nil		
At December 31, 2018 – 50,000 common shares with a cost of $6,000	-	6,250
	$ -	$ 13,750

During the year ended December 31, 2019, 50,000 shares of Cartier Resources Inc. were sold for net proceeds of $5,095, resulting in a loss on sale of investments of $905. Also, 250,000 shares of Troy Energy Corp. were sold for net proceeds of $4,750, resulting in a loss on sale of investments of $15,250.

In January 2018, 60,000 shares of Goldmining Inc. were received and were sold during the year ended December 31, 2018 for net proceeds of $63,864, resulting in a loss on sale of investments of $15,936.

(Expressed in Canadian Dollars)

7. INVESTMENTS (Continued)

During the year ended December 31, 2018, 50,000 shares of Cartier Resources Inc. were sold for net proceeds of $6,652, resulting in a gain on sale of investments of $652.

8. EQUIPMENT

		Furniture and Equipment
Cost		
Balance, December 31, 2017 and 2018	**$**	**4,741**
Disposal		(4,741)
Balance, December 31, 2019	**$**	**-**
Accumulated Depreciation		
Balance, December 31, 2017	$	3,851
Depreciation		300
Balance, December 31, 2018		**4,151**
Depreciation		164
Disposal		(4,315)
Balance, December 31, 2019	**$**	**-**
Net Book Value, December 31, 2018	**$**	**590**
Net Book Value, December 31, 2019	**$**	**-**

9. EXPLORATION AND EVALUATION ASSETS

a) In January 2018, the Company sold three interests in the Northwest Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

b) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter return royalty, which the purchaser can buy back for $1,000,000.

c) During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

d) In 2011, the Company acquired a 100% interest in the Verneuil East Property located in Quebec.

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

	December 31, 2019	December 31, 2018
Trade payables (note 14)	$ 43,955	$ 37,984
Accrued liabilities	40,000	71,600
Accrued Part XII.6 tax and related amounts (note 13)	35,198	100,627
Due to related parties (note 15)	8,750	256,250
	$ 127,903	$ 466,461

On April 4, 2019, the Company agreed to settle $15,000 of trade payables for 250,000 common shares of the Company valued at $0.036 per share. On August 19, 2019, the Company issued the common shares and recorded a gain on settlement debt of $6,000.

11. LOANS PAYABLE

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 10,522	$ 43,947
July 17, 2018	November 14, 2018	10%/20%*	40,850	11,886	52,736
August 22, 2018	December 20, 2018	10%/20%*	25,000	5,959	30,959
January 28, 2019	May 28, 2019	10%/20%*	10,000	1,513	11,513
February 27, 2019	June 27, 2019	10%/20%*	9,850	1,328	11,178
March 20, 2019	July 18, 2019	10%/20%*	5,000	616	5,616
May 24, 2019	September 21, 2019	10%/20%*	20,000	1,754	21,754
August 2, 2019	November 30, 2019	10%/20%*	20,000	1,156	21,156
December 9, 2019	April 7, 2020	10%/20%*	50,000	301	50,301
Total			$ 214,125	$ 35,035	$ 249,160

*The loan bears interest at 10% until its maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading (note 1).

12. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum, which will be paid on maturity.

Interest expense on the Debentures for the year ended December 31, 2019 was $4,132 (2018 - $16,721).

On April 4, 2019, the Company agreed to settle $165,263 worth of convertible debentures ($107,500 of principal and $57,763 of accrued interest) for 3,305,260 common shares of the Company valued at $0.05 per share. On August 19, 2019, the Company issued the common shares and the remaining accrued interest of $4,129 was recorded as a gain on settlement of debt.

13. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% Canadian exploration expenditures "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two years' interest on reassessed amounts.

As at December 31, 2019 and 2018, the Company has also accrued in accounts payable and accrued liabilities (see note 10), the estimated federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

During the year ended December 31, 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall.

During the year ended December 31, 2019, the Company reached an agreement to pay outstanding Part XII.6 tax of $48,093. The Company had previously accrued $70,627 for Part XII.6 tax, resulting in a recovery of $22,534.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in note 19a.

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued

For the year ended December 31, 2019

On August 12, 2019, the Company consolidated its common shares on the basis of one new share for ten old shares. All shares and per share amounts have been revised to reflect the consolidation.

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (Continued)

b) Issued (continued)

On August 19, 2019, the Company issued 4,826,620 common shares valued at $220,031 to settle trade payables of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and amounts due to related parties of $190,068.

For the year ended December 31, 2018

There were no changes to issued share capital during the year ended December 31, 2018.

c) Stock options

The Company has a stock option plan to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of common shares that may be subject to option at any one time may not exceed 10% of the issued common shares of the Company as of that date, including options granted prior to the adoption of the plan. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. Options granted may not exceed a term of five years. All options vest when granted unless otherwise specified by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Year Ended December 31, 2019		**Year Ended December 31, 2018**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	-	$ -	52,500	$ 1.00
Expired	-	$ -	(52,500)	$ 1.00
Outstanding, end of year	-	$ -	-	$ -

During the year ended December 31, 2018, the Company transferred $8,751 from equity-settled employee benefit reserve to deficit upon the expiry of 52,500 stock options granted to consultants.

15. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive income (loss):

	Year Ended December 31, 2019	**Year Ended December 31, 2018**
Short-term compensation	$ 5,000	$ 24,000

During the year ended December 31, 2019, short-term compensation to related parties consisted of $5,000 (2018 - $24,000) in management fees.

As at December 31, 2019, the Company has outstanding amounts payable to officers, directors and advisory committee members of the Company of $12,950 (2018 - $256,250) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS (Continued)

As at December 31, 2018, related parties were also invested in the convertible debentures (note 12).

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 1,271,360 common shares of the Company valued at $0.036 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

See note 20b for additional disclosure.

16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2019	December 31, 2018
Income tax paid	$ -	$ -
Interest paid	$ -	$ -
Shares issued for settlement of debt	$ 220,031	$ -

17. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration and development. All of the Company's assets are located in Canada.

18. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	December 31, 2019	December 31, 2018
Income (loss) before income taxes	$ 80,521	$ (66,265)
Statutory income tax rate	26.8%	26.8%
Income tax benefit computed at statutory tax rate	21,000	(18,000)
Unrealized loss on investments	1,000	3,000
Unrecognized benefit of deferred income tax assets	(22,000)	15,000
Income tax expense (recovery)	$ -	$ -

The significant components of the Company's unrecognized temporary differences at December 31, 2019 and 2018 are presented below:

(Expressed in Canadian Dollars)

18. INCOME TAXES (Continued)

	December 31, 2019	December 31, 2018
Non-capital losses carried forward	$ 1,015,000	$ 1,100,000
Capital losses carried forward	131,000	115,000
Other tax pools	383,000	383,000
Exploration and evaluation assets	3,100,000	3,100,000
Investments	-	26,000
	4,629,000	4,724,000
Unrecognized temporary differences	(4,629,000)	(4,724,000)
Net temporary differences	$ -	$ -

The Company has non-capital losses of $1,015,000 available for carry-forward to reduce future years' income for income tax purposes. These losses expire as follows:

2027	$ 20,000
2028	66,000
2029	77,000
2030	55,000
2031	143,000
2032	35,000
2033	124,000
2034	64,000
2034	207,000
2036	106,000
2038	118,000
	$ 1,015,000

The capital losses may only be utilized for tax purposes against capital gains. The exploration and evaluation expenditures of $3,100,000 do not expire under current legislation.

19. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company’s related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them if the Company fails to meet its expenditure commitments.

The Company’s original December 31, 2012 flow-through share commitment is discussed in note 13.

19. COMMITMENTS AND CONTINGENCIES (Continued)

b) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

20. SUBSEQUENT EVENTS

a) In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

b) On December 23, 2019, the Company announced a private placement for gross proceeds of up to $456,000 and a consolidation of its common shares on a one new share for ten old shares basis. The private placement consists of up to 9,120,000 units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.05 for a period of one year. Closing of the private placement and the share consolidation are subject to regulatory approval. As of April 24, 2020, regulatory review was in progress, but approval had not been received. The Company has received subscription agreements for 7,100,000 units and gross proceeds of $355,000. Officers and directors of the Company subscribed for 440,000 units and gross proceeds of $22,000.

Financial Statements of

VIKING GOLD EXPLORATION INC.

For the Years Ended December 31, 2018 and 2017

VIKING GOLD EXPLORATION INC.

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UHY McGovern Hurley LLP
Chartered Professional Accountants

251 Consumers Road, Suite 800
Toronto, Ontario
M2J 4R3
Canada

Tel 416-496-1234
Fax 416-496-0125
Email info@uhymh.com
Web www.uhymh.com

Independent Auditor's Report

To the Shareholders of Viking Gold Exploration Inc.

Opinion

We have audited the financial statements of Viking Gold Exploration Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of (loss) income and comprehensive (loss) income, statements of cash flows and statements of changes in equity (deficiency) for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $66,265 during the year ended December 31, 2018, had an accumulated deficit and, as of that date, the Company's current liabilities exceeded its current assets. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 17, 2019

VIKING GOLD EXPLORATION INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	December 31, 2018	December 31, 2017
Assets		
Current		
Cash	$ 44,802	$ 3,390
Receivables (note 7)	3,255	6,046
Investments (note 6)	13,750	32,000
	61,807	41,436
Equipment (note 5)	590	890
	$ 62,397	$ 42,326
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 12 and 13b)	$ 466,461	$ 489,871
Loans payable (note 10)	107,392	-
Interest payable on convertible debentures (note 13b and 18)	57,760	42,039
Convertible debentures (note 13b and 18)	107,500	107,500
Provision for indemnification of flow-through subscribers (note 11)	401,633	415,000
	1,140,746	1,054,410
Shareholders' Deficiency		
Share capital (note 8b)	9,009,002	9,009,002
Equity-settled employee benefit reserve (note 8c)	-	8,751
Deficit	(10,087,351)	(10,029,837)
	(1,078,349)	(1,012,084)
	$ 62,397	$ 42,326

Nature and Continuance of Operations (note 1)
Commitments and Contingencies (notes 11, 14 & 18)
Subsequent Events (note 19)

Approved on behalf of the Board:

"Mark Edwards" *"Dominic Verdejo"*
……………………………… Director ……………………………… Director
Mark Edwards Dominic Verdejo

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

(Expressed in Canadian dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Expenses		
Depreciation (note 5)	$ 300	$ 300
Interest expense (note 10 and 18)	24,838	14,000
Management fees (note 13a)	24,000	24,000
Office and administration	6,162	202
Professional and regulatory fees	63,231	20,294
Operating Loss	(118,531)	(58,796)
Other Items		
Gain on disposition of exploration and evaluation assets (note 4)	79,800	20,000
Realized loss on investments (note 6)	(15,284)	-
Unrealized loss on investments (note 6)	(12,250)	-
Gain on settlement of loans payable (note 12)	-	92,556
Net and Comprehensive (Loss) Income for the Year	$ (66,265)	$ 53,760
Basic and Diluted Loss Per Share	$ (0.001)	$ 0.001
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	78,778,229	78,778,229

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian dollars)

	2018	2017
Operating Activities		
Net income (loss)	$ (66,265)	$ 53,760
Items not involving cash		
Depreciation	300	300
Interest accrued on loans payable	8,117	-
Other income	(52,266)	(112,556)
Changes in non-cash working capital		
Receivables	2,791	(2,687)
Interest payable on convertible securities	15,721	14,000
Accounts payable and accrued liabilities	(23,410)	13,647
Cash Used in Operating Activities	(115,012)	(33,536)
Investing Activity		
Proceeds on disposition of investments	70,516	-
Cash Provided by Investing Activity	70,516	-
Financing Activities		
Loan proceeds	99,275	-
Flow-through indemnification payment	(13,367)	-
Cash Provided by Financing Activities	85,908	-
Inflow (Outflow) of Cash	41,412	(33,536)
Cash, Beginning of Year	3,390	36,926
Cash, End of Year	$ 44,802	$ 3,390

See accompanying notes to the financial statements.

VIKING GOLD EXPLORATION INC.

STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Equity-Settled Employee Benefit Reserve	Deficit	Total
Balance, December 31, 2016	**79,778,229**	**$ 9,009,002**	**$ 18,751**	**$ (10,093,597)**	**$ (1,065,844)**
Expiry of stock options (note 8c)	-	-	(10,000)	10,000	-
Net loss and comprehensive loss for the year	-	-	-	53,760	53,760
Balance, December 31, 2017	**79,778,229**	**9,009,002**	**8,751**	**(10,029,837)**	**(1,012,084)**
Expiry of stock options (note 8c)	-	-	(8,751)	8,751	-
Net loss and comprehensive loss for the year	-	-	-	(66,265)	(66,265)
Balance, December 31, 2018	**79,778,229**	**$ 9,009,002**	**$ -**	**$ (10,087,351)**	**$ (1,078,349)**

See accompanying notes to the financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Viking Gold Exploration Inc. (the “Company”) is a Canadian mineral exploration company with interests in projects located in Quebec. The Company is incorporated under the laws of the Province of Ontario and is a reporting issuer in the Provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta, and was a Tier-2 listed company on the TSX Venture Exchange (“TSX-V”), that previously traded under the symbol VGC. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. The Company has been transferred to the NEX, but is still halted from trading as at April 17, 2019.

The Company’s exploration projects are described in Note 4. There has been no determination whether the Company’s properties contain mineral reserves that are economically recoverable. Since its reorganization in 2004, the Company has not earned significant revenue and is considered to be an exploration stage entity.

During the year ended December 31, 2018, the Company had a net loss of $66,265 (2017 – net income of $53,760) and an accumulated deficit of $10,087,351 as at December 31, 2018 (2017 - $10,029,837), and it has not generated positive cash flow from operations. As at December 31, 2018, the Company also had a working capital deficiency of $1,078,939 (2017 - $1,012,974).

Continuing operations of the Company are dependent on its ability to generate future cash flows, obtain additional financing and secure debt settlements with creditors. Management believes that sufficient working capital will be obtained from external financing to meet the Company’s current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its exploration and evaluation properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed above, there is a material uncertainty that casts significant doubt regarding the ultimate applicability of the Company’s going concern assumption.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, negotiation of contracts, currency fluctuations and political uncertainty.

The address of the Company’s registered office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3.

2. BASIS OF PRESENTATION

a) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

These financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on April 17, 2019.

b) Basis of Measurement

These financial statements are prepared on the historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these financial statements are prepared using the accrual basis of accounting except for cash flow information. The Company uses the Canadian dollar for both its functional and presentation currencies.

c) Use of Judgements, Estimates and Assumptions

The Company makes judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The estimates and underlying assumptions are based on historical experience and other factors believed to be reasonable under the circumstances. Accounting estimates are reviewed on an ongoing basis and revisions are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant items in these financial statements that involve the use of estimates include the following items:

- Estimation of decommissioning and restoration costs and the timing of expenditure

  Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. BASIS OF PRESENTATION (continued)

c) Use of Judgements, Estimates and Assumptions (continued)

- Income, value added, withholding and other taxes

  The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

  Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Commitments, contingencies and provisions

  See Notes 11 and 14.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

<u>Accounting policy under IFRS 9 applicable from January 1, 2018</u>

Financial assets

Initial recognition and measurement
Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Receivables held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost
After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statements of income (loss) comprehensive income (loss).

Subsequent measurement – financial assets at FVPL
Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the in the statements of income (loss) comprehensive income (loss). The Company's investments are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of income (loss) comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the statements of income (loss) comprehensive income (loss) when the right to receive payments is established.

Derecognition
A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets
The Company's only financial assets subject to impairment are receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loans payable, interest payable on convertible debentures and convertible debentures, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the statements of income (loss) comprehensive income (loss).

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of income (loss) comprehensive income (loss).

<u>Accounting policy under IAS 39 applicable prior to January 1, 2018</u>

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities was as follows:

Financial Assets

The Company classifies each financial asset into one of four categories depending on the purpose for which the asset was acquired.

Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Assets in this category are derivatives or other assets held for trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no derivative financial instruments. The Company's investments are classified as FVTPL.

Available For Sale ("AFS")

Assets in this category are non-derivative financial assets that are either designated as available for sale or do not fit into one of the other categories. After initial recognition, AFS assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no AFS assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. For loans and receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and amounts receivables, which are classified as loans and receivables.

Held to Maturity

Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held for trading, available for sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company has no held-to-maturity financial assets.

Financial Liabilities

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

Financial Liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held for trading or designated as FVTPL upon initial recognition. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no held-for-trading financial liabilities.

Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held for trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has trade and other payables, convertible debentures and interest payable on convertible debentures, which are classified as other financial liabilities. The Company's liability for flow-through share premium is considered to be a deferred credit and not a financial liability.

Transaction Costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate, i.e. amortized through profit or loss over the term of the related instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial Instruments (continued)

Fair Value Hierarchy

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly (e.g. broker quotes); and
Level 3 – Inputs for assets or liabilities that are not based on observable market data.

Financial assets and liabilities are recognized in the Statement of Financial Position when the Company has become party to the contractual provision of the instruments.

b) Exploration and evaluation

Exploration and evaluation (“E&E”) expenditures include the direct costs of mineral exploration rights, licenses, technical services and studies, environmental studies, exploration drilling and testing, production scale manufacturing tests, directly attributable overhead and administrative expenses including remuneration of operating personnel and supervisory management, and all costs relating to the acquisition of mineral properties determined to be the acquisition of assets and liabilities for accounting purposes. E&E expenditures are expensed as incurred to the date that costs incurred are determined to be economically recoverable, the assessment of which would require the completion of a feasibility study that demonstrates a positive commercial outcome, and for the Company to decide to move forward with development of the property into a commercial operation such that it is probable that the future economic benefits will flow to the Company.

c) Equipment

Items of equipment are recorded at cost less accumulated depreciation and impairment losses. The Company recognizes, in the carrying amount of an item of equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are charged to profit or loss as incurred. Depreciation of equipment is provided on a declining-balance basis over the estimated useful life at a rate of 20%.

d) Impairment

The carrying amounts of the Company’s non-current assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, the asset’s recoverable amount is estimated. An impairment loss is charged to profit or loss whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. An asset’s recoverable amount is the greater of its fair value less costs to sell and its value-in-use (calculated as the present value of expected future cash flows). Impairment losses, other than for goodwill, may be reversed if there has been a change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Decommissioning, Restoration and Similar Obligations

Obligations to perform, or fund, site decommissioning, restoration or other rehabilitative work arise when a disturbance to a mineral property is caused by exploration, development or production. The costs associated with these obligations are capitalized to the asset's carrying value and accrued as liabilities as incurred, using a current pre-tax risk-free interest rate and based on management's assumptions and best estimates. Capitalized costs are charged to profit or loss over the economic life of the related asset using the unit-of-production method of amortization. The related liability is adjusted each period for changes in the current pre-tax risk-free interest rate, and the amount and timing of the underlying cash flows needed to settle the obligation. The increase in provisions for decommissioning, restoration and similar obligations due to the passage of time, is charged to profit or loss as a finance cost. The Company is not aware of any existing material decommissioning, restoration or similar obligations as at December 31, 2018 and 2017, as the disturbance to mineral properties through exploration to date is minimal.

f) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less. The Company does not invest in any asset-backed deposits or investments. The Company has no banking arrangements for overdrafts or borrowings.

g) Income Taxes

Income tax expense (recovery) included in profit or loss is the sum of current and deferred tax as explained below.

Current Tax

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the reporting date. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using tax rates enacted, or substantively enacted, as at the reporting date. The carrying amounts of individual deferred tax assets are reviewed at the reporting date but are only recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The deferred tax (recovery) expense included in profit or loss reflects the net change in deferred tax assets and liabilities, less deferred tax recorded directly in other comprehensive income (loss) or equity, less adjustments for flow-through premiums as further explained in Note 3i.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Income Taxes (continued)

In assessing the probability that a potential deferred tax asset will be recovered, management makes estimates as to the Company’s future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences, and the likelihood that tax positions taken by the Company will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

h) Share Capital and Common Share Purchase Warrants

The Company’s common shares are classified as equity and may be issued on either a flow-through or non-flow-through basis. Certain unique aspects of flow-through shares are discussed in greater detail in Note 3i.

The Company periodically issues ‘units’ to investors consisting of common shares and common share purchase warrants in private placements. Each whole warrant issued entitles the holder to acquire a common share of the Company at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Company’s investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. “bifurcation”) of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

Transaction costs directly attributable to the issuance of units (such as legal, finders’ and regulatory fees) are recognized as a decrease in share capital net of related income tax effects. Other warrants (e.g. broker warrants issued in a private placement) are also included in transaction costs at their estimated issue date fair value as determined using the Black-Scholes option-pricing model. An offsetting credit is recorded in equity as a reduction of deficit.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, a related income tax charge is, if material, deducted from share capital.

The Company makes full and relevant disclosure of outstanding investor and other warrants in its financial statements, so that readers can assess the impact of potential future warrant exercises on the Company’s cash flows and outstanding shares.

i) Flow-through Shares

The Company finances its exploration activities through the issuance of flow-through common shares. These shares transfer the tax deductibility of resource expenditures to investors. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the accounting policy described below.

At the time of issuing flow-through shares, the Company allocates the proceeds of issuance to share capital and the sale of tax benefits. The allocation to tax benefits is recorded as a liability and is based on the estimated premium, if any, an investor pays for the common shares over the value of the shares issued based on the quoted price.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Flow-through Shares (continued)

As qualifying exploration expenditures are made in each reporting period, the Company expenses these costs in the statement of income (loss). If the Company intends to formally renounce these expenditures to investors under an existing flow-through agreement (whether using the "General Rule" or "Look-back Rule" as permitted under Canadian income tax regulations), it earmarks them as "effectively renounced" as at the end of the reporting period, and records a related deferred tax expense/liability net of a proportionate amount of any related share issue premium. At the end of each reporting period, the Company discloses its outstanding flow-through expenditure commitment (see Notes 11 and 14a).

j) Share-based Payments

The Company's accounting policies for share-based payments are outlined below.

Employees

The term "employees" as used in these financial statements includes all officers, directors and others, including persons providing services that are similar to those provided by employees, e.g. certain consultants.

Equity-settled Transactions

An equity-settled transaction occurs when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received. When shares or other securities are issued to compensate key employees, the fair value is determined using the market value of the securities issued. When employees purchase shares or other securities on the same terms as non-employee investors, such transactions are not treated as share-based payments. Instead, see Notes 3h and 3i.

Common share purchase options ("options") are granted to key employees as performance incentives. The fair value of options granted is determined using the Black-Scholes option-pricing model. This amount is recognized as a compensation expense in profit or loss at time of vesting with offsetting credits recorded to an equity-settled employee benefit reserve. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance. When options expire or are forfeited, a transfer is made from the reserve to deficit. Accordingly, the balance of the reserve at each reporting date reflects the Company's unexpired/unexercised vested options.

The Company's stock option plan is described in Note 8c. The Company's accounting policies for share-based payments made to acquire mineral property interests or to compensate brokers are discussed in Notes 3b and 3h.

Cash-settled Transactions

A cash-settled transaction occurs when the Company enters into an agreement in which it incurs a liability linked to the Company's share price. Such transactions are recorded at the grant date but are subsequently re-measured to fair value in each period, until the liability is settled. The Company has not entered into any cash-settled transactions.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted income (loss) per share is calculated in a similar manner, but with adjustments to give full effect to all dilutive potential common shares that were outstanding during the period. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. Out-of-the-money warrants and options are considered to be anti-dilutive. The Company's convertible debentures have been excluded from the diluted loss per share for the years ended December 31, 2018 and 2017 as their effect is anti-dilutive.

l) New Accounting Standards Adopted During the Year

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers,* which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018. There were no effects on opening balances at January 1, 2018 with respect to the adoption of these policies.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) FVPL or FVOCI; establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Receivables	Loans and receivables	Amortized cost
Investments	Held for trading	FVPL
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loans payable	Other financial liabilities	Amortized cost
Convertible debentures	Other financial liabilities	Amortized cost
Interest payable on convertible debentures	Other financial liabilities	Amortized cost

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New Accounting Standard Adopted During the Year (continued)

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39.

m) New Accounting Standards Issued but not yet Effective

IFRS 16 Leases - On January 13, 2016 the IASB issued IFRS 16. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 Leases, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. The new standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that this new accounting standard is expected to have on its financial statements.

IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact that this new accounting standard is expected to have on its financial statements.

4. EXPLORATION AND EVALUATION ASSETS

a) In January 2018, the Company sold three interests in the North West Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

b) During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter royalty ("NSR"), which the purchaser can buy back for $1,000,000.

During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

c) The Company acquired a 100% interest in the Verneuil East Property in 2011, located in Quebec.

(Expressed in Canadian dollars)

5. EQUIPMENT

A continuity schedule of the Company's equipment for the years ended December 31, 2018 and 2017 is as follows:

	Total
Cost	
As at December 31, 2016 and 2017 and 2018	$ 4,741
Accumulated Depreciation	
As at December 31, 2016	3,551
Depreciation for year	300
As at December 31, 2017	3,851
Depreciation for the year	300
As at December 31, 2018	4,151
Net Book Value	
As at December 31, 2017	$ 890
As at December 31, 2018	$ 590

6. INVESTMENTS

	December 31, 2018	December 31, 2017
Investment in Troy Energy Corp. At December 31, 2018 - 250,000 common shares with a cost of $20,000; At December 31, 2017 - 250,000 common shares with a cost of $20,000.	$ 7,500	$ 20,000
Investment in Cartier Resources Inc At December 31, 2018 – 50,000 common shares with a cost of $6,000; At December 31, 2017 - 100,000 common shares with a cost of $12,000.	$ 6,250	$ 12,000
	$ 13,750	$ 32,000

60,000 shares of Goldmining Inc. were received in January 2018 and were sold during the year ended December 31, 2018 for net proceeds of $63,864, resulting in a loss on sale of investments of $15,936.

50,000 shares of Cartier Resources Ltd. were sold during the year ended December 31, 2018 for net proceeds of $6,652, resulting in a gain on sale of investments of $652.

7. RECEIVABLES

	December 31, 2018	December 31, 2017
Receivables		
Sales tax refundable (HST/QST)	$ 3,255	$ 6,046
Total receivables	$ 3,255	$ 6,046

(Expressed in Canadian dollars)

8. SHARE CAPITAL

a) Authorized Share Capital

The Company's authorized share capital consists of an unlimited number of voting common shares without nominal or par value.

b) Issued Share Capital

There were no changes to issued share capital during the year ended December 31, 2018 or the year ended December 31, 2017.

c) Common Share Purchase Options

Under the Company's stock option plan, common share purchase options may be granted to employees for up to 10% of the issued and outstanding common shares. The exercise price of these options is not less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V, and will not otherwise be less than $0.10 per share. The maximum exercise period for a granted option is 5 years.

All of the Company's outstanding options have a 5-year term and vested at their respective grant dates.

A continuity schedule of the Company's outstanding and exercisable common share purchase options for the years ended December 31, 2018 and 2017 is as follows:

Expiry date	Exercise price	December 31, 2016	Expired 2017	December 31, 2017	Expired 2018	December 31, 2018
February 9, 2017	$0.175	150,000	(150,000)	-	-	-
May 1, 2018	$0.10	525,000	-	525,000	(525,000)	-
Total options		675,000	(150,000)	525,000	(525,000)	-
Weighted-average exercise price		$ 0.117	$ 0.175	$ 0.10	$ 0.10	$ Nil

9. INCOME TAXES

The Company recognizes deferred tax assets in respect of deductible temporary differences, which includes unused tax losses and other tax deductions/credits but only to the extent that it is probable that future taxable income will be available against which they can be utilized. The Company does not presently satisfy this recoverability test; accordingly, no deferred tax asset has been recorded.

There are no current taxes payable or recoverable as at December 31, 2018 and 2017. The deferred tax recovery (expense) for the years ended December 31, 2018 and 2017 consists of the following amounts:

(Expressed in Canadian dollars)

9. INCOME TAXES (continued)

a) Deferred Tax Provision

	2018	2017
Statutory income tax rate	26.8%	26.8%
(Loss) income before income taxes	$ (66,265)	$ 53,760
Expected deferred tax (recovery) expense for year	$ (18,000)	$ 14,000
Adjustments		
Unrealized loss on investments	3,000	-
Change in unrecognized deductible temporary differences	15,000	(14,000)
Deferred tax expense (recovery) for year	-	-

b) Unrecognized Deferred Tax Asset

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2018	2017
Non capital loss carry-forwards	$ 1,100,000	$ 983,000
Capital loss carry-forwards	115,000	100,000
Other tax pools	383,000	382,000
Exploration and evaluation assets	3,100,000	3,180,000
Investments	26,000	-
Total unrecognized deferred tax asset	$ 4,724,000	$ 4,645,000

The non-capital losses of $1,100,000 as at December 31, 2018 expire as follows: 2026 – $20,000; 2027 – $85,000; 2028 – $66,000; 2029 – $77,000; 2030 - $55,000; 2031 – $143,000; 2032 – $35,000; 2033 – $124,000; 2034 - $64,000; 2035 - $207,000; 2036 - $106,000; 2037 - $nil; and 2018 - $118,000.

The capital losses may only be utilized for tax purposes against capital gains. The exploration and evaluation expenditures of $3,100,000 do not expire under current legislation.

10. LOANS PAYABLE

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 3,837	$ 37,262
July 17, 2018	November 14, 2018	10%/20%*	$ 40,850	$ 3,321	$ 44,171
August 22, 2018	December 20, 2018	10%/20%*	$ 25,000	$ 959	$ 25,959
Total			$ 99,275	$ 8,117	$107,392

*The loan bears interest at 10% untils its maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading (see Note 1).

(Expressed in Canadian dollars)

11. PROVISION FOR INDEMNIFICATION OF FLOW-THROUGH SUBSCRIBERS

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two year's interest on reassessed amounts.

As at December 31, 2018 and December 31, 2017, the Company has also accrued in trade and other payables (see Note 12), the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

During 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall.

Additional contingent liabilities with respect to the Company's flow-through share commitments for 2011 and prior years are discussed in Note 14a.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Trade payables	$ 37,984	$ 32,662
Accrued expenses	71,600	63,600
Accrued Part XII.6 tax and related amounts (Note 11)	100,627	100,627
Due to related parties (Note 13b)	256,250	292,982
	$ 466,461	$ 489,871

During the year ended December 31, 2017, the Company settled several debts with creditors for a net gain of $92,556.

(Expressed in Canadian dollars)

13. RELATED PARTY TRANSACTIONS

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions

Details of the Company's transactions with related parties for the years ended December 31, 2018 and 2017, are as follows:

	December 31, 2018	December 31, 2017
Statements of Loss and Comprehensive Loss		
Management fees – officers' companies	$ 24,000	$ 24,000

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's Board of Directors approves these fees and any share-based compensation.

b) Related Party Balances

As at December 31, 2018, amounts payable to related parties of $256,250 (2017 - $292,982) represents fees owed/accrued to officers and their companies/law firm and also to advisory committee members. These liabilities are unsecured, non-interest bearing and due within 30 days.

As at December 31, 2018 and 2017, related parties were also invested in the convertible debentures (see Note 18).

14. COMMITMENTS AND CONTINGENCIES

a) Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet its expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in Note 11.

b) Environmental Contingencies

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

15. CAPITAL MANAGEMENT

The Company considers its capital structure to consist of components of shareholders' equity. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 years ended December 31, 2018 and 2017.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2018, the Company is not compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

16. FINANCIAL RISK FACTORS

a) Financial Instruments

The Company's financial instruments include cash, accounts payable and accrued liabilities, loans payable, convertible debentures and interest payable on convertible debentures. The carrying values of these financial instruments reported in the statement of financial position approximate their respective fair values due to the relatively short-term nature of these instruments. In addition, the Company's financial instruments that are carried at fair value consist of investments, classified as "level 1" within the fair value hierarchy.

b) Financial Risks

Risk exposures and the impact on the Company's financial instruments are summarized below.

<u>Credit Risk</u>
The Company's financial assets are exposed to some credit risk. The Company has no significant concentration of credit risk arising from operations. The Company does not use derivatives to manage credit risk.

<u>Liquidity Risk</u>
The Company's approach to managing liquidity risk is to try to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company has a substantial deficiency of financial liabilities over financial assets of $1,078,939 (2017 - $1,012,974); accordingly, liquidity risk is assessed as critical.

16. FINANCIAL RISK FACTORS (continued)

b) Financial Risks (continued)

As at December 31, 2018, the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company's provision for indemnification of flow-through subscribers is recorded as a current liability though there is uncertainty regarding the actual amount and timing of the realization of this liability. The Company may potentially reduce its liquidity risk through additional private placements and debt settlements with creditors.

Market Risk
The Company's market risk has three components – interest rate risk, foreign currency risk and price risk.

(i) Interest rate risk

The Company has cash balances and fixed rate debentures. The Company's current policy is to periodically invest temporary cash surpluses in guaranteed investment certificates issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank.

(ii) Foreign currency risk

The Company's functional currency is the Canadian dollar and all purchases are transacted in Canadian dollars. The Company has no foreign operations and thus has no foreign exchange risk derived from either currency conversions or from holding foreign currencies. The Company does not speculate in the foreign currency market nor does it have any need to acquire foreign currency hedges.

(iii) Price risk

The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices.

c) Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve-month period:

For the year ended December 31, 2018, a 10% change in the closing prices of its portfolio investments would result in an estimated change in net income (loss) of $1,375 (2017 - $3,200) based on the fair value of the investments held at December 31, 2018.

17. SEGMENTED INFORMATION

The Company's operations comprise a single operating segment engaged in the acquisition, exploration and development of mineral properties in Canada.

18. CONVERTIBLE DEBENTURES

On July 7, 2014, the Company completed a private placement of $107,500 10% unsecured convertible debentures (the "Debentures") that matured on June 30, 2015. A related party invested $10,000 in the placement. The Debentures bear interest at the rate of 10% per annum which interest will be paid on maturity.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a "Unit") at a conversion price (the "Conversion Price") of $0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of $0.05 for the first 12 months and $0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same $0.05 and $0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Interest expense on the Debentures for the year ended December 31, 2018 was $16,721 (2017 – $14,000).

Assuming that $107,500 of the Debentures are subsequently converted by the holders at a $0.10 conversion price, and there is no share consolidation, this would result in the issuance of 1,075,000 Units, representing the equivalent of 1,075,000 common shares and 1,075,000 warrants (or a combined potential 2,150,000 common shares if all the warrants were subsequently exercised). No value has been assigned to the equity conversion option as the conversion rate substantively exceeds the market value of the equity and the limited time to maturity result in the value of the conversion option not being significant.

On June 30, 2015, the debenture holders agreed to extend the maturity of the debentures, under the same terms and conditions, to December 31, 2015. No further extensions have been given and therefore, the full balance of the convertible debentures has been presented as a current liability.

19. SUBSEQUENT EVENTS

On January 28, 2019, the Company entered into a loan agreement for proceeds of $10,000. The loan bears interest at 10% and is due May 28, 2019. The interest rate increases to 20% if repayment is not made by the due date.

On February 7, 2019, the Company entered into a loan agreement for proceeds of $9,850. The loan bears interest at 10% and is due June 7, 2019. The interest rate increases to 20% if repayment is not made by the due date.

On March 20, 2019, the Company entered into a loan agreement for proceeds of $5,000. The loan bears interest at 10% and is due July 18, 2019. The interest rate increases to 20% if repayment is not made by the due date.

SCHEDULE "B"

VIKING'S MANAGEMENT'S DISCUSSION AND ANALYSIS FOR YEAR ENDED DECEMBER 31, 2019 AND THE SIX MONTHS ENDED JUNE 30, 2020

VIKING GOLD EXPLORATION INC.
Management Discussion and Analysis
For the Six Months Ended June 30, 2020

FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the six months ended June 30, 2020 contains forward-looking information, including forward-looking information about Viking Gold Exploration Inc.'s (the "Company" or "Viking") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the six months ended June 30, 2020 should be read in conjunction with the condensed interim financial statements for the six months ended June 30, 2020, which are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), and the audited financial statements for the year ended December 31, 2019, which are prepared in accordance with International Financial Reporting Standards, as issued by the IASB. This MD&A is effective August 24, 2020.

Additional information related to the Company is available on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

Viking was incorporated under the laws of the Province of Ontario, and on August 6, 2019 was continued into British Columbia. The Company is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. On May 14, 2020, Viking was reinstated for trading on the NEX board of the TSX Venture Exchange ("TSX-V").

The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a focus on gold.

On August 15, 2019 and May 14, 2020, the Company performed two common share consolidations, each on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidations.

See **Events Subsequent to June 30, 2020**.

CONTINUANCE OF OPERATIONS

The Company has a net income during the six months ended June 30, 2020 of $306,689 (2019 - loss of $48,867) (before the change in estimate of provision, the June 30, 2020 loss was $94,944) and as at June 30, 2020 has a deficit of $9,700,141 (December 31, 2019 - $10,006,830), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. As at June 30, 2020, the Company also had a working capital deficiency of $434,147 (December 31, 2019 - $777,797). The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

In early March 2020, there was a global outbreak of coronavirus (COVID-19) that has resulted in changes in global supply and demand of certain mineral and energy products. These changes, including a potential economic downturn and any potential resulting direct and indirect negative impact to the Company cannot be determined, but they could have a prospective material impact to the Company's project exploration activities, cash flows and liquidity.

The Company's corporate offices were closed in March 2020 as a precaution. Safety protocols have been implemented, and the corporate offices have only re-opened in a limited capacity as of the date of this MD&A. The Company continues to monitor the situation. To date, the Company has not applied for any assistance related to COVID-19 from the provincial or federal governments.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

EXPLORATION PROJECTS

During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter return royalty ("NSR"), which the purchaser can buy back for $1,000,000.

The Company currently holds a 100% interest in nine claims known as Verneuil East. The Company also has the following NSRs:

- a 0.5% NSR on the Verneuil West interests, one-half (0.25%) of which the purchaser can buy back for $250,000; and
- a 0.35% NSR on the Verneuil Central interests, one-half (0.175%) of which the purchaser can buy back for $175,000.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2020

During the three months ended June 30, 2020, the Company reported a net loss of $74,349 (2019 - $31,620). The Company's net loss included expenditures as follows:

- Interest expense of $11,299 (2019 - $5,861) increased compared to the prior period as a result of the $10,000 bonus interest payable resulting from the common shares of the Company being reinstated for trading;
- Office and miscellaneous of $3,306 (2019 - $1,083) increased due to increased activity;
- Professional fees of $14,271 (2019 - $5,687) increased as a result of increased legal fees related to increased corporate activity during the period;
- Rent of $6,000 (2019 - $nil) increased from the prior period, as office rent is now being paid by the Company;
- Shareholder communications and investor relations of $nil (2019 - $8,675) decreased due to the timing of expenses;
- Share-based payments of $27,361 (2019 - $nil) increased due to options granted in the current period, but not the prior period;
- Transfer agent and filing fees of $12,112 (2019 - $7,784) increased due to increased public listing activity during the period; and
- Change in unrealized loss on investments of $nil (2019 - $2,500) decreased, as the Company sold all investments during the 2019 fiscal year.

Six Months Ended June 30, 2020

During the six months ended June 30, 2020, the Company reported a net income of $306,689 (2019 - loss of $48,867). The Company's net income included expenditures as follows:

- Interest expense of $17,313 (2019 - $15,555) increased compared to the prior period as a result of the $10,000 bonus interest payable resulting from the common shares of the Company being reinstated for trading;
- Management fees of $nil (2019 - $5,000) were lower in the current period due to the discontinuation of fees charged by the former CEO in the second quarter of 2019;
- Office and miscellaneous of $6,520 (2019 - $1,116) increased due to increased activity;
- Professional fees of $15,805 (2019 - $9,477) increased as a result of increased legal fees from increased corporate activity during the period;
- Rent of $12,000 (2019 - $nil) increased from the prior period, as office rent is now being paid by the Company;
- Shareholder communications and investor relations of $512 (2019 - $8,675) decreased due to the timing of expenses;
- Share-based payments of $27,361 (2019 - $nil) increased due to options granted in the current period, but not the prior period;
- Transfer agent and filing fees of $15,433 (2019 - $7,784) increased due to increased public listing activity during the period;
- Adjustment to provision for indemnification of flow-through subscribers of $401,633 (2019 - $nil) was the result of the Company changing its estimate for provision to $nil in 2020;
- Realized loss on investments of $nil (2019 - $905) decreased, as the Company sold all investments during the 2019 fiscal year; and
- Change in unrealized loss on investments of $nil (2019 - $250) decreased, as the Company sold all investments during the 2019 fiscal year.

SELECTED ANNUAL INFORMATION
($000s, except earnings (loss) per share)

	December 31, 2019 $	December 31, 2018 $	December 31, 2017 $
Revenue	-	-	-
Net income (loss)	81	(66)	54
Basic and diluted earnings (loss) per share	0.08	(0.08)	0.07
Total assets	1	62	42
Long-term debt	-	-	-
Dividends	-	-	-

SUMMARY OF QUARTERLY RESULTS
($000s, except earnings (loss) per share)

Results for the eight most recently completed quarters are summarized as follows:

For the periods ending	June 30, 2020 $	March 31, 2020 $	December 31, 2019 $	September 30, 2019 $
Revenue	-	-	-	-
Net income (loss)	(74)	381	4	126
Earnings (loss) per share	(0.06)	0.30	0.00	0.12

For the periods ending	June 30, 2019 $	March 31, 2019 $	December 31, 2018 $	September 30, 2018 $
Revenue	-	-	-	-
Net loss	(32)	(17)	(61)	(22)
Loss per share	(0.04)	(0.02)	(0.08)	(0.03)

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $40,345 and a working capital deficit of $434,147 at June 30, 2020, compared to $90 of cash and a working capital deficit of $777,797 at December 31, 2019.

The Company's accounts payable and accrued liabilities at June 30, 2020 were $111,075 (December 31, 2019 - $127,903).

On April 4, 2019, the Company agreed to settle $15,000 of trade payables for 25,000 common shares of the Company valued at $0.36 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $6,000.

On April 4, 2019, the Company agreed to settle $165,263 worth of convertible debentures ($107,500 of principal and $57,763 of accrued interest) for 330,526 common shares of the Company valued at $0.50 per share. On August 19, 2019, the Company issued the common shares and the remaining accrued interest of $4,129 was recorded as a gain on settlement of debt.

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 127,136 common shares of the Company valued at $0.36 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

The Company has the following loans payable outstanding at June 30, 2020:

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ -	$ 10,000	$ 10,000

*The loans bear interest at 10% until the maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company's common shares are reinstated for trading. This payment was accrued during the six months ended June 30, 2020.

See **Commitments** for a discussion on outstanding flow-through share liabilities.

The Company has taken the following measures to address working capital concerns during the 2020 fiscal periods and as of the date of this MD&A:

- On July 6, 2020, the Company closed a private placement for gross proceeds of $355,000. The private placement consisted of 1,183,333 units at a price of $0.30 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitled the holder to purchase one common share of the Company at a price of $0.40 for a period of one year. Directors and officers of the Company subscribed for 196,667 units.
- On July 23, 2020, the Company closed a private placement for gross proceeds of $100,000. The private placement consisted of 333,333 common shares at a price of $0.30 per share.

EVENTS SUBSEQUENT TO JUNE 30, 2020

On July 28, 2020, the Company entered into an assignment and novation agreement with 1208004 B.C. Ltd. ("1208004"), pursuant to which it has acquired the right to enter into a share exchange agreement dated July 28, 2020, among the Company, Happy Supplements Inc., a Delaware corporation doing business as Happy Tea ("Happy Tea"), and the securityholders of Happy Tea (the "Definitive Agreement"). Happy Tea develops health and wellness supplements that contain cannabidiol and other cannabinoids derived from industrial hemp (as permitted by applicable laws).

Pursuant to the terms of the Definitive Agreement, the Company will acquire all of the issued and outstanding securities of Happy Tea (the "Acquisition"), and Happy Tea will become a wholly owned subsidiary of the Company.

Upon completion of the Acquisition, the Company will carry on the business of Happy Tea as currently constituted, under the new name "Happy Supplements Inc." or such other name as may be approved by the Board of Directors (the "Resulting Issuer"). The Acquisition is an arm's length transaction and constitutes a reverse takeover of the Company by Happy Tea. In connection with the Acquisition, the Resulting Issuer will voluntarily delist from the TSX-V and will apply to list its common shares on the Canadian Securities Exchange (the "CSE", and together with the TSX-V, the "Exchange").

The existing shareholders of Happy Tea will receive common shares of the Resulting Issuer ("Resulting Issuer Shares") in exchange for their common shares of Happy Tea. It is currently expected that a total of 34,468,616 Resulting Issuer Shares will be issued pro rata to the shareholders of Happy Tea as consideration for 100% of the issued and outstanding common shares of Happy Tea. The Resulting Issuer Shares are being issued at a deemed value of $0.25 per Resulting Issuer Share.

Each Happy Tea warrant issued and outstanding will be exchanged for one common share purchase warrant of the Resulting Issuer ("Resulting Issuer Warrants"). It is currently expected that a total of 9,000,000 Resulting Issuer Warrants will be issued to the Happy Tea warrantholders. Each Resulting Issuer Warrant will entitle the warrantholder to purchase one Resulting Issuer Share at a price of $0.05 per Resulting Issuer Share until March 3, 2021.

In addition, the Company will issue 900,000 Resulting Issuer Shares to 1208004 as an assignment fee in connection with the acquisition and pursuant to the terms of the assignment agreement at a deemed price of $0.25 per share.

The Company has agreed to undertake a concurrent non-brokered private placement offering of 2,000,000 common shares at a price of $0.25 per common share for gross proceeds of $500,000.

Completion of the Acquisition is subject to a number of conditions, including, but not limited to, completion of the concurrent non-brokered private placement, approval of the Exchange, and shareholder approval if required pursuant to policies of the Exchange, securities regulatory or corporate law requirements. There can be no assurance that the Acquisition will be completed as proposed or at all.

Trading of the common shares of the Company has been halted and will remain halted in accordance with Exchange policies until all required documentation with respect to the Acquisition has been received and the Exchange and securities regulatory authorities are otherwise satisfied that the halt should be lifted.

TRANSACTIONS WITH RELATED PARTIES

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of income (loss) and comprehensive income (loss) and were incurred in the normal course of operations:

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Short-term compensation	$ -	$ 5,000
Share-based payments	20,794	-
	$ 20,794	$ 5,000

Short-term compensation was paid or accrued as follows:

- $nil (2019 - $5,000) in management fees to a private company controlled by a director/former CEO/CFO.

As at June 30, 2020, the Company has outstanding amounts payable to officers, directors and advisory committee members of the Company of $8,750 (December 31, 2019 - $8,750) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 127,136 common shares of the Company valued at $0.36 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

COMMITMENTS

Flow-through Shares

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Québec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber’s proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company made the following assumptions in estimating its subscriber indemnification provision:
- Ontario subscribers had a combined personal income tax rate of 47.97% and were eligible for both the federal 15% and provincial 5% investment tax credits;
- Québec subscribers had a combined personal income tax rate of 48.22% and were eligible for the federal 15% investment tax credit and the 150% Canadian exploration expenditures “super-allowance”;
- Of the $552,828 shortfall, $73,329 applied to Ontario subscribers and $479,499 applied to Québec subscribers; and
- Subscribers would be assessed two years’ interest on reassessed amounts.

During 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall. No further subscribers have made claims for additional taxes owing. Based on the lack of claims to date, the Company has adjusted its estimate of the provision to $nil at June 30, 2020.

As at June 30, 2020 and December 31, 2019, the Company has also accrued in accounts payable and accrued liabilities the estimated federal Part XII.6 tax and similar Québec tax for 2013 and prior years.

During the year ended December 31, 2019, the Company reached an agreement to pay outstanding Part XII.6 tax of $48,093. The Company had previously accrued $70,627 for Part XII.6 tax, resulting in a recovery of $22,534.

Environmental Contingencies

The Company’s exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as amortized cost; investments, as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities and loans payable, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $1,583 (December 31, 2019 - $809) owing from the Canada Revenue Agency. The Company has minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of June 30, 2020 equal $476,075 (December 31, 2019 - $778,696). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of June 30, 2020. The cash available is not sufficient to meet the Company's financial obligations at June 30, 2020. The Company will need to raise additional capital in order to address its liquidity.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider the related interest rate risk to be significant. The Company incurs interest on fixed rate debentures and loans payable. It may be subject to changes in cash flows resulting from rate changes upon renewal.

iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

Capital management

The Company considers its capital to be comprised of shareholders' deficiency.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company spends its working capital and raises additional amounts as needed. The Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the six months ended June 30, 2020.

The Company is not subject to externally imposed capital requirements other than of the TSX-V, which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of June 30, 2020, the Company is not compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

RISKS AND UNCERTAINTIES

The Company's condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The condensed interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the preceding paragraph, there is significant doubt regarding the ultimate applicability of the Company's going concern assumption.

The Company is primarily involved in gold exploration, an inherently high-risk activity. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

Exploration is also capital-intensive and the Company has no funding mechanism other than equity financings (including private placements and exercises of common share purchase warrants and common share purchase options) and potential financial arrangements with other mineral exploration companies.

Market risk and environmental risk are additional risks the Company faces. Market risk is the risk of depressed metals prices, particularly gold. The Company is dependent on capital markets to fund exploration, development and general working capital requirements, and a period of depressed gold prices may make access to investment capital more difficult. Environmental regulations affect the cost of exploration and development, as well as future mining operations.

The skills of management and staff in mineral exploration and raising capital serve to mitigate these risks. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to raise funds and to attract potential exploration partners. In addition, there is also a risk that existing exploration partners may be unable to meet their financial obligations, which could delay resource projects and possibly place additional stress on the Company's cash resources.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are included in note 5 of the condensed interim financial statements.

NEW ACCOUNTING STANDARD ADOPTED

The Company did not adopt any new accounting standards for the six months ended June 30, 2020.

DISCLOSURE OVER INTERNAL CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Company’s internal control environment during the six months ended June 30, 2020 that would have materially affected the Company’s internal controls over financial reporting.

The Company’s certifying officers concluded that the Company’s internal disclosure controls and procedures are effective and sufficient to execute its business plan.

OUTSTANDING SHARE INFORMATION

	August 24, 2020	June 30, 2020	December 31, 2019
Common shares	2,827,042	1,310,376	1,280,376
Warrants	1,183,333	-	-
Stock options	95,000	95,000	-
Fully diluted shares	4,105,375	1,405,376	1,280,376

VIKING GOLD EXPLORATION INC.
Management Discussion and Analysis
For the Year Ended December 31, 2019

FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the year ended December 31, 2019 contains forward-looking information, including forward-looking information about Viking Gold Exploration Inc.'s (the "Company" or "Viking") operations, estimates, and exploration and acquisition spending.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the year ended December 31, 2019 should be read in conjunction with the audited financial statements for the year ended December 31, 2019, which are prepared in accordance with International Financial Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board. The following information is prepared as at April 24, 2020. The Board of Directors of the Company have approved the disclosure in this MD&A.

Additional information related to the Company is available on SEDAR at www.sedar.com and on the Company's website at http://www.vikinggold.ca.

DESCRIPTION OF BUSINESS

Viking was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. The Company was under a Cease Trade Order that was filed December 8, 2015 for failure to file its financial statements. The Cease Trade Order was revoked on April 4, 2019. Viking is currently a reporting issuer seeking reactivation on the NEX board of the TSX Venture Exchange ("TSX-V").

The address of the Company's corporate office and its principal place of business is 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6. The Company's registered and records office is 400 – 725 Granville Street, Vancouver, British Columbia, Canada, V7Y 1G5.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a focus on gold.

On August 12, 2019, the Company consolidated its commons shares on the basis of one new share for ten old shares. All share and per share amounts have been revised to reflect the consolidation.

CONTINUANCE OF OPERATIONS

The Company has net income during the year ended December 31, 2019 of $80,521 (2018 – a net loss of $66,265) and as at December 31, 2019 has a deficit of $10,006,830 (2018 - $10,087,351), has limited resources, no sources of operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. As at December 31, 2019, the Company also had a working capital deficiency of $777,797 (2018 - $1,078,939). The Company is in the exploration stage, and accordingly, has not yet commenced revenue-producing operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The application of the going concern concept is dependent upon the Company's ability to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration and development of its mineral property interests, the attainment of profitable mining operations or the receipt of proceeds from the disposition of its mineral property interests. Management is actively engaged in the review and due diligence on opportunities of merit in the mining sector and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

EXPLORATION PROJECTS

In January 2018, the Company sold three interests in the Northwest Territories to Goldmining Inc. for 60,000 shares of Goldmining Inc. with a fair value of $79,800 based on the quoted market price of the shares on the date of the agreement.

During the year ended December 31, 2016, the Company sold its 60% interest in Viking Yellowknife JV for $70,000 and a conditional 250,000 shares of the purchasing company if the property was ever taken public, resulting in a gain of $70,000. The Company retains a 0.6% net smelter return royalty ("NSR"), which the purchaser can buy back for $1,000,000.

During the year ended December 31, 2017, the Company received the conditional 250,000 shares of the purchasing company, resulting in a gain of $20,000 based on the quoted market price of the shares on the date they were received.

The Company currently holds a 100% interest in nine claims known as Verneuil East. The Company also has the following NSRs:

- a 0.5% NSR on the Verneuil West interests, one-half (0.25%) of which the purchaser can buy back for $250,000; and
- a 0.35% NSR on the Verneuil Central interests, one-half (0.175%) of which the purchaser can buy back for $175,000.

RESULTS OF OPERATIONS

Three Months Ended December 31, 2019

During the three months ended December 31, 2019, the Company reported a net income of $3,686 (2018 - net loss of $60,815). The Company's net income included expenditures as follows:

- Depreciation expense of $30 (2018 - $75) was comparable to the prior period;
- Interest expense of $8,400 (2018 - $9,341) decreased compared to the prior period as a result of the settlement of convertible debentures in the prior quarter;
- Management fees of $nil (2018 - $1,500) were lower in the current period due to the discontinuation of fees charged by the former CEO/former CFO in the second quarter of 2019;
- Office and miscellaneous of $2,132 (2018 - $1,287) were comparable to the prior period;
- Professional fee recovery of $1,417 (2018 - expense of $46,362) resulted due to the reversal of an over accrual of legal fees in a prior period;
- Rent of $4,000 (2018 - $nil) increased from the prior period as office rent is now being paid by the Company;
- Transfer agent and filing fees of $3,777 (2018 - $nil) increased due to revoking the Cease Trade Order;
- Part XII.6 tax recovery of $22,534 (2018 - $nil) was a result of an over accrual of Part XII.6 tax in a prior period;
- Realized loss on investments of $15,250 (2018 - $nil) was the result of the sale of Troy Energy Corp. shares;
- Unrealized gain on investments of $13,750 (2018 - loss of $2,250) was related to fluctuations in the market price of investments; and
- Loss on disposal of equipment of $426 (2018 - $nil) was due to the disposal of equipment during the period.

Year Ended December 31, 2019

During the year ended December 31, 2019, the Company reported a net income of $80,521 (2018 - net loss of $66,265). The Company's net income included expenditures as follows:

- Depreciation expense of $164 (2018 - $300) was comparable to the prior period;
- Interest expense of $31,050 (2018 - $24,838) increased compared to the prior period as a result of increased loans, as well as higher rates of interest on loans payable that have matured;

- Management fees of $5,000 (2018 - $24,000) were lower in the current period due to the discontinuation of fees charged by the former CEO/former CFO in the second quarter of 2019;
- Office and miscellaneous of $3,843 (2018 - $6,162) were lower due to timing of expenses;
- Professional fees of $19,889 (2018 - $63,231) decreased due to over accruals in 2018 that were reversed in 2019;
- Rent of $4,000 (2018 - $nil) increased from the prior period as office rent is now being utilized by the Company;
- Shareholder communications and investor relations of $8,675 (2018 - $nil) increased due to the start of such expenses in relation to revoking its Cease Trade Order;
- Transfer agent and filing fees of $19,490 (2018 - $nil) increased due to revoking the Cease Trade Order;
- Part XII.6 tax recovery of $22,534 (2018 - $nil) was a result of an over accrual of Part XII.6 in a prior year;
- Gain on disposition of exploration and evaluation assets of $nil (2018 - $79,800) related to shares of Goldmining Inc. received in 2018;
- Gain on settlement of debt $154,429 (2018 - $nil) was a result of the settlement of accounts payable and accrued liabilities and convertible debentures for common shares;
- Realized loss on investments of $16,155 (2018 - $15,284) was the result of the sale of Cartier Resources Inc. and Troy Energy Corp. shares in 2019, and Goldmining Inc. shares in 2018;
- Unrealized gain on investments of $12,250 (2018 - loss of $12,250) was related to fluctuations in the market price of investments; and
- Loss on disposal of equipment of $426 (2018 - $nil) was due to the disposal of equipment during the year.

SELECTED ANNUAL INFORMATION
($000s, except loss per share)

	December 31, 2019 $	December 31, 2018 $	December 31, 2017 $
Revenue	-	-	-
Net income (loss)	81	(66)	54
Basic and diluted earnings (loss) per share	0.01	(0.01)	0.01
Total assets	1	62	42
Long-term debt	-	-	-
Dividends	-	-	-

SUMMARY OF QUARTERLY RESULTS
($000s, except earnings per share)

Results for the eight most recently completed quarters are summarized as follows:

For the periods ending	December 31, 2019 $	September 30, 2019 $	June 30, 2019 $	March 31, 2019 $
Revenue	-	-	-	-
Net income (loss)	4	126	(32)	(17)
Earnings (loss) per share	0.00	0.01	(0.00)	(0.00)

For the periods ending	December 31, 2018 $	September 30, 2018 $	June 30, 2018 $	March 31, 2018 $
Revenue	-	-	-	-
Net income (loss)	(61)	(22)	(50)	67
Earnings (loss) per share	(0.01)	(0.00)	(0.01)	0.01

LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of $90 and a working capital deficit of $777,797 at December 31, 2019, compared to $44,802 of cash and a working capital deficit of $1,078,939 at December 31, 2018.

The Company's accounts payable and accrued liabilities at December 31, 2019 were $127,903 (2018 - $466,461).

On April 4, 2019, the Company agreed to settle $15,000 of trade payables for 250,000 common shares of the Company valued at $0.036 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $6,000.

On April 4, 2019, the Company agreed to settle $165,263 worth of convertible debentures ($107,500 of principal and $57,763 of accrued interest) for 3,305,260 common shares of the Company valued at $0.05 per share. On August 19, 2019, the Company issued the common shares and the remaining accrued interest of $4,129 was recorded as a gain on settlement of debt.

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 1,271,360 common shares of the Company valued at $0.036 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

The Company has the following loans payable outstanding at December 31, 2019:

Issuance	Maturity	Interest Rate	Principal	Accrued Interest	Total
March 5, 2018	September 2, 2018	10%/20%*	$ 33,425	$ 10,522	$ 43,947
July 17, 2018	November 14, 2018	10%/20%*	40,850	11,886	52,736
August 22, 2018	December 20, 2018	10%/20%*	25,000	5,959	30,959
January 28, 2019	May 28, 2019	10%/20%*	10,000	1,513	11,513
February 27, 2019	June 27, 2019	10%/20%*	9,850	1,328	11,178
March 20, 2019	July 18, 2019	10%/20%*	5,000	616	5,616
May 24, 2019	September 21, 2019	10%/20%*	20,000	1,754	21,754
August 2, 2019	November 30, 2019	10%/20%*	20,000	1,156	21,156
December 9, 2019	April 7, 2020	10%/20%*	50,000	301	50,301
Total			$ 214,125	$ 35,035	$ 249,160

*The loan bears interest at 10% until its maturity date, after which the interest rate increases to 20% if not repaid.

The March 5, 2018 loan agreement includes a bonus payment of $10,000 to the lender if the Company’s common shares are reinstated for trading.

See **Commitments** for a discussion on outstanding flow-through share liabilities.

The Company has taken the following measures to address working capital concerns during the 2019 fiscal period and as of the date of this MD&A:

- Entered into various loan agreements for proceeds of $114,850;
- On August 19, 2019, the Company issued 4,826,620 common shares valued at $220,031 to settle trade payables of $15,000, convertible debentures of $165,263 ($107,500 of principal and $57,763 of interest) and amounts due to related parties of $190,068; and
- On December 23, 2019, the Company announced a private placement for gross proceeds of up to $456,000 and a consolidation of its common shares on a one new share for ten old shares basis. The private placement consists of up to 9,120,000 units at a price of $0.05 per unit. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.05 for a period of one year. Closing of the private placement and the share consolidation are subject to regulatory approval. As of April 24, 2020, regulatory review was in progress, but approval had not been received. The Company has received subscription agreements for 7,100,000 units and gross proceeds of $355,000. Officers and directors of the Company subscribed for 440,000 units and gross proceeds of $22,000.

EVENTS SUBSEQUENT TO DECEMBER 31, 2019

None other than those previously discussed in this MD&A.

TRANSACTIONS WITH RELATED PARTIES

These amounts of key management compensation are included in the amounts shown on the statements of comprehensive income (loss) and were incurred in the normal course of operations:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Short-term compensation	$ 5,000	$ 24,000

Short-term compensation was paid or accrued as follows:

- $5,000 (2018 - $24,000) in management fees to a private company controlled by a director/former CEO/CFO.

As at December 31, 2019, the Company has outstanding amounts payable to officers, directors and advisory committee members of the Company of $12,950 (2018 - $256,250) for outstanding fees and expenses. The amounts payable are non-interest-bearing, uncollateralized and repayable on demand.

As at December 31, 2018, related parties were also invested in the convertible debentures.

On April 4, 2019, the Company agreed to settle $225,068 of amounts due to related parties for $35,000 in cash and 1,271,360 common shares of the Company valued at $0.036 per share. The Company issued the common shares on August 19, 2019 and recorded a gain on settlement of debt of $144,300.

COMMITMENTS

Flow-through Shares

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency and Revenu Québec, attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible. In 2014, the Company recorded a further $15,000 related to interest on reassessed amounts.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% Canadian exploration expenditures "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed two years' interest on reassessed amounts.

As at December 31, 2019 and 2018, the Company has also accrued in accounts payable and accrued liabilities the estimated federal Part XII.6 tax and similar Quebec tax for 2013 and prior years.

During the year ended December 31, 2018, the Company paid $13,367 in compensation to one subscriber for additional taxes owing as a result of this flow-through spending shortfall.

During the year ended December 31, 2019, the Company reached an agreement to pay outstanding Part XII.6 tax of $48,093. The Company had previously accrued $70,627 for Part XII.6 tax, resulting in a recovery of $22,534.

Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as amortized cost; investments, as fair value through profit or loss; receivables, as amortized cost; and accounts payable and accrued liabilities, loans payable, convertible debentures and interest payable on convertible debentures, as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

December 31, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ -	$ -	$ -	$ -

December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments	$ 13,750	$ -	$ -	$ 13,750

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. Included in receivables is $809 (2018 - $3,255) owing from the Canada Revenue Agency. The Company has minimal credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2019 equal $778,696 (2018 - $1,140,746). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of December 31, 2019. The cash available is not sufficient to meet the Company's financial obligations at December 31, 2019. The Company will need to raise additional capital in order to address its liquidity.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on capital.

i) *Currency risk* – Currency risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company has no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

ii) *Interest rate risk* – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates, and therefore, the Company does not consider the related interest rate risk to be significant. The Company incurs interest on fixed rate debentures and loans payable. It may be subject to changes in cash flows resulting from rate changes upon renewal.

iii) *Other price risk* – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is exposed to price risk with respect to its investments. Unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Company is exposed to some price risk with respect to commodity prices; however, this is limited since the Company is not a producing entity. The Company closely monitors commodity prices to determine its appropriate course of action.

Capital management

The Company considers its capital to be comprised of shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company spends its working capital and raises additional amounts as needed. The Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the year ended December 31, 2019.

The Company is not subject to externally imposed capital requirements other than of the TSX-V, which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of December 31, 2019, the Company is not compliant with the policies of the TSX-V. The impact of this violation is not known and is ultimately dependent on the discretion of the TSX-V.

RISKS AND UNCERTAINTIES

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the preceding paragraph, there is significant doubt regarding the ultimate applicability of the Company's going concern assumption.

The Company is primarily involved in gold exploration, an inherently high-risk activity. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements.

Exploration is also capital-intensive and the Company has no funding mechanism other than equity financings (including private placements and exercises of common share purchase warrants and common share purchase options) and potential financial arrangements with other mineral exploration companies.

Market risk and environmental risk are additional risks the Company faces. Market risk is the risk of depressed metals prices, particularly gold. The Company is dependent on capital markets to fund exploration, development and general working capital requirements, and a period of depressed gold prices may make access to investment capital more difficult. Environmental regulations affect the cost of exploration and development, as well as future mining operations.

The skills of management and staff in mineral exploration and raising capital serve to mitigate these risks. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to raise funds and to attract potential exploration partners. In addition, there is also a risk that existing exploration partners may be unable to meet their financial obligations, which could delay resource projects and possibly place additional stress on the Company's cash resources.

CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income (loss) in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next fiscal year are included in note 5 of the financial statements.

NEW ACCOUNTING STANDARD ADOPTED

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* with no impact on its financial statements.

DISCLOSURE OVER INTERNAL CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no significant changes to the Company's internal control environment during the year ended December 31, 2019 that would have materially affected the Company's internal controls over financial reporting.

The Company's certifying officers concluded that the Company's internal disclosure controls and procedures are effective and sufficient to execute its business plan.

OUTSTANDING SHARE INFORMATION

	April 24, 2020	December 31, 2019	December 31, 2018
Common shares	12,804,383	12,804,383	7,977,763
Warrants	-	-	-
Stock options	-	-	-
Fully diluted shares	12,804,383	12,804,383	7,977,763

The schedule above excludes the potential conversion of the convertible debentures at December 31, 2018.

SCHEDULE "C"

AUDITED FINANCIAL STATEMENTS OF HAPPY TEA FOR THE PERIOD FROM INCEPTION SEPTEMBER 4, 2018 TO AUGUST 31, 2019 AND THE UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MAY 31, 2020

HAPPY SUPPLEMENTS, INC.
Financial Statements
May 31, 2020
With Report on Review of Interim Financial Information

withum
ADVISORY TAX AUDIT

Happy Supplements, Inc.
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For the Nine Month Period Ended May 31, 2020

withum
ADVISORY TAX AUDIT

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Shareholders,
Happy Supplements, Inc:

Introduction

We have reviewed the accompanying statement of financial position of Happy Supplements, Inc. as of May 31, 2020 and the related statements of loss, changes in shareholders' equity (deficit) and cash flows for the nine-month period then ended, and notes to the financial statements. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements which indicates that the Company's ability to continue as a going concern will depend upon the availability of private equity financing. Current year net losses indicate the existence of a material uncertainty which may cast substantial doubt about the Company's ability to continue as a going concern.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the entity as at May 31, 2020, and of its financial performance and its cash flows for the nine-month period then ended in accordance with IFRS.

WithumSmith+Brown, PC

September 30, 2020

WithumSmith+Brown, PC 200 South Orange Avenue, Suite 1200, Orlando, Florida 32801-3400 T (407) 849 1569 F (407) 849 1119 withum.com

Happy Supplements, Inc
Statements of Financial Position
May 31, 2020 (Unaudited) and August 31, 2019

	Note	May 31, 2020 (Unaudited)	August 31, 2019
Assets			
Current assets			
Cash		$ 48,262	$ 380,014
Related party receivable	4	10,000	-
Inventory	2	89,970	62,208
Prepaid expenses	2	94,500	31,875
Total current assets		242,732	474,097
Total assets		$ 242,732	$ 474,097
Liabilities and Shareholders' Deficit			
Current liabilities			
Related party payable	2	$ -	$ 2,521,966
Accounts payable and accrued expenses	2	41,595	29,151
Note payable	7	50,857	-
Total current liabilities		92,452	2,551,117
Capital			
Share capital	5	4,311,417	947,313
Accumulated deficit	5	(4,161,137)	(3,024,333)
		150,280	(2,077,020)
Total liabilities and shareholders' deficit		$ 242,732	$ 474,097

See Independent Accountant's Review Report.
The Notes to Financial Statements are an integral part of these statements.

Happy Supplements, Inc
Statements of Loss (Unaudited)
For the Three and Nine Months Ended May 31, 2020 and 2019

		For the Three Months Ended May 31,		For the Nine Months Ended May 31,	
	Note	**2020**	**2019**	**2020**	**2019**
Net revenue	2	$ 38,239	$ 87,136	$ 96,928	$ 278,907
Cost of sales	2	10,507	19,286	48,642	68,038
Gross profit		27,732	67,850	48,286	210,869
Operating expenses					
Advertising and marketing	2, 4	93,740	1,273,273	569,253	3,207,449
General and administrative	6	167,560	1,578	625,837	3,111
Total expenses		261,300	1,274,851	1,195,090	3,210,560
Other income	7	10,000	-	10,000	-
Net loss		$ (223,568)	$ (1,207,001)	$ (1,136,804)	$ (2,999,691)

See Independent Accountant's Review Report.
The Notes to Financial Statements are an integral part of these statements.

Happy Supplements, Inc
Statement of Changes in Shareholders' Equity (Deficit) (Unaudited)
For the Nine Months Ended May 31, 2020

	Share Capital	Accumulated Deficit	Total
Balance, September 4, 2018 (Inception)	$ -	$ -	$ -
Contributions	947,313	-	947,313
Net loss	-	(3,024,333)	(3,024,333)
Balance, August 31, 2019	947,313	(3,024,333)	(2,077,020)
Contributions	841,232	-	841,232
Conversion of convertible shareholder note	2,522,872	-	2,522,872
Net loss	-	(1,136,804)	(1,136,804)
Balance, May 31, 2020 (Unaudited)	$ 4,311,417	$ (4,161,137)	$ 150,280

See Independent Accountant's Review Report.
The Notes to Financial Statements are an integral part of these statements.

Happy Supplements, Inc
Statements of Cash Flows (Unaudited)
For the Nine Months Ended May 31, 2020 and 2019

	Nine Months Ended May 31, 2020	Inception Through May 31, 2019
Operating activities		
Net loss	$ (1,136,804)	$ (2,999,691)
Changes in assets and liabilities		
(Increase) in		
Inventory	(27,762)	(81,820)
Related party receivable	(10,000)	-
Prepaid expenses	(62,625)	-
Increase (decrease) in		
Accounts payable and accrued expenses	12,444	-
Related party payable	906	-
Net cash used in operating activities	(1,223,841)	(3,081,511)
Financing activities		
Borrowings on related party payable	-	3,280,575
Borrowings on note payable	50,857	-
Contributions	841,232	-
Net cash provided by financing activities	892,089	3,280,575
Net change in cash	(331,752)	199,064
Cash		
Beginning of period	380,014	-
End of period	$ 48,262	$ 199,064
Supplemental disclosure of non-cash financing activity		
Conversion of convertible shareholder note	$ 2,522,872	$ -

See Independent Accountant's Review Report.
The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND NATURE OF OPERATIONS

Happy Supplements, Inc. (the "Company") is a Delaware corporation formed in February 2020. Prior to the Company's conversion to a corporation, the Company operated as a limited liability company which was formed in September 2018. On February 13, 2020, each outstanding membership interest of the limited liability company was converted into one share of common stock. The Company is authorized to issue 75,000,000 shares with a par value of $0.0001 per share.

The Company markets and sells nutritional supplements which utilize natural hemp extract, branded as Happy Tea Powder and Happy Tea Shots. Natural hemp has been studied for possible beneficial effects on stress, anxiety and inflammation and unlike cannabis does not contain THC to produce any psychoactive effects. The Company's products are sold via internet sales with future plans to be distributed through major retailers. Operations are primarily located in Orlando, Florida.

The financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and International Accounting Standard ("IAS") 34 *Interim Financial Reporting*, and should be read in conjunction with the Company's last audited financial statements as of and for the year ended August 31, 2019. These financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last audited financial statements. The financial statements have been prepared on a historical cost basis.

Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

From inception through the period ended May 31, 2020, the Company has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaced IAS 18 *Revenue* and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. The Company recognizes revenue upon satisfaction of its one performance obligation of transferring the goods to the customer.

Due to the nature of operations in which payment is collected upon a customer placing an order, the Company does not have accounts receivable at May 31, 2020.

Inventory and Costs of Goods Sold

Inventory consists of third-party manufactured finished goods that are available for sale. Inventory is stated at lower of cost or net realizable value on the first-in, first-out basis. There were no write-downs or reversals of write-downs of inventories to fair value less costs to sell recognized for the nine-month period ended May 31, 2020.

Inventory and packaging costs are recognized in costs of goods sold when the associated revenue is recorded.

Prepaid Expenses

Prepaid expenses consist of deposits paid for supplies which have not yet been received by the Company as of May 31, 2020.

Related Party Payable

The Company had a related party payable to its managing member which was fully converted into equity on March 22, 2020 (see Note 5). In accordance with IFRS 9 *Financial Instruments*, the Company recognized the financial liability at fair value as it became party to the obligation. The fair value of financial liabilities were assumed to approximate the carrying amounts given the nature of the commitments and the relatively short maturity of these instruments.

Advertising Costs

Advertising costs are expensed as incurred and are included in advertising and marketing expenses in the statement of operations.

Income Taxes

The Company converted from a limited liability company to a corporation during February 2020. The Company will file income tax returns in the federal jurisdiction of the United States and the state jurisdictions of Delaware. The Company has no uncertain tax positions for the nine-months ended May 31, 2020.

Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred tax assets and liabilities are accounted for in accordance with IAS 12 *Income Taxes*, under the liability method whereby deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Concurrently, temporary differences (such as net operating loss carryforwards) for which no deferred tax assets were recognized are reviewed and a deferred tax asset is recognized if it is probable that they will be utilized.

Risk Management

Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the member and to maintain an optimal capital structure.

The Company's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and members' returns.

Financial Risk Management

The Company's activities expose itself to different kinds of financial risks. Management monitors these risk exposures to ensure appropriate measures are implemented in a timely manner so as to mitigate or reduce such risks.

(a) Credit Risk

The company is exposed to credit which is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For banks and financial institutions, the Company from time-to-time evaluates the soundness of these institutions for possible exposure to loss. To mitigate the potential for loss, the Company's cash deposits are maintained in the United States with large, reputable financial institutions. The Company does not provide any guarantees which would expose the company to credit risk.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the Company's short and long term commitments as they fall due. Assets of the Company are kept sufficiently liquid to meet operating needs.

New Accounting Pronouncements

IFRS 16 *Leases* supersedes IAS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 affects the accounting for the Company's operating leases and is effective for the current accounting period. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. IFRS 16 was effective on January 1, 2019.

At the reporting date, the Company has no non-cancellable operating lease commitments, however future operating leases are expected as the Company matures. The adoption of the accounting policy did not result in a material change in gross assets and liabilities.

3. GOING CONCERN

The Company's ability to continue as a going concern will depend upon the availability of private equity financing which represents the primary source of cash flows. As of May 31, 2020, the Company has raised private capital contributions of $1,788,545 from outside private investors. Additionally, a related party payable to the majority shareholder of $2,522,872 was converted to common stock during March 2020 (see Note 5).

4. RELATED PARTY TRANSACTIONS

The Company utilized funds provided by its managing founder to fund its initial operations. The borrowings bore no interest and were payable on demand of the individual. Funds were primarily used for advertising and initial inventory purchases for the Company. The total outstanding balance of $2,522,872 was converted into equity during March 2020 (see Note 5).

The Company's managing member is also the sole member of Fit Products, LLC ("Fit Products") which manufactures and sells a separate line of nutritional supplements. At May 31, 2020, the Company has recorded a related party receivable of $10,000 related to a working capital advance from the Company to Fit Products. No such receivable was recorded at August 31, 2019.

For the nine months ended May 31, 2020 the Company utilized office and warehouse space leased by Fit Products on a month to month basis. Annualized rent expense of this space to Fit Products is approximately $58,000. The pro-rata share of rent and utilities incurred by the Company has been waived by Fit Products, therefore this expense has not been included in the statement of loss.

Key management compensation and benefits for the nine months ended May 31, 2020 approximated $70,000 and is presented as an operating expense in the statement of loss. For the nine months ended May 31, 2019, no key management compensation and benefits had been allocated to the Company by Fit Products.

5. EQUITY TRANSACTIONS

In June 2019, the Company raised $500,000 Canadian dollars ("CAD") via a Series 1 private placement ("Series 1") to accredited investors of 10,000,000 membership units valued at $.05/each CAD. The net proceeds of $369,878 USD has been recorded as a capital contribution in the statement of changes in members' deficit. The proceeds as defined by the operating agreement are to allow the Company 1) to cultivate, produce and distribute health supplements containing derivatives from hemp and 2) to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 1 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned.

In July and August 2019, the Company raised additional net proceeds of $577,335 USD via a second private placement ("Series 2") to accredited investors in the US and Canada. Series 2 consists of 12,000,000 membership units valued at $.25/each CAD. This amount has been recorded as a capital contribution in the statement of changes in members' deficit. The Series 2 offering ended on December 31, 2019. The proceeds as defined by the operating agreement are to allow the Company 1) to cultivate, produce and distribute health supplements containing derivatives from hemp and 2) to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 2 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned.

During the nine-month period ended May 31, 2020, the Company raised additional net proceeds of $841,231 USD via a second private placement ("Series 2") to accredited investors in the US and Canada. Series 2 consists of 12,000,000 membership units valued at $.25/each CAD. This amount has been recorded as a capital contribution in the statement of changes in shareholders' equity (deficit). The proceeds as defined by the operating agreement are to allow the Company 1) to cultivate, produce and distribute health supplements containing derivatives from hemp and 2) to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 2 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned.

In February 2020, the 17,468,616 outstanding membership units were converted into an equivalent number of shares of common stock in the Company.

In March 2020, the related party payable due to the managing member totaling $2,522,842 was converted to 17,000,000 shares of common stock in the Company.

6. EXPENSES BY NATURAL CATEGORY

Expenses by natural category for the nine months ended May 31, 2020 were as follows:

	Nine Months Ended May 31, 2020	Inception Through May 31, 2019
Bank charges	$ 3,163	$ 1,106
Selling costs	16,064	-
Computer expense	9,487	526
Contract labor	3,066	800
Legal and professional services	157,207	60
Payroll expense	403,907	-
Travel	9,657	600
Office supplies and software	13,895	-
Insurance	7,693	-
Taxes and licenses	1,455	-
Other	243	19
	$ 625,837	$ 3,111

7. POTENTIAL IMPACT OF COVID-19

Management is currently evaluating the introduction of the COVID-19 virus to the United States. The Company is actively monitoring the current and projected impact of the virus on its operations. The Company applied for and received $50,857 in Small Business Administration financial loan support through an accredited lender under the Paycheck Protection Program (the "PPP"), pursuant to the recently passed Federal Government Cares Act. The PPP allows for potential short-term loan forgiveness, reduced by amounts received from Economic Injury Disaster Loan ("EIDL") advances, based on the lender's evaluation of the Company's use of the proceeds. The Company received $10,000 in EIDL advance funds. The EIDL is not required to be repaid. The Company has included this advance as other income in the accompanying statement of operations. The effect of the virus on the Company's financial statements is not currently know and cannot be estimated and therefore is not reflected in the accompanying financial statements.

8. EVENTS AFTER THE REPORTING PERIOD

In June 2020, the Company issued a warrant to purchase up to 9,000,000 shares of common stock of the Company at an exercise price of $0.05/each CAD. Other than the transactions disclosed herein and in Note 7, no other events have occurred after the reporting period which requires disclosure in or adjustment to the financial statements.

9. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management and authorized for issue on September 30, 2020.

HAPPY SUPPLEMENTS, LLC
Financial Statements
For the Period from September 4, 2018 (Inception)
Through August 31, 2019
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Happy Supplements, LLC
Table of Contents
For the Period from September 4, 2018 (Inception) Through August 31, 2019

withum ADVISORY TAX AUDIT

INDEPENDENT AUDITOR'S REPORT

To the Members,
Happy Supplements, LLC

Opinion

We have audited the financial statements of Happy Supplements, LLC (the "Company"), which comprise the statement of financial position as of August 31, 2019, and the statements of loss, changes in members' deficit, and cash flows for the period from September 4, 2018 (inception) through August 31, 2019, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2019, and its financial performance and cash flows for period from September 4, 2018 (inception) through August 31, 2019 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") and auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the IASB and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing and auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA and GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Material Uncertainty Related to Going Concern

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which indicates that the Company has a net loss of approximately $3,000,000 during the period from inception through August 31, 2019, and as of that date, the Company's current liabilities exceeded its total assets by $2,077,020. These conditions, along with other matters as set forth in Note 3, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

WithumSmith+Brown, PC

January 20, 2020

Happy Supplements, LLC
Statement of Financial Position
August 31, 2019

Assets	**Note**	
Current assets		
Cash		$ 380,014
Inventory	2	62,208
Prepaid expenses	2	31,875
Total current assets		474,097
Total assets		$ 474,097
Liabilities and members' deficit		
Current liabilities		
Related party payable	2	$ 2,521,966
Accrued liabilities	2	29,151
Total current liabilities		2,551,117
Capital		
Share capital	5	947,313
Accumulated deficit	5	(3,024,333)
		(2,077,020)
Total liabilities and members' deficit		$ 474,097

The Notes to Financial Statements are an integral part of this statement.

Happy Supplements, LLC
Statement of Loss
For the Period from September 4, 2018 (Inception) Through August 31, 2019

	Note	
Net revenue	2	$ 319,425
Cost of sales	2	150,841
Gross profit		168,584
Operating expenses		
Advertising and marketing	2,4	3,063,082
General and administrative	6	129,835
Total expenses		3,192,917
Net loss		$ (3,024,333)

The Notes to Financial Statements are an integral part of this statement.

Happy Supplements, LLC
Statement of Changes in Members' Deficit
For the Period from September 4, 2018 (Inception) Through August 31, 2019

	Share Capital	Accumulated Deficit	Total
Balance, September 4, 2018 (Inception)	$ -	$ -	$ -
Contributions	947,313	-	947,313
Net loss	-	(3,024,333)	(3,024,333)
	$ 947,313	$ (3,024,333)	$ (2,077,020)

The Notes to Financial Statements are an integral part of this statement.

Happy Supplements, LLC
Statement of Cash Flows
For the Period from September 4, 2018 (Inception) Through August 31, 2019

Operating activities	
Net loss	$ (3,024,333)
Adjustments to reconcile net loss to net cash used in operating activities	
(Increase) in	
Inventory	(62,208)
Prepaid expenses	(31,875)
Increase in	
Accrued liabilities	29,151
Net cash used in operating activities	(3,089,265)
Financing activities	
Borrowings on related party payable	2,521,966
Contributions	947,313
Net cash provided by financing activities	3,469,279
Net increase in cash	380,014
Cash	
Beginning of period	-
End of period	$ 380,014

The Notes to Financial Statements are an integral part of this statement.

1. ORGANIZATION AND NATURE OF OPERATIONS

Happy Supplements, LLC (the "Company") is a Delaware limited liability company formed in September 2018. The Company markets and sells nutritional supplements which utilize natural hemp extract, branded as Happy Tea Powder and Happy Tea Shots. Natural hemp has been studied for possible beneficial effects on stress, anxiety and inflammation and unlike cannabis does not contain THC to produce any psychoactive effects. The Company's products are sold via internet sales with future plans to be distributed through major retailers. Operations are primarily located in Orlando, FL.

The financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical cost basis. This is the first set of the Company's financial statements in which IFRS has been applied.

Revenue Recognition

From inception through the period ended August 31, 2019, the Company has applied IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognized. It replaced IAS 18 *Revenue* and related interpretations. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. The Company recognizes revenue upon satisfaction of its one performance obligation of transferring the goods to the customer.

Due to the nature of operations in which payment is collected upon a customer placing an order, the Company does not have accounts receivable at August 31, 2019.

Inventory and Costs of Goods Sold

Inventory consists of third-party manufactured finished goods that are available for sale. Inventory is stated at lower of cost or net realizable value on the first-in, first-out basis. There were no write-downs or reversals of write-downs of inventories to fair value less costs to sell recognized for the period from inception through August 31, 2019.

Inventory and packaging costs are recognized in costs of goods sold when the associated revenue is recorded.

Prepaid Expenses

Prepaid expenses consist of deposits paid for inventory which has not yet been received by the Company as of August 31, 2019.

Related Party Payable

As disclosed in Note 4, the Company has a related party payable to its managing member. In accordance with IFRS 9 *Financial Instruments*, the Company recognizes the financial liability at fair value as it becomes party to the obligation. The fair value of financial liabilities are assumed to approximate the carrying amounts given the nature of the commitments and the relatively short maturity of these instruments.

Accrued Liabilities

Accrued liabilities consist of amounts payable to vendors for goods and services provided prior to August 31, 2019. This balance totaled $29,151 at August 31, 2019.

Advertising Costs

Advertising costs are expensed as incurred and are included in advertising and marketing expenses in the statement of operations.

Income Taxes

The Company is a limited liability company under the Internal Revenue Code for federal income tax purposes, and accordingly is not subject to federal or state income taxes. Items of income, loss, deduction, and credits are passed through to the Company's members.

None of the Company's federal or state income tax returns are currently under examination by the taxing authorities. Because the Company is a limited liability company, assessments from any federal tax examinations would also be passed through to the members.

The Company has reviewed and evaluated tax positions taken and has determined there are no uncertain tax positions taken that would require recognition of a liability or asset or disclosure in the financial statements as of August 31, 2019. Further, there were no income tax interest or penalties accrued or paid from the period from inception through August 31, 2019.

Risk Management

Capital Risk Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the member and to maintain an optimal capital structure.

The company's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and members' returns.

Financial Risk Management

The Company's activities expose itself to different kinds of financial risks. Management monitors this risk exposures to ensure appropriate measures are implemented in a timely manner so as to mitigate or reduce such risks.

(a) Credit Risk

The company is exposed to credit which is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For banks and financial institutions, the Company from time-to-time evaluates the soundness of these institutions for possible exposure to loss. To mitigate the potential for loss, the Company's cash deposits are maintained in the United States with large, reputable financial institutions. The company does not provide any guarantees which would expose the company to credit risk.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the Company's short and long term commitments as they fall due. Assets of the Company are kept sufficiently liquid to meet operating needs.

New Accounting Pronouncements

The Company is currently assessing the impact of the following new standards that are not yet effective and have prepared an initial assessment of the potential impact.

IFRS 16- *Leases* supersedes IAS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the group's operating leases and is effective for the next accounting period. At the reporting date, the Company has no non-cancellable operating lease commitments, however future operating leases are expected as the Company matures. Under IFRS 16, the obligations to pay the future rents over the expected lease term will be recognized as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset being recognized in the statement of financial position. The adoption of the accounting policy may result in a material change in gross assets and liabilities, as a result of recognizing the leases as right-of-use assets and liabilities, however it is not anticipated that there will be a material impact on net assets. Additionally, whilst the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is not expected to have a material impact on the reported results in the statements of income and comprehensive income. IFRS16 is effective for annual financial statements beginning on or after January 1, 2019.

3. GOING CONCERN

As of August 31, 2019, the Company's current liabilities exceed its current assets by $2,805,572. Since the commencement of operations the Company's results of operations have resulted in a cumulative deficit of $2,077,020. The cumulative deficit as of August 31, 2019 has been the result primarily of substantial advertising expenditures in order to build online brand awareness ahead of an anticipated retail launch. Management believes as the products are rolled out to various major retailers they will be able to scale back the marketing expenditures and focus on targeted online advertising campaigns which will reduce advertising and marketing expenses.

The Company's ability to continue as a going concern will depend upon the availability of related party financing which represents the primary source of cash flows, as well as equity raises. Payment for the borrowings from the related party are not anticipated to be demanded in the next fiscal year. As of August 31, 2019, the Company has raised private capital contributions of approximately $947,313 (see Note 5) from outside private investors. The Company is actively marketing itself to potential investors and believes additional capital will be raised during the last quarter of 2019.

4. RELATED PARTY TRANSACTIONS

The Company utilized funds provided by its managing member to fund its initial operations. The borrowings bear no interest and are payable on demand of the individual. Funds were primarily used for advertising and initial inventory purchases for the Company. The balance totaled $2,521,966 at August 31, 2019.

The Company's managing member is also the sole member of Fit Products, LLC ("Fit Products") which manufactures and sells a separate line of nutritional supplements.

For the period from inception through August 31, 2019, the Company utilized office and warehouse space leased by Fit Products on a month to month basis. Annualized rent expense to Fit Products is approximately $58,000. The pro-rata share of rent and utilities incurred by the Company has been waived by Fit Products, therefore this expense has not been included in the statement of operations.

From inception to July 2019, employees of Fit Products performed responsibilities for the benefit of the Company without a pro-rata share of salaries being allocated to the Company. Effective July 8, 2019, certain employees of Fit Products were transferred to the Company. Fit Products has waived reimbursement for the pro-rata share of salaries prior to the transfer of employees. Based on the Company's salary expense incurred from July 8, 2019 through August 31, 2019, annualized salary expense is approximated to be $456,000.

Key management compensation and benefits from inception through August 31, 2019 totaled $10,000 and is presented as an operating expense in the statement of loss.

5. EQUITY TRANSACTIONS

In June 2019, the Company raised $500,000 Canadian dollars ("CAD") via a Series 1 private placement ("Series 1") to accredited investors of 10,000,000 membership units valued at $.05/each CAD. The net proceeds of $369,878 USD has been recorded as a capital contribution in the statement of changes in members' deficit. The proceeds as defined by the operating agreement are to allow the Company 1) to cultivate, produce and distribute health supplements containing derivatives from hemp and 2) to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 1 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned.

In July and August 2019, the Company raised additional net proceeds of $577,335 USD via a second private placement ("Series 2") to accredited investors in the US and Canada. Series 2 consists of 12,000,000 membership units valued at $.25/each CAD. This amount has been recorded as a capital contribution in the statement of changes in members' deficit. The Series 2 offering ended on December 31, 2019. The proceeds as defined by the operating agreement are to allow the Company 1) to cultivate, produce and distribute health supplements containing derivatives from hemp and 2) to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 2 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned. Subsequent to August 31, 2019, the Company raised an additional $430,265 USD through sales of its Series 2 units.

6. EXPENSES BY NATURAL CATEGORY

Expenses by natural category for the period from inception through August 31, 2019 were as follows:

Bank charges	$ 2,006
Selling costs	13,943
Computer expense	2,774
Contract labor	1,212
Legal & professional services	47,908
Payroll expense	61,355
Travel	599
Other	38
	$ 129,835

7. EVENTS AFTER THE REPORTING PERIOD

Other than the transactions disclosed herein, no other events have occurred after the reporting period which requires disclosure in or adjustment to the financial statements.

8. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by management and authorized for issue on January 20, 2020.

SCHEDULE "D"

HAPPY TEA MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE PERIOD FROM INCEPTION SEPTEMBER 4, 2018 TO AUGUST 31, 2019 AND THE NINE MONTHS ENDED MAY 31, 2020

FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the nine months ended May 31, 2020 contains forward-looking information, including forward-looking information about Happy Supplments Inc.'s (the "Company") operations, estimates, commercial activities, research and development activities and the costs and timing of those activities..

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the nine months ended May 31, 2020, should be read in conjunction with the condensed interim financial statements as at May 31, 2020 and the audited financial statements as at August 31, 2019. This MD&A is effective September 30, 2020.

The Company has prepared its condensed interim financial statements for the nine months ended May 31 2020 in United States dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and International Accounting Standard ("IAS") 34 *Interim Financial Statements*, as issued by the International Accounting Standards Board.

DESCRIPTION OF BUSINESS

The Company was formed as a limited liability company on September 4, 2018 pursuant to the Limited Liability Company Act (Delaware) and subsequently converted to a corporation under the Business Corporations Act (Delaware) under the name of "Happy Supplements Inc." on February 13, 2020. The Copmany's head office is located at 1606 Camerbur Drive, Orlando, Florida, 32805.

The Company develops health and wellness supplements that contain cannabidiol ("CBD") and other cannabinoids found in Industrial Hemp under the brand name Happy Tea. The Company is currently focused on the sale of its proprietary hemp infused consumer branded formulations. The Company's products are aimed at the mass consumer alternative health and wellness markets.

The Company is currently focused on distributing its products directly to consumers via e-commerce, where legally permitted. The Company intends to utilize several different distribution models for its products at different stages in the development lifecycle of Happy Tea to ensure maximum profitability and productivity.

BUSINESS OF THE COMPANY

On May 23, 2019, the Company entered into a Letter of Intent ("LOI") with 1208004 B.C. Ltd. ("BC Co."), a corporation existing under the laws of the Province of British Columbia. The LOI was subsequently amended. Under the terms of the LOI, BC Co. will acquire 100% of the issued and outstanding securuties of the Company, in exchange for securities of BC Co., or it's assignee. BC Co is required to arrange certain financings on a best efforts basis, and a complete agreement for the transaction will be documented by an amalgamation agreement or other definitive agreement (the "Definitive Agreement") to be negotiated. BC Co. currently intends to assign the LOI or Definitive Agreement to a Canadian listed reporting issuer or to another entity which will complete a going-public transaction. As of the date of this MD&A, no Definitive Agreement has been completed.

In June 2019, the Company raised $369,878 via a Series 1 private placement ("Series 1") of 10,000,000 membership units valued at $0.05 Canadian dollars ("CAD") per unit. The net proceeds has been recorded as a capital contribution in the statement of changes in members' deficit.

In July and August 2019, the Company raised $577,335 via a Series 2 private placement ("Series 2") of up to 12,000,000 membership units valued at $0.25 CAD per unit. The net proceeds has been recorded as a capital contribution in the statement of changes in members' deficit.

During the nine months ended May 31, 2020, the Company raised an additional $841,231 through issuance of its Series 2 membership units.

On February 13, 2020, the membership units were converted to common shares when the Company converted to a corporation. A total of 10,000,000 Series 1 membership units and 7,468,616 Series 2 membership units were converted to 17,468,616 common shares.

On March 2, 2020, the related party payable of $2,522,872 was converted to 17,000,000 common shares of the Company.

On June 30, 2020, the Company issued 9,000,000 performance warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.05 for a period of one year

Management is currently evaluating the recent introduction of the COVID-19 virus to the United States. The Company is actively monitoring the current and projected impact of the virus on its operations. The Company applied for and received $50,857 in Small Business Administration financial loan support through an accredited lender under the Paycheck Protection Program (the "PPP"), pursuant to the recently passed Federal Government Cares Act. The PPP allows for potential short-term loan forgiveness, reduct by amounts received from the Economic Injury Disaster Loan ("EIDL") advances, based on the lender's evaluation of the Company's use of the proceeds. The Company received $10,000 in EIDL advance funds. The EIDL is not required to be repaid. The Company has included this advance as other income in statement of operations. The effect of the virus on the Company's financial statements is not currently known and cannot be estimated and therefore is not reflected in the financial statements.

SELECTED ANNUAL INFORMATION

	August 31, 2019 $
Revenue	319,425
Net loss	(3,024,333)
Total assets	474,097
Non-current financial liabilities	Nil
Distributions	Nil

SELECTED QUARTERLY INFORMATION

Results for the four most recently completed quarters are summarized below.

For the Quarter Periods Ending	May 31, 2020 $ (unaudited)	February 29, 2020 $ (unaudited)	November 30, 2019 $ (unaudited)	August 31, 2019 $ (unaudited)
Total revenue	38,059	29,565	29,304	40,518
Income (loss) for the period	(223,569)	(389,142)	(524,093)	(24,641)
Total assets	242,732	270,473	370,291	474,097
Total non-current liabilities	Nil	Nil	Nil	Nil
Distributions	Nil	Nil	Nil	Nil

For the Quarter Periods Ending	May 31, 2019 $ (unaudited)	February 28, 2019 $ (unaudited)	November 30, 2018 $ (unaudited)
Total revenue	87,136	183,679	8,092
Income (loss) for the period	(1,207,004)	(1,799,141)	6,453
Total assets	280,883	239,427	6,453
Total non-current liabilities	Nil	Nil	Nil
Distributions	Nil	Nil	Nil

OPERATIONS

During the three months ended May 31, 2020, the Company reported revenue of $38,239 (2019 - $87,136), cost of sales of $10,507 (2019 - $19,286), gross profit of $27,732 (2019 - $67,850) and a net loss of $223,569 (2019 - $1,207,004). Expenses were as follows:

- Advertising and marketing of $93,740 (2019 - $1,273,273) consisted mostly of expenditures to build online brand awareness ahead of an anticipated retail launch; and
- General and administrative of $167,560 (2019 - $1,578), consisting primarily of $97,165 in payroll expenses, $46,288 in legal and professional services ans other exepnses of $24,107.

During the nine months ended May 31, 2020, the Company reported revenue of $96,928 (2019 - $278,907), cost of sales of $48,642 (2019 - $68,038), gross profit of $48,286 (2019 - $210,869) and a net loss of $1,136,804 (2019 - $2,999,692). Expenses were as follows:

- Advertising and marketing of $569,253 (2019 - $3,207,555) consisted mostly of expenditures to build online brand awareness ahead of an anticipated retail launch, and
- General and administrative of $625,837 (2019 - $2,003), consisting primarily of $16,064 in selling costs, $9,487 in computer expense, $157,207 in legal and professional services, $403,907 in payroll expense, $9,657 in travel, $13,895 in office supplies and software and $7,693 in insurance.

Management believes as the products are rolled out to various major retailers they will be able to scale back the marketing expenditures and focus on targeted online advertising campaigns which will reduce advertising and marketing expenses.

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 2020, the Company's cash was $48,262 and the working capital was $150,280.

The Company's ability to continue as a going concern will depend upon the availability of related party financing, which represents the primary source of cash flows, as well as equity raises. As of May 31, 2020, the Company has raised private capital contributions of approximately $1,788,445 from outside private investors. The Company is actively marketing itself to potential investors and believes additional capital will be raised during fiscal 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

On March 2, 2020, related party payable of $2,522,872 was converted to 17,000,000 common shares of the Company.

The Company's CEO is also the sole member of Fit Products, LLC ("Fit Products") which manufactures and sells a separate line of nutritional supplements.

For the nine months ended May 31, 2020, the Company utilized office and warehouse space leased by Fit Products on a month to month basis. Annualized rent expense to Fit Products is approximately $58,000. The pro-rata share of rent and utilities incurred by the Company has been waived by Fit Products, therefore this expense has not been included in the statement of operations. At May 31, 2020, the Company has rercorded a related party receivable of $10,000 related to a working capital advance from the Company to Fit Products.

Key management compensation and benefits for the nine months ended May 31, 2020 approximated $70,000 and is presented as an operating expense in the statement of loss.

EVENTS OCCURRING AFTER THE REPORTING DATE

Other than the transactions disclosed herein, no other events have occurred after the reporting period which requires disclosure in or adjustment to the financial statements.

CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the member and to maintain an optimal capital structure.

The company's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and members' returns.

FINANCIAL RISK MANAGEMENT

The Company's activities expose itself to different kinds of financial risks. Management monitors this risk exposures to ensure appropriate measures are implemented in a timely manner so as to mitigate or reduce such risks.

(a) Credit Risk

The Company is exposed to credit which is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For banks and financial institutions, the Company from time-to-time evaluates the soundness of these institutions for possible exposure to loss. To mitigate the potential for loss, the Company's cash deposits are maintained in the United States with large, reputable financial institutions. The Company does not provide any guarantees which would expose the company to credit risk.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the Company's short and long term commitments as they fall due. Assets of the Company are kept sufficiently liquid to meet operating needs.

NEW ACCOUNTING STANDARD

IFRS 16- *Leases* supersedes IAS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the group's operating leases and is effective for the next accounting period. At the reporting date, the Company has no non-cancellable operating lease commitments, however future operating leases are expected as the Company matures. Under IFRS 16, the obligations to pay the future rents over the expected lease term will be recognized as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset being recognized in the statement of financial position. The adoption of the accounting policy may result in a material change in gross assets and liabilities, as a result of recognizing the leases as right-of-use assets and liabilities, however it is not anticipated that there will be a material impact on net assets. Additionally, whilst the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is not expected to have a material impact on the reported results in the statements of income and comprehensive income. IFRS16 is effective for annual financial statements beginning on or after January 1, 2019.

At the reporting date, the Company has no non-cancellable operating lease commitments, however future operating leases are expected as the Company matures. The adoption of the accounting policy did not result in a material change in gross assets and liabilities.

CAPITAL STRUCTURE

The Company had the following securities issued and outstanding:

	September 30, 2020	May 31, 2020	August 31, 2019
Common shares	34,468,616	34,468,616	-
Warrants	9,000,000	9,000,000	-
Membership units	-	-	10,000,000
Fully diluted shares	43,468,616	43,468,616	10,000,000

RISKS AND UNCERTAINTIES

Limited Operating History

The Company began carrying on business in 2018 and has only recently begun to generate revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues.

Access to Raw Materials

In the hemp industry, there is a risk that raw input materials or materials purchased from a third-party processor or producer could be contaminated with pesticides, heavy metals, mycotoxin, and microbial agents. The quality assurance tests required for marijuana flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to each state governing hemp body through its traceability system. In conjunction with States Departments of Agriculture, each state board conducts random screening for pesticide residues. It is possible the much of hemp product may not move forward in processing, delivery, or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

If the Company's licensed processors and co-packagers or other third-party services providers fail to have positive testing results, the Company could experience negative adverse effect on its operations and ability to produce and sell its products.

Price of Raw Materials

Costs of the ingredients and packaging for food products are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand, changes in governmental trade and agricultural programs, epidemics/pandemics and other public health crises. Volatility in the prices of raw materials and other supplies food could increase the cost of the Company's cost of sales and reduce its profitability. Moreover, the Company may not be able to implement product price increases to cover any increased costs, or any price increases implemented may result in lower sales volumes. If the Company is not successful in managing its ingredient and packaging costs, and unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases could have a material adverse effect the Companys business, results of operations and result of its operations.

Supply Chain Management

Insufficient or delayed supply of products threatens could threaten the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate profit. Specifically, the impact of COVID-19 may adversely impact the Company's access to products. Some of these products may be available from only a single supplier or a limited group of suppliers. Accordingly, any failure by the Company to properly manage its supply chain could have a material adverse effect on its business, financial condition and results of its operations.

Competition

It is likely that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

If the number of users of CBD products in the United States increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Unfavorable Publicity or Consumer Perception

The Company believes the hemp industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the hemp and hemp derived products produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of hemp products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the hemp market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for medical hemp and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of hemp in general, or associating the consumption of medical hemp with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

Product Liability

The Company would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its customers' products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the hemp used to derive the CBD used in the Company's customers' products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of hemp alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of that product, the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Company may require advance approval of its products from federal, state, provincial and/or local authorities. While the Company intends to follow the guidelines and regulations of each applicable federal, state, provincial and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, state, provincial and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Company is unable to maintain an acceptable degree of quality control of its products, the Company will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Company's business, results of operations and financial condition.

Research and Development

Before the Company can obtain regulatory approval (if required) for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals (if any) to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Company cannot guarantee that it will achieve market acceptance for any new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Company's business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Company is substantially dependent on continued market acceptance of its products by consumers. Although the Company believes that the use of products similar to the products to be designed and manufactured by the Company is gaining international acceptance, the Company cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Dependence on Packer Facilities

The Company is dependent on the Packer Facilities to manufacture its products. The Packer Facilities may be subject to damage or interruption from, among other things, fire, natural or man-made disaster, disease outbreaks or public health pandemics, such as COVID-19, power loss, telecommunications failure, unauthorized entry, computer viruses, denial-of-service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. It is also possible that, due to the current uncertainty in the regulatory landscape regulating hemp derived CBD products, the Packer Facilities may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of the Packer Facilities may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

If the Packer Facilities are unable to manufacture, or are delayed in manufacturing, the Company's products, the Company may be unable to meet customer demand. Moreover, the Company may have to find alternative manufacturers of acceptable quality and in the appropriate volumes, which could significantly limit or delay production. If the Company determines that it is necessary to contract other third-party manufacturers, any delay in production could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Broker and Distribution Agreements

The Company intends to sell its products to retailers via brokers and distributors. No assurances can be given that the Company will be successful in entering into broker and distribution agreements, or that such agreements will be available to the Company on terms which are acceptable. The Company's failure to establish a broker network could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares.

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Intellectual Property Risks

The Company will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Fraudulent Or Illegal Activity by Employees, Contractors And Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the the Company's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Company's product and its lack of legal availability outside of channels approved by federal or state governments (as applicable), as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the hemp industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Certain Remedies and Rights to Indemnification may be Limited

The Company's governing documents will provide that the liability of the Company Board and the Company's officers are eliminated to the fullest extent allowed under the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Thus, the Company and the Shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Company Board. The Company's governing documents will also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Company Board for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Client Acquisitions

The Company's success depends on its ability to attract and retain consumers of its products. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of the Company's client-acquisition plan and continued growth in the aggregate number of consumers choosing to use hemp either recreationally or medically. The Company's failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Industry and Regulatory Risks

Regulatory Regime

The business and activities of the Company are heavily regulated in all jurisdictions where it will carry on business. The Company's operations will be subject to various laws, regulations and guidelines by governmental authorities. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. the Company cannot predict the impact of the compliance regime that is being implemented for the United States hemp industries. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance in the United States. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S, as a result of regulatory changes or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

General Regulatory Risks

The Company's business will be subject to a variety of laws, regulations and guidelines and licensing requirements in the United States. Achievement of the Company's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

The Company will be required to obtain or renew further government permits, licenses and registrations for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the

Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent permits, licenses or registrations are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

There is no assurance that the Company's licenses, permits or registrations will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

Differing Local Rules and Regulations May Limit Ability to Expand into New Markets

Expansion of the Company's business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose the Company to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject the Company to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Company. For example, different localities may impose different rules on how hemp may be cultivated, manufactured, processed, distributed and/or transported. Each of the political subdivisions currently has the right to subject participants in the hemp industry operating within its jurisdiction to its own set of rules and regulations regarding the acquisition and maintenance of required licenses, permits or registrations, and the conduct of business, including prohibiting such operations and business in full or in part, regardless of the rules and regulations of other political subdivisions in which the Company operates. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States, and the legal environment in the United States—particularly the existence of federal criminal laws that may prohibit certain marketing of hemp or hemp products limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

Risks Specifically Related to the United States

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with laws or regulations may result in additional costs for corrective measures, penalties, fines, fees, revocation or denial or licenses, permits, or other forms of authorization, or in restriction or prohibition of operations. In addition, changes in federal, state, or local laws, policies, or regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies, which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs and other consumer products sold in interstate commerce.

As set forth in greater detail above, on December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes hemp from the CSA and amends the Agricultural Marketing Act of 1946 to allow for hemp production and sale in the United States. Under the 2018 Farm Bill, hemp is defined as "the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a [THC] concentration of not more than 0.3 percent on a dry weight basis." The USDA issued Interim Rules pursuant to the 2018 Farm Bill and has authority to review and approve state hemp production plans or issue federal hemp production licenses to operators in states who do not submit plans but do not prohibit hemp production. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA.

Until such time as the USDA approves a state's hemp proposed plan, commercial sale of hemp may not be permissible depending, in large part, on whether the state authorizes such sale pursuant to the 2014 Farm Bill's marketing research provisions. Although the Interim Rules are now in place, the timing of finalized federal rules and regulations, the acceptance of state hemp production plans, the issuance of state-specific rules and regulations, and the finalization of FDA regulations cannot be assured. Even the finalization of a hemp production plan would probably not regulate the sale of products containing hemp derivatives. There can be no assurance that the FDA will approve CBD or other cannabinoids as an additive to consumer products under the FDCA, or change its interpretation of the FDCA that many CBD products are unlawful. It is not yet fully known what role the FDA will have in regulating hemp and CBD derived from hemp, though the FDA has made clear that it believes that food, beverages, animal products, dietary supplements, unapproved drugs, and certain cosmetic products containing CBD are currently prohibited. Changes in laws, regulations, or policies could substantially threaten or have a materially adverse effect on the operations of hemp businesses.

The potential for multi-agency enforcement (including state and local agencies) post-rescheduling of cannabis and post-removal of hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal hemp businesses, including certain of Issuer's State Operators.

Incorrect Interpretation of Federal Law

The Company's position in that the 2018 Farm Bill permanently removed hemp from the CSA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of hemp products on the basis that they are controlled substances, so long as the THC level is at or below 0.3% (though the DEA has some regulatory authority over hemp as set forth in detail above). There is a risk that the Company's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal, state, or local authorities. A successful challenge to such position by a federal, state, or local authority could have a material adverse effect on the Company, including civil, criminal, or administrative judgments, penalties, assessments, fees, damages, fines, the curtailment or restructuring of the Company's operations, asset seizures, imprisonment, or the denial, termination, revocation, suspension, or cancellation of regulatory licenses, permits, or applications ("Entitlements").

Regulation of Hemp Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug or other consumer product. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or ingestible product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body . . . for cleansing, beautifying, promoting attractiveness, or altering the appearance." *See* FDCA § 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients, except for colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a "monograph" for a particular drug category, as established by the FDA's OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive (including beverages and animal products). Additionally, the FDA has taken the position that any advertisement of any kind of medical benefit for any product containing CBD (including, without limitation, cosmetics and inhalable products) could render that product a drug.

Laws, regulations, and policies governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. As set forth in greater detail above, under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA, as set forth in the Interim Rules. Many states have already submitted hemp production plans to the USDA but few have been approved.

Federal, state, and local laws, regulations, and policies concerning hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%.

Violations of any of these laws, regulations, or policies, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Company's operations, as well as adverse publicity and potential harm to the Company's reputation.

Changes in laws, regulations, policies, or enforcement priorities may also drastically affect the commercial viability of Issuer's business. If certain CBD products are prohibited, Company may no longer be able to sell certain products or provide certain services.

Transportation

Federal, state, and local laws, regulations, and policies may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with the 2018 Farm Bill through the state, as applicable.

Notwithstanding the foregoing, hemp transporters have been routinely arrested while transporting hemp in the U.S., for numerous reasons. First, some states still outlaw hemp, and hemp produced pursuant to the 2014 Farm Bill or other state laws arguably does not enjoy the same protections that hemp produced pursuant to the 2018 Farm Bill does. Second, law enforcement officers often confuse hemp for marijuana, as the two plants can look and smell identical. Third, if hemp is tested during transit and has excessive THC content, it will be considered marijuana. This last point can be problematic as the THC content in raw hemp can increase over time and due to exposure to heat; thus even hemp that tested below the THC threshold could later be considered illegal marijuana.

Access to Financial Institutions

Since the production and possession of cannabis is currently illegal under U.S. federal law and the Company relies on exemptions promulgated pursuant to the 2018 Farm Bill regarding hemp, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. Financial institutions also often regularly refuse to offer banking services to companies that are not involved in the state-licensed marijuana industry but who lawfully cultivate, process, or sell hemp or hemp derivatives. Despite the shift in federal laws, many banks are highly risk averse and are concerned with the constant and unpredictable changes in federal, state, and local laws, policies, regulations, or enforcement priorities governing hemp, and therefore choose not to service companies in the hemp industry. Some financial institutions that do offer banking services to hemp companies could terminate accounts on short notice if there is a change in law, regulation, policy, or enforcement priorities, or if the financial institution decides that it no longer wishes to bank monies derived from the hemp industry. The inability to open or maintain bank accounts with certain institutions could materially and adversely effect the business of the Company.

Negative Impact of Regulatory Scrutiny on Raising Capital

The Company's business activities will rely on newly established and/or developing laws, regulations, policies, and enforcement priorities in multiple jurisdictions (including federal, state, and local jurisdictions). These laws, regulations, policies, and enforcement priorities are rapidly evolving and subject to change with minimal or no notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The hemp industry may come under scrutiny or further scrutiny by the USDA, FDA, FTC, Securities and Exchange Commission, DOJ, Financial Industry Regulatory Authority, Environmental Protection Agency, U.S. Customs and Border Patrol, or other applicable federal, state, local, or non-governmental regulatory authorities or self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations, policies, or enforcement priorities that may be proposed or implemented, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

Trademark Risks

The United States Patent and Trademark Office ("**USPTO**") is responsible for issuing federal trademarks in the United States. Trademarks may be issued only for marks that are lawfully used in commerce. The USPTO's position is that products containing CBD that are prohibited by the FDA are generally not subject to trademark protection as they may not be lawfully used in interstate commerce. Therefore, if the Company sells products or provides services that the FDA or another agency prohibits, the Company may not be able to obtain federal trademark protection for such goods or services.

State trademark laws vary greatly. Even if the Company is able to secure state trademark rights, (1) those rights will typically require that the Company lawfully uses a trademark in the state in which trademark registrations are sought, and (2) the rights will not extend outside of that state.

Taxation

Though Internal Revenue Code 280E (which prohibits most deductions by companies who traffic in certain controlled substances under the CSA) no longer applies to hemp by virtue of the 2018 Farm Bill, states and localities may impose additional taxes on hemp or hemp-derived products. Federal, state, and local tax laws are subject to change.

Consumer Litigation

Since the passage of the 2018 Farm Bill and the proliferation of hemp-derived CBD as an additive in many consumer products, there has been a host of consumer class action and other lawsuits filed against CBD companies. Many of these lawsuits allege that CBD companies make false or misleading claims. The FDA takes the position that CBD may cause liver damage and other health problems. In addition to the risks of enforcement by governmental authorities, there is a higher risk of consumer litigation in the CBD industry.

Import and Export Risks

The U.S. Customs and Border Patrol, as well as other federal agencies, regulates the import and export of products in the United States. While hemp is no longer a controlled substance under the CSA (and thus is not a controlled substance under the U.S. federal *Controlled Substances Import-Export Act*), many factors could arise when importing or exporting hemp biomass or products containing hemp derivatives. Given the different THC-concentration standards in other countries, a product that is considered hemp in the United States could be considered marihuana or another controlled or unlawful substance in another country, implicating international treaties and criminal, civil, or administrative laws in other countries. The USDA regulates the importation of plants and seeds into the US and has provided guidance on the requirements for importing hemp plants and seeds. However, the USDA does not regulate the importation of hemp-derived products. Additionally, the FDA and other agencies may have jurisdiction over certain consumer products that are imported or exported, and the importer or exporter could face civil, criminal, or administrative liability in the United States if a product is not imported or exported in accordance with all applicable laws, regulations, and policies. The risks surrounding imports and exports are difficult to anticipate and are subject to immediate change.

Economic Environment

The Company's operations could be affected by general economic context conditions should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the 362-day period ended August 31, 2019 contains forward-looking information, including forward-looking information about Happy Supplments LLC's (the "Company") operations, estimates, commercial activities, research and development activities and the costs and timing of those activities..

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the 362-day period ended August 31, 2019, should be read in conjunction with the audited financial statements as at August 31, 2019. This MD&A is effective January 20, 2020.

The Company has prepared its audited financial statements for the 362-days ended August 31, 2019 in United States dollars and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

DESCRIPTION OF BUSINESS

The Company was formed as a limited liability company on September 4, 2018 pursuant to the Limited Liability Company Act (Delaware). The Copmany's head office is located at 1606 Camerbur Drive, Orlando, Florida, 32805.

The Company develops health and wellness supplements that contain cannabidiol ("CBD") and other cannabinoids found in Industrial Hemp under the brand name Happy Tea. The Company is currently focused on the sale of its proprietary hemp infused consumer branded formulations. The Company's products are aimed at the mass consumer alternative health and wellness markets.

The Company is currently focused on distributing its products directly to consumers via e-commerce, where legally permitted. The Company intends to utilize several different distribution models for its products at different stages in the development lifecycle of Happy Tea to ensure maximum profitability and productivity.

BUSINESS OF THE COMPANY

On May 23, 2019, the Company entered into a Letter of Intent ("LOI") with 1208004 B.C. Ltd. ("BC Co."), a corporation existing under the laws of the Province of British Columbia. The LOI was subsequently amended. Under the terms of the LOI, BC Co. will acquire 100% of the issued and outstanding securuties of the Company, in exchange for securities of BC Co., or it's assignee. BC Co is required to arrange certain financings on a best efforts basis, and a complete agreement for the transaction will be documented by an amalgamation agreement or other definitive agreement (the "Definitive Agreement") to be negotiated. BC Co. currently intends to assign the LOI or Definitive Agreement to a Canadian listed reporting issuer or to another entity which will complete a going-public transaction. As of the date of this MD&A, no Definitive Agreement has been completed.

In June 2019, the Company raised $369,878 via a Series 1 private placement ("Series 1") of 10,000,000 membership units valued at $0.05 Canadian dollars ("CAD") per unit. The net proceeds has been recorded as a capital contribution in the statement of changes in members' deficit.

In July and August 2019, the Company raised $577,335 via a Series 2 private placement ("Series 2") of up to 12,000,000 membership units valued at $0.25 CAD per unit. The net proceeds has been recorded as a capital contribution in the statement of changes in members' deficit. Subsequent to August 31, 2019, the Company raised an additional $430,265 through issuance of its Series 2 membership units. The membership units for Series 2 were issued subsequent to August 31, 2019.

The proceeds of Series 1 and Series 2 membership units, as defined by the operating agreement, are to allow the Company to cultivate, produce and distribute health supplements containing derivatives from hemp and to perform and conduct any other activity necessary or incidental to the foregoing in furtherance of the objects of the business of the Company. The membership units of Series 1 and Series 2 instill no voting rights, no additional interest on the capital contributions, and no rights to the investor to receive their capital contribution returned.

SELECTED ANNUAL INFORMATION

	August 31, 2019 $
Revenue	319,425
Net loss	(3,024,333)
Total assets	474,097
Non-current financial liabilities	Nil
Distributions	Nil

SELECTED QUARTERLY INFORMATION

Results for the four most recently completed quarters are summarized below.

For the Quarter Periods Ending	**August 31, 2019 $ (unaudited)**	**May 31, 2019 $ (unaudited)**	**February 28, 2019 $ (unaudited)**	**November 30, 2018 $ (unaudited)**
Total revenue	40,518	87,136	183,679	8,092
Income (loss) for the period	(24,641)	(1,207,004)	(1,799,141)	6,453
Total assets	474,097	280,883	239,427	6,453
Total non-current liabilities	Nil	Nil	Nil	Nil
Distributions	Nil	Nil	Nil	Nil

OPERATIONS

During the three months ended August 31, 2019, the Company reported revenue of $40,518, cost of sales of $96,745, negative gross profit of $56,227 and a net loss of $24,641. Expenses were as follows:

- Advertising and marketing was a credit of $144,367 due to timing and consisted mostly of expenditures to build online brand awareness ahead of an anticipated retail launch; and
- General and administrative of $112,411, consisting primarily of $61,354 in payroll expenses, $47,848 in legal and professional services and other expenses of $3,209.

During the 362-day period ended August 31, 2019, the Company reported revenue of $319,425, cost of sales of $150,841, gross profit of $168,584 and a net loss of $3,024,333. Expenses were as follows:

- Advertising and marketing of $3,063,082 consisted mostly of expenditures to build online brand awareness ahead of an anticipated retail launch, and
- General and administrative of $129,835, consisting primarily of $13,943 in selling costs, $47,909 in legal and professional services and $61,355 in payroll expense.

Management believes as the products are rolled out to various major retailers they will be able to scale back the marketing expenditures and focus on targeted online advertising campaigns which will reduce advertising and marketing expenses.

LIQUIDITY AND CAPITAL RESOURCES

At August 31, 2019, the Company's cash was $380,014 and the working capital deficit was $2,077,020. The main component of the working capital deficit is the related party payable of $2,521,966.

The Company's ability to continue as a going concern will depend upon the availability of related party financing, which represents the primary source of cash flows, as well as equity raises. Payment for the borrowings from the related party are not anticipated to be demanded in the next fiscal year. As of August 31, 2019, the Company has raised private capital contributions of approximately $947,313 from outside private investors. Subsequent to August 31, 2019, the Company raised an additional $430,265 through issuance of its Series 2 membership units. The Company is actively marketing itself to potential investors and believes additional capital will be raised during fiscal 2020.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company utilized funds provided by its managing member to fund its initial operations. The borrowings bear no interest and are payable on demand of the individual. Funds were primarily used for advertising and initial inventory purchases for the Company. The balance totaled $2,521,966 at August 31, 2019.

The Company's managing member is also the sole member of Fit Products, LLC ("Fit Products") which manufactures and sells a separate line of nutritional supplements.

For the period from inception through August 31, 2019, the Company utilized office and warehouse space leased by Fit Products on a month to month basis. Annualized rent expense to Fit Products is approximately $58,000. The pro-rata share of rent and utilities incurred by the Company has been waived by Fit Products, therefore this expense has not been included in the statement of operations.

From inception to July 2019, employees of Fit Products performed responsibilities for the benefit of the Company without a pro-rata share of salaries being allocated to the Company. Effective July 8, 2019, certain employees of Fit Products were transferred to the Company. Fit Products has waived reimbursement for the pro-rata share of salaries prior to the transfer of employees. Based on the Company's salary expense incurred from July 8, 2019 through August 31, 2019, annualized salary expense is approximated to be $456,000.

Key management compensation and benefits from inception through August 31, 2019 totaled $10,000 and is presented as an operating expense in the statement of loss.

EVENTS OCCURRING AFTER THE REPORTING DATE

Other than the transactions disclosed herein, no other events have occurred after the reporting period which requires disclosure in or adjustment to the financial statements.

CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the member and to maintain an optimal capital structure.

The company's management actively and regularly reviews and manages its capital structure to ensure optimal capital structure and members' returns.

FINANCIAL RISK MANAGEMENT

The Company's activities expose itself to different kinds of financial risks. Management monitors this risk exposures to ensure appropriate measures are implemented in a timely manner so as to mitigate or reduce such risks.

(a) Credit Risk

The Company is exposed to credit which is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For banks and financial institutions, the Company from time-to-time evaluates the soundness of these institutions for possible exposure to loss. To mitigate the potential for loss, the Company's cash deposits are maintained in the United States with large, reputable financial institutions. The Company does not provide any guarantees which would expose the company to credit risk.

(b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash to meet the Company's short and long term commitments as they fall due. Assets of the Company are kept sufficiently liquid to meet operating needs.

NEW ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

The Company is currently assessing the impact of the following new standards that are not yet effective and have prepared an initial assessment of the potential impact.

IFRS 16- *Leases* supersedes IAS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the group's operating leases and is effective for the next accounting period. At the reporting date, the Company has no non-cancellable operating lease commitments, however future operating leases are expected as the Company matures. Under IFRS 16, the obligations to pay the future rents over the expected lease term will be recognized as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset being recognized in the statement of financial position. The adoption of the accounting policy may result in a material change in gross assets and liabilities, as a result of recognizing the leases as right-of-use assets and liabilities, however it is not anticipated that there will be a material impact on net assets. Additionally, whilst the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is not expected to have a material impact on the reported results in the statements of income and comprehensive income. IFRS16 is effective for annual financial statements beginning on or after January 1, 2019.

CAPITAL STRUCTURE

The Company had the following securities issued and outstanding:

	January 20, 2020	**August 31, 2019**
Membership units	15,268,616	10,000,000

RISKS AND UNCERTAINTIES

Limited Operating History

The Company began carrying on business in 2018 and has only recently begun to generate revenue. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues.

Access to Raw Materials

In the hemp industry, there is a risk that raw input materials or materials purchased from a third-party processor or producer could be contaminated with pesticides, heavy metals, mycotoxin, and microbial agents. The quality assurance tests required for marijuana flowers and infused products currently include moisture content, potency analysis, foreign matter inspection, microbiological screening, and residual solvent levels.

The results of the inspection and testing are submitted to each state governing hemp body through its traceability system. In conjunction with States Departments of Agriculture, each state board conducts random screening for pesticide residues. It is possible the much of hemp product may not move forward in processing, delivery, or sale without a passing test for that lot reported by the independent lab itself into the traceability system. All test results are required to be provided to retailers and/or end consumers upon request.

If the Company's licensed processors and co-packagers or other third-party services providers fail to have positive testing results, the Company could experience negative adverse effect on its operations and ability to produce and sell its products.

Price of Raw Materials

Costs of the ingredients and packaging for food products are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, weather conditions, consumer demand, changes in governmental trade and agricultural programs, epidemics/pandemics and other public health crises. Volatility in the prices of raw materials and other supplies food could increase the cost of the Company's cost of sales and reduce its profitability. Moreover, the Company may not be able to implement product price increases to cover any increased costs, or any price increases implemented may result in lower sales volumes. If the Company is not successful in managing its ingredient and packaging costs, and unable to increase its prices to cover increased costs or if such price increases reduce sales volumes, then such increases could have a material adverse effect the Companys business, results of operations and result of its operations.

Supply Chain Management

Insufficient or delayed supply of products threatens could threaten the Company's ability to meet customer demands while over capacity threatens the Company's ability to generate profit. Specifically, the impact of COVID-19 may adversely impact the Company's access to products. Some of these products may be available from only a single supplier or a limited group of suppliers. Accordingly, any failure by the Company to properly manage its supply chain could have a material adverse effect on its business, financial condition and results of its operations.

Competition

It is likely that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

If the number of users of CBD products in the United States increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Unfavorable Publicity or Consumer Perception

The Company believes the hemp industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the hemp and hemp derived products produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of hemp products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the hemp market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for medical hemp and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of hemp in general, or associating the consumption of medical hemp with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise.

Product Liability

The Company would face an inherent risk of exposure to product liability claims, regulatory action and litigation if its customers' products are alleged to have caused significant loss or injury. In addition, tampering by unauthorized third parties or product contamination with respect to the hemp used to derive the CBD used in the Company's customers' products may impact the risk of injury to consumers. Previously unknown adverse reactions resulting from human consumption of hemp alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the product caused injury or illness, included inadequate instructions for use or included inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company will have detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of that product, the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Approvals

The Company may require advance approval of its products from federal, state, provincial and/or local authorities. While the Company intends to follow the guidelines and regulations of each applicable federal, state, provincial and/or local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any federal, state, provincial and/or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. If any of the Company's products are not approved or any existing approvals are rescinded, there is the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Product Exchanges, Returns and Warranty Claims

If the Company is unable to maintain an acceptable degree of quality control of its products, the Company will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the Company's business, results of operations and financial condition.

Research and Development

Before the Company can obtain regulatory approval (if required) for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals (if any) to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market new products and services. These products and services are relatively untested, and the Company cannot guarantee that it will achieve market acceptance for any new products and services that the Company may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm the Company's business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Company is substantially dependent on continued market acceptance of its products by consumers. Although the Company believes that the use of products similar to the products to be designed and manufactured by the Company is gaining international acceptance, the Company cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Dependence on Packer Facilities

The Company is dependent on the Packer Facilities to manufacture its products. The Packer Facilities may be subject to damage or interruption from, among other things, fire, natural or man-made disaster, disease outbreaks or public health pandemics, such as COVID-19, power loss, telecommunications failure, unauthorized entry, computer viruses, denial-of-service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. It is also possible that, due to the current uncertainty in the regulatory landscape regulating hemp derived CBD products, the Packer Facilities may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of the Packer Facilities may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

If the Packer Facilities are unable to manufacture, or are delayed in manufacturing, the Company's products, the Company may be unable to meet customer demand. Moreover, the Company may have to find alternative manufacturers of acceptable quality and in the appropriate volumes, which could significantly limit or delay production. If the Company determines that it is necessary to contract other third-party manufacturers, any delay in production could have an adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Broker and Distribution Agreements

The Company intends to sell its products to retailers via brokers and distributors. No assurances can be given that the Company will be successful in entering into broker and distribution agreements, or that such agreements will be available to the Company on terms which are acceptable. The Company's failure to establish a broker network could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company Shares.

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Intellectual Property Risks

The Company will have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company's business, results of operations or prospects.

Fraudulent Or Illegal Activity by Employees, Contractors And Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. It may not always be possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the the Company's business, financial condition, results of operations or prospects.

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Company's product and its lack of legal availability outside of channels approved by federal or state governments (as applicable), as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

Operating Risks and Insurance

The Company's operations will be subject to hazards inherent in the hemp industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Company will continuously monitor its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company will maintain insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Certain Remedies and Rights to Indemnification may be Limited

The Company's governing documents will provide that the liability of the Company Board and the Company's officers are eliminated to the fullest extent allowed under the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Thus, the Company and the Shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Company Board. The Company's governing documents will also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Company Board for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Client Acquisitions

The Company's success depends on its ability to attract and retain consumers of its products. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of the Company's client-acquisition plan and continued growth in the aggregate number of consumers choosing to use hemp either recreationally or medically. The Company's failure to acquire and retain customers would have a material adverse effect on the Company's business, operating results and financial condition.

Industry and Regulatory Risks

Regulatory Regime

The business and activities of the Company are heavily regulated in all jurisdictions where it will carry on business. The Company's operations will be subject to various laws, regulations and guidelines by governmental authorities. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. the Company cannot predict the impact of the compliance regime that is being implemented for the United States hemp industries. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance in the United States. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from a particular market or jurisdiction or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S, as a result of regulatory changes or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

General Regulatory Risks

The Company's business will be subject to a variety of laws, regulations and guidelines and licensing requirements in the United States. Achievement of the Company's business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals.

The Company will be required to obtain or renew further government permits, licenses and registrations for its contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses will be contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent permits, licenses or registrations are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

There is no assurance that the Company's licenses, permits or registrations will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

Differing Local Rules and Regulations May Limit Ability to Expand into New Markets

Expansion of the Company's business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose the Company to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject the Company to unfamiliar or uncertain local rules and regulations that may adversely affect the operations of the Company. For example, different localities may impose different rules on how hemp may be cultivated, manufactured, processed, distributed and/or transported. Each of the political subdivisions currently has the right to subject participants in the hemp industry operating within its jurisdiction to its own set of rules and regulations regarding the acquisition and maintenance of required licenses, permits or registrations, and the conduct of business, including prohibiting such operations and business in full or in part, regardless of the rules and regulations of other political subdivisions in which the Company operates. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets.

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the United States, and the legal environment in the United States—particularly the existence of federal criminal laws that may prohibit certain marketing of hemp or hemp products limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and results of operations could be adversely affected.

Risks Specifically Related to the United States

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with laws or regulations may result in additional costs for corrective measures, penalties, fines, fees, revocation or denial or licenses, permits, or other forms of authorization, or in restriction or prohibition of operations. In addition, changes in federal, state, or local laws, policies, or regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company and, therefore, on the Company's prospective returns. Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect the ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies, which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs and other consumer products sold in interstate commerce.

As set forth in greater detail above, on December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes hemp from the CSA and amends the Agricultural Marketing Act of 1946 to allow for hemp production and sale in the United States. Under the 2018 Farm Bill, hemp is defined as "the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a [THC] concentration of not more than 0.3 percent on a dry weight basis." The USDA issued Interim Rules pursuant to the 2018 Farm Bill and has authority to review and approve state hemp production plans or issue federal hemp production licenses to operators in states who do not submit plans but do not prohibit hemp production. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA.

Until such time as the USDA approves a state's hemp proposed plan, commercial sale of hemp may not be permissible depending, in large part, on whether the state authorizes such sale pursuant to the 2014 Farm Bill's marketing research provisions. Although the Interim Rules are now in place, the timing of finalized federal rules and regulations, the acceptance of state hemp production plans, the issuance of state-specific rules and regulations, and the finalization of FDA regulations cannot be assured. Even the finalization of a hemp production plan would probably not regulate the sale of products containing hemp derivatives. There can be no assurance that the FDA will approve CBD or other cannabinoids as an additive to consumer products under the FDCA, or change its interpretation of the FDCA that many CBD products are unlawful. It is not yet fully known what role the FDA will have in regulating hemp and CBD derived from hemp, though the FDA has made clear that it believes that food, beverages, animal products, dietary supplements, unapproved drugs, and certain cosmetic products containing CBD are currently prohibited. Changes in laws, regulations, or policies could substantially threaten or have a materially adverse effect on the operations of hemp businesses.

The potential for multi-agency enforcement (including state and local agencies) post-rescheduling of cannabis and post-removal of hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal hemp businesses, including certain of Issuer's State Operators.

Incorrect Interpretation of Federal Law

The Company's position in that the 2018 Farm Bill permanently removed hemp from the CSA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of hemp products on the basis that they are controlled substances, so long as the THC level is at or below 0.3% (though the DEA has some regulatory authority over hemp as set forth in detail above). There is a risk that the Company's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal, state, or local authorities. A successful challenge to such position by a federal, state, or local authority could have a material adverse effect on the Company, including civil, criminal, or administrative judgments, penalties, assessments, fees, damages, fines, the curtailment or restructuring of the Company's operations, asset seizures, imprisonment, or the denial, termination, revocation, suspension, or cancellation of regulatory licenses, permits, or applications ("Entitlements").

Regulation of Hemp Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug or other consumer product. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or ingestible product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body . . . for cleansing, beautifying, promoting attractiveness, or altering the appearance." *See* FDCA § 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients, except for colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a "monograph" for a particular drug category, as established by the FDA's OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive (including beverages and animal products). Additionally, the FDA has taken the position that any advertisement of any kind of medical benefit for any product containing CBD (including, without limitation, cosmetics and inhalable products) could render that product a drug.

Laws, regulations, and policies governing the use of hemp in the U.S. are broad in scope, subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. As set forth in greater detail above, under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA, as set forth in the Interim Rules. Many states have already submitted hemp production plans to the USDA but few have been approved.

Federal, state, and local laws, regulations, and policies concerning hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%.

Violations of any of these laws, regulations, or policies, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Company's operations, as well as adverse publicity and potential harm to the Company's reputation.

Changes in laws, regulations, policies, or enforcement priorities may also drastically affect the commercial viability of Issuer's business. If certain CBD products are prohibited, Company may no longer be able to sell certain products or provide certain services.

Transportation

Federal, state, and local laws, regulations, and policies may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with the 2018 Farm Bill through the state, as applicable.

Notwithstanding the foregoing, hemp transporters have been routinely arrested while transporting hemp in the U.S., for numerous reasons. First, some states still outlaw hemp, and hemp produced pursuant to the 2014 Farm Bill or other state laws arguably does not enjoy the same protections that hemp produced pursuant to the 2018 Farm Bill does. Second, law enforcement officers often confuse hemp for marijuana, as the two plants can look and smell identical. Third, if hemp is tested during transit and has excessive THC content, it will be considered marijuana. This last point can be problematic as the THC content in raw hemp can increase over time and due to exposure to heat; thus even hemp that tested below the THC threshold could later be considered illegal marijuana.

Access to Financial Institutions

Since the production and possession of cannabis is currently illegal under U.S. federal law and the Company relies on exemptions promulgated pursuant to the 2018 Farm Bill regarding hemp, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. Financial institutions also often regularly refuse to offer banking services to companies that are not involved in the state-licensed marijuana industry but who lawfully cultivate, process, or sell hemp or hemp derivatives. Despite the shift in federal laws, many banks are highly risk averse and are concerned with the constant and unpredictable changes in federal, state, and local laws, policies, regulations, or enforcement priorities governing hemp, and therefore choose not to service companies in the hemp industry. Some financial institutions that do offer banking services to hemp companies could terminate accounts on short notice if there is a change in law, regulation, policy, or enforcement priorities, or if the financial institution decides that it no longer wishes to bank monies derived from the hemp industry. The inability to open or maintain bank accounts with certain institutions could materially and adversely effect the business of the Company.

Negative Impact of Regulatory Scrutiny on Raising Capital

The Company's business activities will rely on newly established and/or developing laws, regulations, policies, and enforcement priorities in multiple jurisdictions (including federal, state, and local jurisdictions). These laws, regulations, policies, and enforcement priorities are rapidly evolving and subject to change with minimal or no notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The hemp industry may come under scrutiny or further scrutiny by the USDA, FDA, FTC, Securities and Exchange Commission, DOJ, Financial Industry Regulatory Authority, Environmental Protection Agency, U.S. Customs and Border Patrol, or other applicable federal, state, local, or non-governmental regulatory authorities or self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations, policies, or enforcement priorities that may be proposed or implemented, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

Trademark Risks

The United States Patent and Trademark Office ("**USPTO**") is responsible for issuing federal trademarks in the United States. Trademarks may be issued only for marks that are lawfully used in commerce. The USPTO's position is that products containing CBD that are prohibited by the FDA are generally not subject to trademark protection as they may not be lawfully used in interstate commerce. Therefore, if the Company sells products or provides services that the FDA or another agency prohibits, the Company may not be able to obtain federal trademark protection for such goods or services.

State trademark laws vary greatly. Even if the Company is able to secure state trademark rights, (1) those rights will typically require that the Company lawfully uses a trademark in the state in which trademark registrations are sought, and (2) the rights will not extend outside of that state.

Taxation

Though Internal Revenue Code 280E (which prohibits most deductions by companies who traffic in certain controlled substances under the CSA) no longer applies to hemp by virtue of the 2018 Farm Bill, states and localities may impose additional taxes on hemp or hemp-derived products. Federal, state, and local tax laws are subject to change.

Consumer Litigation

Since the passage of the 2018 Farm Bill and the proliferation of hemp-derived CBD as an additive in many consumer products, there has been a host of consumer class action and other lawsuits filed against CBD companies. Many of these lawsuits allege that CBD companies make false or misleading claims. The FDA takes the position that CBD may cause liver damage and other health problems. In addition to the risks of enforcement by governmental authorities, there is a higher risk of consumer litigation in the CBD industry.

Import and Export Risks

The U.S. Customs and Border Patrol, as well as other federal agencies, regulates the import and export of products in the United States. While hemp is no longer a controlled substance under the CSA (and thus is not a controlled substance under the U.S. federal *Controlled Substances Import-Export Act*), many factors could arise when importing or exporting hemp biomass or products containing hemp derivatives. Given the different THC-concentration standards in other countries, a product that is considered hemp in the United States could be considered marihuana or another controlled or unlawful substance in another country, implicating international treaties and criminal, civil, or administrative laws in other countries. The USDA regulates the importation of plants and seeds into the US and has provided guidance on the requirements for importing hemp plants and seeds. However, the USDA does not regulate the importation of hemp-derived products. Additionally, the FDA and other agencies may have jurisdiction over certain consumer products that are imported or exported, and the importer or exporter could face civil, criminal, or administrative liability in the United States if a product is not imported or exported in accordance with all applicable laws, regulations, and policies. The risks surrounding imports and exports are difficult to anticipate and are subject to immediate change.

Economic Environment

The Company's operations could be affected by general economic context conditions should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's management.

SCHEDULE "E"

UNAUDITED PRO FORMA BALANCE SHEET FOR THE RESULTING ISSUER AS AT JUNE 30, 2020 TO GIVE EFFECT TO THE TRANSACTION AS IF IT HAD TAKEN PLACE AS OF JUNE 30, 2020

HAPPY SUPPLEMENTS INC.

PRO-FORMA CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(Unaudited – Expressed in Canadian Dollars)

HAPPY SUPPLEMENTS INC.
PRO-FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2020
(Unaudited – Expressed in Canadian Dollars)

	Viking Gold Exploration Inc. As at June 30, 2020 $	Happy Supplements Inc. As at May 31, 2020 $	Notes	Pro-forma Adjustments $	Pro-forma Consolidated $
ASSETS		Note 2(g)			
Current					
Cash	40,345	65,771	2(b)	100,000	571,116
			2(c)	500,000	
			2(c)	(35,000)	
			2(e)	(100,000)	
Receivables	1,583	13,628		-	15,211
Inventory	-	122,611		-	122,611
Prepaid expenses	-	128,785		-	128,785
TOTAL ASSETS	41,928	330,795		465,000	837,723
LIABILITIES					
Current					
Accounts payable and accrued liabilities	111,075	56,686		-	167,761
Subscription receipts	355,000	-	2(a)	(355,000)	-
Loans payable	10,000	69,308		-	79,308
	476,075	125,994		(355,000)	247,069
SHAREHOLDERS' EQUITY					
Share capital	9,245,200	5,875,599	2(a)	355,000	7,709,096
			2(b)	100,000	
			2(c)	500,000	
			2(c)	(35,000)	
			2(c)	(18,264)	
			2(d)	225,000	
			2(f)	(9,245,200)	
			2(f)	706,761	
Share-based payment reserve	20,794	-	2(c)	18,264	104,644
			2(f)	86,380	
			2(f)	(20,794)	
Deficit	(9,700,141)	(5,670,798)	2(d)	(225,000)	(7,223,086)
			2(e)	(100,000)	
			2(f)	9,700,141	
			2(f)	(1,227,288)	
	(434,147)	204,801		820,000	590,654
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	41,928	330,795		465,000	837,723

1. BACKGROUND AND BASIS OF PRESENTATION

Background

Happy Supplements Inc. (the "Company" or "Happy Tea") was converted to a corporation under the *Business Corporations Act* (Delaware) on February 13, 2020. It was originally formed as a limited liability company on September 4, 2018 pursuant to the *Limited Liability Company Act* (Delaware). Happy Tea develops health and wellness supplements that contain CBD and other cannabinoids found in Industrial Hemp. Happy Tea is currently focused on the sale of its proprietary hemp infused consumer branded formulations. Happy Tea's products are aimed at the mass consumer alternative health and wellness markets. The Company is a private corporation with its head office and registered office located at Suite 5816, 8 The Green, Dover, DE 19901.

On May 23, 2019, Happy Tea entered into a Letter of Intent ("LOI") with 1208004 B.C. Ltd. ("BC Co."). The LOI was amended on December 27, 2019 and March 3, 2020. On July 28, 2020, BC Co. subsequently assigned the Letter of Intent to Viking Gold Exploration Inc. ("Viking")(the "Assignment Agreement").

Viking was incorporated on May 13, 1936 pursuant to the Business Corporations Act (Ontario) under the name "Copper Hill Corporation". On February 13, 2004, Viking changed its name to "Viking Gold Exploration Inc." On August 12, 2019 Viking continued into British Columbia pursuant to the Business Corporations Act (British Columbia). Viking was initially a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties, with a specific focus on gold.

Viking's head office is located at 1680 – 200 Burrard Street, Vancouver, British Columbia V6C 3L6 and registered and records office is located at 400-725 Granville Street, Vancouver, BC V7Y 1G5.

Viking is a reporting issuer in the provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta. Viking's shares were previously listed on the TSX Venture Exchange ("TSX-V") for trading under the trading symbol "VGC". On March 24, 2016, Viking's share listing was transferred from the TSX-V to NEX where they traded under the trading symbol "VGC.H". On May 19, 2015, Viking's shares were halted from trading and remained suspended until May 14, 2020, at which time they were reinstated for trading on the NEX.

Viking, Happy Tea, and the shareholders of Happy Tea entered into a share exchange agreement dated July 28, 2020 (the "Share Exchange Agreement"). Pursuant to the terms of the Share Exchange Agreement, Viking will acquire 100% of the issued and outstanding securities of Happy Tea and Happy Tea will become a wholly-owned subsidiary of Viking (the "Resulting Issuer"). Upon completion, the Resulting Issuer will continue to carry on the business of Happy Tea as currently constituted, under the new name "Happy Supplements Inc." or such other name as may be approved by the Resulting Issuer Board. The Share Exchange Agreement is an arm's length transaction and constitutes a reverse takeover of Viking by Happy Tea, pursuant to the policies of the Canadian Securities Exchange ("CSE").

Pursuant to the terms of the Securities Exchange Agreement, the existing Happy Tea shareholders will receive common shares of the Resulting Issuer ("Resulting Issuer Shares") in exchange for their common shares of Happy Tea. It is currently expected that 34,468,616 Resulting Issuer Shares will be issued pro-rata to the shareholders of Happy Tea as consideration for 100% of the issued and outstanding common shares of Happy Tea. The Resulting Issuer Shares are being issued at a deemed value of $0.25 per Resulting Issuer Share.

Each issued and outstanding warrant of Happy Tea will be exchanged for one Resulting Issuer Warrant. It is currently expected that an aggregate of 9,000,000 Resulting Issuer Warrants will be issued. Each Resulting Issuer Warrant will entitle the warrantholder to acquire one Resulting Issuer Share. The exercise price under each Resulting Issuer Warrant will be equal to the exercise price under each particular Happy Tea warrant that was cancelled in consideration for such Resulting Issuer Warrant and the expiration date for Resulting Issuer Warrant will be the same date as the expiration date of such Happy Tea warrant.

The Resulting Issuer Shares issued in connection with the Share Exchange Agreement will be subject to escrow conditions and/or resale restrictions as required by applicable securities laws and the policies of the CSE.

Viking has agreed to undertake a non-brokered private placement offering of 2,000,000 Viking Shares at a price of $0.25 per share for gross proceeds of $500,000 (the "Concurrent Offering"). The Viking Shares issued pursuant to the Concurrent Offering will be subject to a four-month hold period in accordance with applicable Canadian securities laws. A commission of 7% in cash and 7% in finder's warrants to purchase Viking Shares (the "Finder's Warrants") may be payable and issuable to third parties in connection with the portion of the Concurrent Offering for which they are responsible. The net proceeds will be used to pay transaction costs and for working capital of the Resulting Issuer.

On July 6, 2020, Viking closed a private placement for gross proceeds of $355,000 by issuing 1,183,333 units at a price of $0.30 per unit. Each unit consisted of one common share of the Company and one share purchase warrant. Each warrant entitled the holder to purchase one common share of the Company at a price of $0.40 for a period of one year.

On July 21, 2020, Viking closed a private placement for gross proceeds of $100,000 by issuing 333,333 shares at a price of $0.30 per share for gross proceeds of $100,000.

Under the terms of the Assignment Agreement, 900,000 Resulting Issuer Shares will be issued to the shareholders of BC Co.

Basis of Presentation

The accompanying unaudited pro forma consolidated financial statements of the Company have been prepared by management for illustrative purposes only, to show the effect of the acquisition of Happy Tea by Viking constituting a reverse takeover of Viking by the shareholders of Happy Tea (the "Transaction").

These unaudited pro-forma consolidated financial statements have been compiled from and include an unaudited pro-forma consolidated statement of financial position combining (i) the unaudited condensed interim statement of financial position of Happy Tea as at May 31, 2020 with (ii) the unaudited condensed interim statement of financial position of Viking as at June 30, 2020, giving effect to the Transaction as if it had occurred at June 30, 2020.

The unaudited pro-forma consolidated financial statements should be read in conjunction with the audited financial statements of Viking for the years ended December 31, 2019 and 2018, the unaudited condensed interim financial statements of Viking for the six months ended June 30, 2020, the audited financial statements of Happy Tea for the years ended August 31, 2019 and 2018 and the unaudited condensed interim financial statements of Happy Tea for the nine months ended May 31, 2020. The pro-forma consolidated financial statements have been prepared using the same accounting policies as per the audited financial statements of Viking for the year ended December 31, 2019.

The unaudited pro-forma consolidated financial statements have been prepared for illustrative purposes only and may not be indicative of the combined entities' financial position or operating results that would have occurred if the acquisitions had been in effect at the dates indicated.

It is management's opinion that the pro-forma consolidated financial statements include all adjustments necessary for the fair presentation, in all material respects, of the transactions described in Note 2, and are in accordance with International Financial Reporting Standards ("IFRS").

(Unaudited – Expressed in Canadian Dollars)

2. PRO-FORMA TRANSACTIONS AND ADJUSTMENTS

The pro-forma consolidated financial statements reflect the following assumptions and adjustments:

(a) On July 6, 2020, Viking closed a private placement for gross proceeds of $355,000 by issuing 1,183,333 units at a price of $0.30 per unit. Each unit consisted of one common share of Viking and one share purchase warrant. Each warrant entitles the holder to purchase one common share of Viking at a price of $0.40 for a period of one year. The proceeds were allocated 100% to common shares. Subscription receipts of $355,000 had been received at June 30, 2020.

(b) On July 21, 2020, Viking closed a private placement for gross proceeds of $100,000 by issuing 333,333 shares at a price of $0.30 per share.

(c) The Company accounted for the Concurrent Offering of 2,000,000 Viking Shares at a price of $0.25 for gross proceeds of $500,000 as if it had occurred on June 30, 2020 (issued date). The Concurrent offering includes a cash commission of $35,000 and 140,000 finder's warrants to purchase Viking Shares. The fair value of the finder's warrants of $18,264 is calculated using the Black-Scholes option pricing model with the following assumptions:

Grant date share price	$0.25
Exercise price	$0.25
Risk-free interest rate	0.28%
Expected life	2 years
Expected annualized volatility	100%
Expected dividend yield	0%

(d) 900,000 Resulting Issuer Shares will be issued to the shareholders of BC Co. The Resulting Issuer Shares are valued at $0.25 per Resulting Issuer Share for a total of $225,000, which will be recorded as a listing expense.

(e) Professional fees, listing fees and other expenses to complete the Share Exchange Agreement and subsequent listing on the CSE are estimated to be $100,000.

(f) The acquisition of Happy Tea by Viking constitutes a reverse asset acquisition as Viking does not meet the definition of a business, as defined in IFRS 3 - Business Combinations. Accordingly, the carrying value of the net assets of Viking will be credited to the share capital of the Resulting Issuer.

Listing expenses will be expensed to reflect the difference between the estimated fair value of Happy Tea shares to be issued to Viking shareholders less the net fair value of the assets of Viking acquired.

The fair value of the shares considered issued to acquire Happy Tea under reverse takeover accounting is assumed to be $793,141 calculated as the number of shares to be issued by Happy Tea at $0.25 per share, $73,092 calculated as the fair market value of the 1,183,333 Viking warrants assumed and $13,288 calculated as the fair market value of the 95,000 Viking stock options assumed.

The fair value per share of $0.25 is the issue price paid for Viking common shares as part of the Concurrent Offering. Fair market value of 1,183,333 Viking warrants assumed is $73,092 as calculated using the Black-Scholes option pricing model with the following assumptions:

Closing date share price	$0.25
Exercise price	$0.40
Risk-free interest rate	0.28%
Expected life	1 year
Expected annualized volatility	100%
Expected dividend yield	0%

Fair market value of 95,000 Viking stock options assumed is $13,288 as calculated using the Black-Scholes option pricing model with the following assumptions:

(Unaudited – Expressed in Canadian Dollars)

Closing date share price	$0.25
Exercise price	$0.32
Risk-free interest rate	0.30%
Expected life	2.92 years
Expected annualized volatility	100%
Expected dividend yield	0%

The purchase price has been allocated as follows:

	$
2,827,042 common shares issued to shareholders of Viking at $0.25	706,761
1,183,333 warrants of Viking assumed	73,092
95,000 stock options of Viking assumed	13,288
Fair value of consideration	793,141
Cash	40,345
Receivables	1,583
Accounts payable and accrued liabilities	(111,075)
Subscription receipts	(355,000)
Loans payable	(10,000)
Listing expense	1,227,288
	793,141

Share capital, share-based payment reserve and accumulated deficit for Viking are eliminated.

(g) The May 31, 2020 condensed interim statement of financial position of Happy Supplements Inc. has been translated to Canadian dollars using a period end rate of 1.3628.

3. EFFECTIVE TAX RATE

Upon completion of the Share Exchange Agreement, the effective tax rate of the resulting issuer is expected to be nil given the history of losses.

(Unaudited – Expressed in Canadian Dollars)

4. PRO-FORMA SHAREHOLDERS' EQUITY

Shareholders' equity as at June 30, 2020 in the unaudited pro-forma consolidated financial statements are comprised of the following:

	Number of Shares #	Share Capital $	Warrants and share-based payment reserve $	Deficit $	Total $
Balance per unaudited condensed interim financial statements of Viking at June 30, 2020	1,310,376	9,245,200	20,794	(9,700,141)	(434,147)
Balance per unaudited condensed interim financial statements of Happy Tea at May 31, 2020	34,468,616	5,875,599	-	(5,670,798)	204,801
Reversal of existing Happy Tea common shares	(34,468,616)	-	-	-	-
Resulting Issuer Shares issued to existing Happy Tea common shareholders	34,468,616	-	-	-	-
Private placement closed prior to Share Exchange Agreement (note 2(a))	1,183,333	355,000	-	-	355,000
Private placement closed prior to Share Exchange Agreement (note 2(b))	333,333	100,000	-	-	100,000
Resulting Issuer Shares issued for the Concurrent Financing (note 2(c))	2,000,000	500,000	-	-	500,000
Cash commission on the Concurrent Financing (note 2(c))	-	(35,000)	-	-	(35,000)
Fair value of finder's warrants issued on the Concurrent Financing (note 2(c))	-	(18,264)	18,264	-	-
Resulting Issuer Shares issued to the shareholders of BC Co. (note 2(d))	900,000	225,000	-	(225,000)	-
Transaction costs (note 2(e))	-	-	-	(100,000)	(100,000)
Viking equity eliminated on transaction (note 2(f))	-	(9,245,200)	(20,794)	9,700,141	434,147
Value of common shares and warrants assumed issued to shareholders of Viking (note 2(f))	-	706,761	86,380	(1,227,288)	(434,147)
As at June 30, 2020	**40,195,658**	**7,709,096**	**104,644**	**(7,223,086)**	**590,654**