HAPPY SUPPLEMENTS INC.
(formerly Happy Supplements, LLC)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2020

(EXPRESSED IN UNITED STATES DOLLARS)

Happy Supplements Inc.
(formerly Happy Supplements, LLC)
For the Year Ended August 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Happy Supplements Inc.

Opinion

We have audited the financial statements of Happy Supplements Inc. (formerly Happy Supplements, LLC) (the "Company"), which comprise the statements of financial position as at August 31, 2020, and the statements of loss and comprehensive loss, changes in shareholder's equity (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the financial statements, which describes events or conditions, that indicate that a material uncertainty exists that may 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 Matter

The financial statements of the Company for the period from inception on September 4, 2018 to August 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on January 20, 2020.

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 International Financial Reporting Standards, 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 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 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 Canadian generally accepted auditing standards, 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.

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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

March 8, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

HAPPY SUPPLEMENTS INC. (formerly Happy Supplements, LLC)
Statements of Financial Position
As at August 31
(Expressed in United States Dollars)

	Note		2020		2019
ASSETS					
Current					
Cash and cash equivalents		$	16,604	$	380,014
Inventory	5		17,398		62,208
Prepaid expenses			87,000		31,875
Due from related party	7		4,482		-
		$	**125,484**	**$**	**474,097**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)					
Liabilities					
Current					
Accounts payable and accrued liabilities	6	$	77,868	$	29,151
Due to related party	7		-		2,521,966
Loan payable – current portion	8		25,428		-
			103,296		2,551,117
Loan payable	8		18,818		-
			122,114		2,551,117
Shareholders' Equity (Deficiency)					
Share capital	9		4,311,417		947,313
Reserves	9		1,399,622		-
Deficit			(5,707,669)		(3,024,333)
			3,370		(2,077,020)
		$	**125,484**	**$**	**474,097**

Going Concern (Note 2)
Subsequent Events (Note 1 and 9)

Authorized for issuance on behalf of the Board on March 8, 2021:

"Michael Gonzalez" Director

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

HAPPY SUPPLEMENTS INC. (formerly Happy Supplements, LLC)
Statements of Loss and Comprehensive Loss
For the Year Ended August 31, 2020 and the Period from Inception on September 4, 2018 to August 31, 2019
(Expressed in United States Dollars)

	Note	2020	2019
Revenue		$ 110,287	$ 319,425
Cost of sales		(49,348)	(150,841)
Loss on inventory write-down	5	(67,368)	-
Gross margin		(6,429)	168,584
Operating expenses			
Advertising and marketing	7	597,754	3,063,082
General and administrative	7, 10	2,097,201	129,835
		2,694,955	3,192,917
Loss before other income		(2,701,384)	(3,024,333)
Other income			
Government grants	8, 11	18,048	-
Net loss and comprehensive loss		$ (2,683,336)	$ (3,024,333)
Loss per share – basic and diluted		$ 0.10	$ 0.23
Weighted average number of common shares outstanding – basic and diluted		25,790,774	13,000,000

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

HAPPY SUPPLEMENTS INC. (formerly Happy Supplements, LLC)
Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in United States Dollars)

	Share Capital					
	Number of Common Shares	Number of Membership Units	Amount	Reserves	Deficit	Total
Balance, September 4, 2018 (Inception)	**-**	**-**	**$ -**	**$ -**	**$ -**	**$ -**
Proceeds from membership units issued	13,000,000	13,000,000	947,313	-	-	947,313
Net loss for the period	-	-	-	-	(3,024,333)	(3,024,333)
Balance, August 31, 2019	**13,000,000**	**13,000,000**	**947,313**	**-**	**(3,024,333)**	**(2,077,020)**
Proceeds from membership units issued	4,468,616	4,468,616	841,232	-	-	841,232
Conversion of membership units to common shares	-	(17,468,616)	-	-	-	-
Shares issued upon conversion of debt	17,000,000	-	2,522,872	-	-	2,522,872
Warrants granted	-	-	-	1,399,622	-	1,399,622
Net loss for the year	-	-	-	-	(2,683,336)	(2,683,336)
Balance, August 31, 2020	**34,468,616**	**-**	**$ 4,311,417**	**$ 1,399,622**	**$ (5,707,669)**	**$ 3,370**

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

HAPPY SUPPLEMENTS, INC. (formerly Happy Supplements, LLC)
Statements of Cash Flows
For the Year Ended August 31, 2020 and the Period from Inception on September 4, 2018 to August 31, 2019
(Expressed in United States Dollars)

	2020	2019
Operating activities		
Net loss	$ (2,683,336)	$ (3,024,333)
Items not involving cash:		
Share-based payments	1,399,622	-
Loss on inventory write-down	67,368	-
Accretion expense	2,343	-
Government grant	(8,048)	-
Changes in non-cash working capital balances:		
Inventory	(22,558)	(62,208)
Prepaid expenses	(55,125)	(31,875)
Due from related party	(4,482)	-
Accounts payable and accrued liabilities	48,717	29,151
Cash used in operating activities	(1,255,499)	(3,089,265)
Financing activities		
Proceeds from issuance of shares	841,232	947,313
Advance from related party	-	2,521,966
Proceeds from loan payable	50,857	-
Cash provided by financing activities	892,089	3,469,279
Change in cash and cash equivalents	(363,410)	380,014
Cash and cash equivalents, beginning	380,014	-
Cash and cash equivalents, end	$ 16,604	$ -

Cash and cash equivalents are consisted of:

Deposit held in bank	7,316	341,736
Deposit held in digital payment platform	9,288	38,278
Total cash and cash equivalents	**$ 16,604**	**$ 380,014**

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

1. NATURE OF OPERATIONS

Happy Supplements Inc. (formerly Happy Supplements, LLC) (the "Company") is a Delaware corporation formed in September 2018 as a limited liability company. The Company converted to a corporation under the Business Corporations Act (Delaware) on February 13, 2020. The Company has the principal address at 1606 Camerbur Dr., Orlando, Florida, U.S.A. and registered office and records office at 8 The Green, Ste A, Dover, DE 19901, U.S.A.

The Company is in the business of selling nutritional supplements which utilize natural hemp extract, branded as Happy Tea Powder and Happy Tea Shots.

The Company, the shareholders of the Company and Viking Gold Exploration Inc. ("Viking") entered into a share exchange agreement dated July 28, 2020 (the "Share Exchange Agreement"). On December 11, 2020, The Share Exchange Agreement was completed and Viking issued an aggregate of 34,468,616 common shares to the shareholders of the Company at a deemed price of CAD$0.25 per share. The Company became a wholly-owned subsidiary of Viking. The acquisition of the Company by Viking constitutes a reverse asset acquisition as Viking did not meet the definition of a business as defined in IFRS 3 *Business Combinations*. Eeffective December 11, 2020 Viking changed its name from Viking Gold Exploration Inc. to "Happy Supplements Inc." ("Happy").

On December 14, 2020, the common shares of Happy commenced trading on the Canadian Securities Exchange under the symbol "FITT".

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 a net loss of $2,683,336 and as at August 31, 2020 has a deficit of $5,707,669, has limited resources, negative operating cash flow and no assurances that sufficient funding will be available to continue operations for an extended period of time. These factors indicate the existence of material uncertainties that 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 continue product development or the attainment of profitable operations. Management is actively engaged in the review and due diligence on opportunities of merit in the 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.

In March 2020, there was a global outbreak of coronavirus (COVID-19). The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and, specifically, the regional economies in which the Company operates. The pandemic could continue to have a negative impact on financial markets and the Company's ability to raise new capital. These factors, among others, could have a significant impact on the Company's operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were approved by the sole director and authorized for issue on March 8, 2021.

b) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for the cash flow information.

c) Functional and presentation currency

The financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company.

d) Revenue recognition

The Company generates its revenue primarily from the sales of natural hemp products. The Company recognizes revenues from its product sales when delivery has occurred and there is no unfulfilled obligation that could affect the customer's acceptance. These criteria are generally met at the time the products are provided or delivered and the customer takes possession of the goods, at which time control has passed to the customer.

The Company measured its revenue based on the price specified in the invoice provided to the customer, adjusted for expected returns, which are estimated based on historical data by specific products and adjusted as needed to estimate returns. The Company collects payment upon a customer placing an order, therefore it does not carry trade receivables as at August 31, 2020.

e) Cash and cash equivalents

Cash and cash equivalents presented in assets and liabilities on the statement of financial position and in the statement of cash flows include components of cash that are readily available or convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. It includes deposits in bank or digital payment platform such PayPal, and short-term deposits with an initial maturity of less than three months.

f) Inventory and cost of sales

Inventory consists of third-party manufactured finished goods that are available for sale. Cost is determined using the first-in, first-out method. Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Inventory and cost of sales (continued)

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The costs of purchase include the purchase price, non-recoverable taxes, transport and other costs directly attributable to the acquisition of finished goods.

Cost of sale includes the expenses incurred to acquire inventory for sale, as well as provisions for reserves related to obsolete inventory or lower of cost and net realizable value adjustments as required.

g) Government grants

A government grant is recognized when there is reasonable assurance it will be received, and all related conditions will be complied with. The Company recognizes government grants in profit or loss on a systematic basis and in line with its recognition of the expenses that the grants are intended to compensate. The Company determines whether the grant compensates expenses already incurred or future costs.

The Company also has a loan payable at below-market rate of interest for fund received from the government or government funded program. The benefit of the government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

h) Share-based payments

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and expensed over the vesting periods. Share-based payments to non-employees is measured at the fair value of the goods or services received or the fair value of the equity instruments issued if the fair value of the goods or services cannot be reliably measured, and is recorded at the date the goods or services are received. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to reserves.

i) Loss per share

Basic loss per share is computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The Company applies the treasury stock method in calculating diluted loss per share. Diluted loss per share excludes all dilutive potential common shares if their effect is anti-dilutive.

j) Income taxes

The Company converted from a limited liability company to a corporation in February 2020. During the period when it was a limited liability company, the Company had elected to be taxed as a corporation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes (continued)

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 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 assets to be recovered.

Concurrently, temporary differences (such as net operating loss carryforwards) for which no deferred tax assets were recognized are reviewed and deferred tax asset is recognized if it is probable that they will be utilized.

k) Financial instruments

(i) 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 (“FVTPL”) or through other comprehensive income (“FVTOCI”), 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 FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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 loss and comprehensive loss.

Subsequent measurement – financial assets at FVTPL

Financial assets measured at FVTPL 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 FVTPL 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 loss and comprehensive loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (continued)

k) Financial instruments (continued)

(i) Financial assets (continued)

Subsequent measurement – financial assets at FVTOCI

Financial assets measured at FVTOCI 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 FVTOCI. The Company does not measure any financial assets at FVTOCI.

After initial measurement, investments measured at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of loss and comprehensive 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, if any, are recognized in other income in the statements of loss and comprehensive 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.

(ii) 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 loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial instruments (continued)

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 loss and comprehensive loss.

(iii) 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.

l) New accounting pronouncements

IFRS 16 Leases

The Company adopted the requirements of IFRS 16 *Leases* effective September 1, 2019. IFRS 16 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 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset. Control is considered to exist if the customer has the right to obtain substantially all the economic benefits from the use of an identified asset and the right to direct the use of that asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the statement of financial position. 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. They 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 least 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, any adjusted for certain remeasurements of the lease liability.

Upon the adoption of IFRS 16, the Company has applied the short-term lease exemption on its lease of the office and warehouse premise and therefore was not required to recognize any right-of-use assets and lease liabilities

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) New accounting pronouncements (continued)

Other Recent Accounting Pronouncements

Accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant Judgments

Management has made critical judgments in the process of applying accounting policies. The one has the most significant effect on the amounts recognized in the financial statements include the assessment of the Company's ability to continue as a going concern and its ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances. The factors considered by management are disclosed in Note 2.

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 a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

i. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

ii. The Company determines its allowance for inventory obsolescence based upon expected inventory turnover, inventory aging, the expiry dates of the products, and current and future expectations with respect to product sales. Assumptions underlying the allowance for inventory obsolescence include future sales trends, marketing strategy and others. These estimates could materially change from period to period due to changes in various factors.

iii. The Company uses the Black-Scholes option pricing model to value the warrant 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.

(Expressed in United States Dollars, unless otherwise noted)

5. INVENTORY

Inventory is comprised of finished goods held on hand as at August 31, 2020. During the year ended July 31, 2020, the Company recorded $67,368 (2019 - $nil) for the write-down on inventory and expensed $49,348 (2019 - $150,841) of inventory as cost of sales. In addition, there was $12,703 (2019 - $nil) of inventory given out for promotion, which is recognized as selling costs under general and administrative expenses.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities is comprised of the following as at August 31, 2020.

	2020	2019
Accounts payables	$ 52,139	$ -
Accrued liabilities	25,000	29,151
Payroll tax payable	729	-
	77,868	29,151

7. RELATED PARTY BALANCES AND TRANSACTIONS

Due from related party

As at August 31, 2020, the Company has $4,482 (2019 - $nil) due from Fit Products, LLC (“Fit Products”) for working capital advances. Fit Products’ sole member is the director of the Company. The amount bears no interest and has no stated terms of repayment.

Due to related party

On March 2, 2020, the Company issued a convertible promissory note to the director for the outstanding balance of $2,522,842 with no interest bearing, whereby the director in his sole discretion may convert the full balance of the outstanding principal into common shares of the Company, subject to additional share issuance if certain target ownership percentage was not met with the conversion. On March 22, 2020, the promissory note was converted and settled in full (note 9).

As at August 31, 2020, the Company owes $nil (2019 - $2,521,966) to the director.

Related party transactions

The Company utilized funds provided by the director to support its initial operations. The borrowings bore no interest and were payable on demand to the director. Funds provided were primarily used for advertising and inventory purchases for the Company.

During the year ended August 31, 2020, the transactions incurred with Fit Products include:

(i) the Company shared office and warehouse space leased by Fit Products on a month to month basis. The annualized rent expense to Fit Products is approximately $58,000. The pro-rata share of rent and utilities incurred by the Company for the year has been waived by Fit Products, therefore these expenses have not been included in the statement of loss and comprehensive loss.

(Expressed in United States Dollars, unless otherwise noted)

7. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Related party transactions (continued)

(ii) From inception to May 2019, employees of Fit Products performed responsibilities on behalf of the Company without a pro-rata share of salaries being allocated to the Company. Effective July 8, 2019, certain employees were transferred to the Company. Fit Products has waived reimbursement for the pro-rata share of salaries prior to the transfer of employees.

(iii) Key management compensation for the year ended August 31, 2020 totaled $60,000 (2019 - $10,000) and is included in general and administrative expenses on the statement of loss and comprehensive loss.

8. LOAN PAYABLE

On May 21, 2020, the Company received a Small Business Administration ("SBA") loan of $50,857 through an accredited lender under the Paycheck Protection Program (the "PPP") program pursuant to the Federal Government Cares Act. The loan bears interest at 1% per annum and is repayable over 18 months, with principal and interest deferral for the first six months. The PPP allows for full loan forgiveness if the Company meets certain eligibility requirements, which is subject to the lender's evaluation of the Company's use of the proceeds. As at August 31, 2020, the Company determined that it could not reasonably assure whether it has met the requirements, as a result $nil was recognized into government grant in relation to the loan forgiveness.

The SBA loan was accounted for using the effective interest rate method and was discounted using a rate of 12% per annum, with discount portion recognized as government grant. An accretion expenses of $1,309 (2019 - $nil) is recorded in the statements of loss and comprehensive loss.

The minimum payments due on the SBA loan is summarized as follows:

	Amount
Within one year	25,724
One to two years	25,535
	51,259
Less: amount representing interest payments	(402)
	50,857

(Expressed in United States Dollars, unless otherwise noted)

9. EQUITY TRANSACTIONS

a) Share capital

Authorized

75,000,000 shares are authorized with a par value of $0.0001 per share.

Issued and Outstanding

(i) Private placements

In June 2019, the Company completed a first private placement (Series 1) and issued 10,000,000 membership units at a price of CAD$0.05 per unit. During July and August, 2019, from the second private placement (Series 2) the Company issued 3,000,000 membership units at a price of CAD$0.05 per unit. Total net proceeds of $947,313 was received for these units.

During September to December, 2019 when the Series 2 private placement was completed, the Company issued additional 4,468,616 membership units for total proceeds of $841,232.

The membership units issued in Series 1 and Series 2 had no voting right, no additional interest attached and no entitlement for return of the contributions.

(ii) Unit to share conversion

On February 13, 2020, all 17,468,616 Series 1 and Series 2 membership units issued and outstanding were converted into an equivalent number of shares in common stock when the Company converted into a corporation.

(iii) Debt conversion

On March 22, 2020, the convertible promissory note of $2,522,872 issued to the director of the Company (note 7) was converted to 17,000,000 shares of common shares of the Company.

b) Warrants

During the year ended August 31, 2020, the Company recognized share-based payment expense of $1,399,622 (2019 - $nil) in connection with the warrants granted to an advisor for service during the year.

Warrant transactions and the number of warrants outstanding for the year ended August 31, 2020 and the period from inception on September 4, 2018 to August 31, 2019 are summarized as follows:

	2020		2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	-	-
Granted	9,000,000	$ 0.04	-	-
Outstanding, end of period	9,000,000	$ 0.04	-	-

(Expressed in United States Dollars, unless otherwise noted)

9. EQUITY TRANSACTIONS (continued)

b) Warrants (continued)

The following warrants were outstanding and exercisable as at August 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
March 3, 2021 *(i)*	0.50	$ 0.04	9,000,000

(i) Subsequent to August 31, 2020, the Company extended the expiry date of the 9,000,000 warrants issued and outstanding to March 2, 2022.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants granted. The fair value of each warrant grant was calculated using the following weighted average assumptions:

	2020
Expected life (year)	1.00
Risk-free interest rate	0.99%
Expected annualized volatility	100%
Dividend yield	0%
Stock price at grant date	$ 0.19
Exercise price	$ 0.04
Weighted average grant date fair value	$ 0.16

The Company has used a volatility of 100% with reference to the historical record of comparable public companies

10. EXPENSES

General and administrative expenses by natural category for the year ended August 31, 2020 and the period from inception on September 4, 2018 through August 31, 2019 were as follows:

	2020	**2019**
Bank charges	5,951	2,006
Computer	9,630	2,774
Contract labour	3,066	1,212
Insurance	11,503	-
Legal and professional service	185,205	47,908
Office supplies and software	15,123	-
Other business expense	11,044	38
Payroll expense	426,621	61,355
Selling costs	16,427	13,943
Share-based payments	1,399,622	-
Taxes and licenses	1,455	-
Travel	11,554	599
Total general and administrative expenses	$ 2,097,201	$ 129,835

11. GOVERNMENT GRANTS

On April 28, 2020, the Company received $10,000 through an accredited lender under COVID-19 Economic Disaster Loan program funded by the government. The loan was provided to be used for working capital and normal operating expenses. The loan bears interest at a fixed rate of 3.75% per annum and has a term of 30 years. The amount was recognized as government grant for the year ended August 31, 2020.

The remaining amount included in the government grant attributes to the difference of the proceeds received and the fair value of the SBA loan received in May 2020 (note 8).

12. 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 and cash equivalents are classified as FVTPL; accounts payable and accrued liabilities, due to related parties and loan payable as amortized cost. The carrying values of these instruments approximate their fair values due to their short term to maturity.

The Company's financial asset measured at fair value, cash and cash equivalent, is classified as level 1 according to the fair value hierarchy.

Management of capital

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 shareholders and to maintain an optimal capital structure. As at August 31, 2020, the Company does not have any externally imposed capital requirements. The Company defines its capital as share capital and reserves. The Company has financed its capital requirements primarily through share (formerly units) issuances, warrant issuances and obtaining loans. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristic of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue shares or obtain new loans. The company's management actively and regularly reviews and manages its capital structure. There has been no change to how the Company manage its capital

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.

(Expressed in United States Dollars, unless otherwise noted)

12. FINANCIAL INSTRUMENTS (continued)

b. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. The Company's accounts payable and accrued liabilities are due within 90 days. Amounts due to related parties are due on demand. The Company addresses its liquidity through debt and equity financing obtained through the sale of common shares and the exercise of warrants and options. There is no assurance that it will be able to do so in the future. Liquidity risk is assessed as high.

c. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at October 31, 2020, the Company is not exposed to significant interest rate risk.

13. INCOME TAXES

The tax effect (computed by applying the United States federal and state statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are estimated as follows:

	2020	2019
Statutory income tax rate, combined federal and state	29.7%	29.7%
Income tax recovery at statutory rate	$ (797,000)	$ (898,000)
Tax effect of:		
Permanent differences and other	415,724	(1,505)
Other	276	(495)
Unrecognized deferred income tax assets	381,000	900,000
Deferred income tax recovery	$ -	$ -

The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2020	2019
Deferred income tax assets		
Net operating losses	$ 1,281,000	$ 900,000
Unrecognized deferred tax assets	(1,281,000)	(900,000)
Net deferred income tax asset	$ -	$ -

As at August 31, 2020, the Company has net operating losses carryforward of approximately $4,313,000 which are available to offset up to 80% of taxable income in the future years indefinitely.