

VIKING GOLD EXPLORATION INC.

Condensed Interim Financial Statements

For the Nine Months Ended September 30, 2020

(Unaudited – Expressed in Canadian Dollars)

VIKING GOLD EXPLORATION INC.

September 30, 2020

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VIKING GOLD EXPLORATION INC.

Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	September 30, 2020	December 31, 2019
Assets		
Current		
Cash	\$ 35,475	\$ 90
Receivables	33,061	809
Prepaid expenses	5,010	-
Total Assets	\$ 73,546	\$ 899
Liabilities		
Current		
Accounts payable and accrued liabilities (notes 10 and 15)	\$ 84,901	\$ 127,903
Loans payable (note 11)	10,000	249,160
Provision for indemnification of flow-through subscribers (note 13)	-	401,633
Total Liabilities	94,901	778,696
Shareholders' Deficiency		
Share capital (note 14)	9,700,200	9,229,033
Share-based payments reserve (note 14)	20,794	-
Deficit	(9,742,349)	(10,006,830)
Total Shareholders' Deficiency	(21,355)	(777,797)
Total Liabilities and Shareholders' Deficiency	\$ 73,546	\$ 899

Going Concern (note 2)

Commitments and Contingencies (note 18)

Approved on behalf of the Board:

<i>"Nathan Tribble"</i>	<i>"Dominic Verdejo"</i>
..... Director Director
Nathan Tribble	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		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Expenses				
Consulting (note 15)	\$ 2,000	\$ -	\$ 2,000	\$ -
Depreciation (note 8)	-	29	-	134
Interest (notes 11 and 12)	-	7,095	17,313	22,650
Management fees (note 15)	-	-	-	5,000
Office and miscellaneous	3,229	595	9,749	1,711
Professional fees	19,651	11,829	35,456	21,306
Rent	6,000	-	18,000	-
Share-based payments (notes 14 and 15)	-	-	27,361	-
Shareholder communications and investor relations	506	-	1,018	8,675
Transfer agent and filing fees	10,822	7,929	26,255	15,713
Loss Before Other Items	(42,208)	(27,477)	(137,152)	(75,189)
Other Items				
Adjustment to provision for indemnification of flow-through subscribers (note 13)	-	-	401,633	-
Gain on settlement of debt	-	133,129	-	133,129
Realized loss on investments (note 7)	-	-	-	(905)
Change in unrealized loss on investments	-	(1,250)	-	(1,500)
Net Income (Loss) and Comprehensive Income (Loss) for the Period	\$ (42,208)	\$ 104,402	\$ 264,481	\$ 55,535
Basic and Diluted Earnings (Loss) Per Share	\$ (0.02)	\$ 0.10	\$ 0.15	\$ 0.06
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	2,673,781	1,018,128	1,750,534	872,038

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)
Shares issued for settlement of debt	482,662	241,331	-	-	241,331
Net income and comprehensive income for the period	-	-	-	55,535	55,535
Balance, September 30, 2019	1,280,376	9,250,333	-	(10,031,816)	(781,483)
Shares issued for settlement of debt	-	(21,300)	-	-	(21,300)
Net income and comprehensive income for the period	-	-	-	24,986	24,986
Balance, December 31, 2019	1,280,376	9,229,033	-	(10,006,830)	(777,797)
Share issuances	1,516,666	455,000	-	-	455,000
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	-	-	-	264,481	264,481
Balance, September 30, 2020	2,827,042	\$ 9,700,200	\$ 20,794	\$ (9,742,349)	\$ (21,355)

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 Nine Months Ended September 30,
(Unaudited – Expressed in Canadian Dollars)

	2020	2019
Operating Activities		
Net income	\$ 264,481	\$ 55,535
Items not involving cash		
Depreciation	-	134
Interest accrued on loans payable	17,313	18,518
Interest accrued on convertible debentures	-	4,132
Share-based payments	27,361	-
Gain on settlement of debt	-	(133,129)
Realized loss on investments	-	905
Adjustment to provision for indemnification of flow-through subscribers	(401,633)	-
Change in unrealized loss on investments	-	1,500
Changes in non-cash working capital		
Receivables	(32,252)	1,474
Prepaid expenses	(5,010)	-
Accounts payable and accrued liabilities	(43,002)	(59,010)
Cash Used in Operating Activities	(172,742)	(109,941)
Investing Activity		
Proceeds on sale of investments	-	5,095
Cash Provided by Investing Activity	-	5,095
Financing Activities		
Loan proceeds	-	64,850
Repayment of loans	(256,473)	-
Proceeds from share issuances	464,600	-
Cash Provided by Financing Activities	208,127	64,850
Inflow (Outflow) of Cash (net)	35,385	(39,996)
Cash, Beginning of Period	90	44,802
Cash, End of Period	\$ 35,475	\$ 4,806

Supplemental Disclosure with Respect to Cash Flows (note 16)

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

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 nine months ended September 30, 2020 of \$264,481 (2019 - \$55,535) (before the change in estimate of provision, the September 30, 2020 loss was \$137,152) and as at September 30, 2020 has a deficit of \$9,742,349 (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 September 30, 2020, the Company also had a working capital deficiency of \$21,355 (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 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 November 20, 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
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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 September 30, 2020 and December 31, 2019, the Company had no known rehabilitation requirements, and accordingly, no provision has been made.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 September 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 \$3,140 (December 31, 2019 - \$809) owing from the Canada Revenue Agency. The Company has minimal credit risk.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

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 September 30, 2020 equal \$94,901 (December 31, 2019 - \$778,696). All of the liabilities presented as accounts payable and accrued liabilities are due within 30 days of September 30, 2020. The cash available is not sufficient to meet the Company's financial obligations at September 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(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 nine months ended September 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 September 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 September 30, 2020	\$ -
Accumulated Depreciation	
Balance, December 31, 2018	\$ 4,151
Depreciation	164
Disposal	(4,315)
Balance, December 31, 2019 and September 30, 2020	\$ -
Net Book Value, December 31, 2019	\$ -
Net Book Value, September 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
For the Nine Months Ended September 30, 2020 and 2019
(Unaudited – Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2020	December 31, 2019
Trade payables (note 14)	\$ 21,151	\$ 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
	\$ 84,901	\$ 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

Loan payable at September 30, 2020:

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

* The loan bears 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 nine months ended September 30, 2020.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
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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 nine months ended September 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 September 30, 2020.

As at September 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
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(Unaudited – Expressed in Canadian Dollars)

14. SHARE CAPITAL

a) Authorized

Unlimited number of common voting shares without par value.

b) Issued

For the nine months ended September 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.

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.

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.

During the nine months ended September 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 reserve 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.

VIKING GOLD EXPLORATION INC.

Notes to the Condensed Interim Financial Statements
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14. SHARE CAPITAL (Continued)

c) Stock Options (continued)

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

	Nine Months Ended September 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	-	-

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

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
June 2, 2023	2.67	\$ 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 nine months ended September 30, 2020 (year ended December 31, 2019 - \$nil). The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Nine Months Ended September 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 nine months ended September 30, 2020, the Company transferred \$6,567 from the share-based payments reserve to share capital upon the exercise of 30,000 stock options.

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14. SHARE CAPITAL (Continued)

d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Nine Months Ended September 30, 2020		Year Ended December 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	-	-
Issued	1,183,333	\$ 0.40	-	-
Outstanding, end of period	1,183,333	\$ 0.40	-	-

The following warrants were outstanding and exercisable:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	September 30, 2020
July 6, 2021	0.76	\$ 0.40	1,183,333

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):

	September 30, 2020	September 30, 2019
Short-term compensation	\$ 2,000	\$ 5,000
Share-based payments	20,794	-
	\$ 22,794	\$ 5,000

During the nine months ended September 30, 2020, short-term compensation to related parties consisted of \$2,000 (2019 - \$nil) in consulting fees and \$nil (2019 - \$5,000) in management fees.

As at September 30, 2020, the Company has outstanding amounts payable to prior 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.

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16. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	September 30, 2020	September 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. ACQUISITION

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").

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19. ACQUISITION (Continued)

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 warrant holders. Each Resulting Issuer Warrant will entitle the warrant holder to purchase one Resulting Issuer Share at a price of \$0.05 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.

As of November 20, 2020, the Acquisition had not closed.