HAPPY SUPPLEMENTS INC.
(formerly Viking Gold Exploration Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FOUR MONTHS ENDED DECEMBER 31, 2020

AND THE YEAR ENDED AUGUST 31, 2020

(EXPRESSED IN CANADIAN DOLLARS)

Happy Supplements Inc.

(formerly Viking Gold Exploration Inc.)

For the Four Months Ended December 31, 2020

INDEX **PAGE**

Consolidated Financial Statements

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Happy Supplements Inc. (formerly Viking Gold Exploration Inc.)

Opinion

We have audited the consolidated financial statements of Happy Supplements Inc. (formerly Viking Gold Exploration Inc.) (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and August 31, 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholder's equity and cash flows for the period ended December 31, 2020 and the year ended August 31, 2020, and notes to the consolidated 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 December 31, 2020 and August 31, 2020, and its financial performance and its cash flows for the period ended December 31, 2020 and the year ended August 31, 2020 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 Information

Management is responsible for the other information. The other information comprises the information included in 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 identified above 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 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.

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 on the audit resulting in this independent auditor's report is David Goertz.

DMCL

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

April 30, 2021

MOORE

An independent firm
associated with Moore
Global Network Limited

HAPPY SUPPLEMENTS INC. (formerly Viking Gold Exploration Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	Note		December 31, 2020		August 31, 2020
ASSETS					
Current					
Cash		$	308,849	$	21,654
GST receivable			12,122		-
Inventory	6		21,817		22,690
Prepaid expenses			99,539		113,465
Due from related party	8		58,544		5,846
		$	**500,871**	**$**	**163,655**
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Current					
Accounts payable and accrued liabilities	7	$	120,744	$	101,554
Loan payable – current portion	9		43,168		33,163
			163,912		134,717
Loan payable	9		15,426		24,543
			179,338		159,260
Shareholders' Equity					
Share capital	10		7,265,559		5,733,170
Reserves	10		1,941,352		1,825,387
Accumulated other comprehensive income			65,226		65,835
Deficit			(8,950,604)		(7,619,997)
			321,533		4,395
		$	**500,871**	**$**	**163,655**

Going concern (Note 2)
Commitments (Note 9)
Subsequent events (Note 15)

Authorized for issuance on behalf of the Board on April 30, 2021:

"Joel Shacker" Director

"Geoff Balderson" Director

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

HAPPY SUPPLEMENTS INC. (formerly Viking Gold Exploration Inc.)
Consolidated Statements of Loss and Comprehensive Loss
For the Four Months Ended December 31, 2020 and the Year Ended August 31, 2020
(Expressed in Canadian Dollars)

	Note	Four Months Ended December 31, 2020	Year Ended August 31, 2020
Revenue		$ 9,053	$ 148,430
Cost of sales		(6,919)	(66,415)
Reversal of (loss on) inventory write-down	6	4,836	(90,667)
Gross margin		6,970	(8,652)
Operating expenses			
Advertising and marketing	8	15,275	804,484
General and administrative	8, 11	343,636	2,822,508
		358,911	3,626,992
Loss before other income (expense)		(351,941)	(3,635,644)
Other income (expense)			
Interest accretion		(2,320)	-
Government grant	9, 12	-	24,290
Listing expense	5	(976,346)	-
Net loss for the period		(1,330,607)	(3,611,354)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income or loss:			
Exchange difference on translating foreign operation		(609)	65,835
Comprehensive loss		$ (1,331,216)	$ (3,545,519)
Loss per share – basic and diluted		$ 0.04	$ 0.14
Weighted average number of common shares outstanding – basic and diluted		35,492,229	25,790,774

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

HAPPY SUPPLEMENTS INC. (formerly Viking Gold Exploration Inc.)
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital						
	Number of Common Shares	Number of Membership Units	Amount	Reserves	Deficit	Accumulated Other Comprehensive Loss	Total
Balance, August 31, 2019	**13,000,000**	**13,000,000**	**$ 1,250,000**	**$ -**	**$ (4,008,643)**	**$ -**	**$ (2,758,643)**
Proceeds from membership units issued	4,468,616	4,468,616	1,117,154	-	-	-	1,117,154
Conversion of membership units to common shares	-	(17,468,616)	-	-	-	-	-
Shares issued upon conversion of debt	17,000,000	-	3,366,016	-	-	-	3,366,016
Warrants granted	-	-	-	1,825,387	-	-	1,825,387
Exchange difference on translating foreign operations	-	-	-	-	-	65,835	65,835
Net loss for the year	-	-	-	-	(3,611,354)	-	(3,611,354)
Balance, August 31, 2020	**34,468,616**	**-**	**5,733,170**	**1,825,387**	**(7,619,997)**	**65,835**	**4,395**
Shares issued in reverse takeover	3,727,042	-	931,761	-	-	-	931,761
Shares issued in private placement	2,517,000	-	629,250	-	-	-	629,250
Share issuance costs	-	-	(28,622)	10,124	-	-	(18,498)
Stock options granted in reverse takeover	-	-	-	17,411	-	-	17,411
Warrants granted in reverse takeover	-	-	-	88,430	-	-	88,430
Net loss for the period	-	-	-	-	(1,330,607)	-	(1,330,607)
Exchange difference on translating foreign operation	-	-	-	-	-	(609)	(609)
Balance, December 31, 2020	**40,712,658**	**-**	**$ 7,265,559**	**$ 1,941,352**	**$ (8,950,604)**	**$ 65,226**	**$ 321,533**

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

HAPPY SUPPLEMENTS, INC. (formerly Viking Gold Exploration Inc.)
Consolidated Statements of Cash Flows
For the Four Months Ended December 31, 2020 and the Year Ended August 31, 2020
(Expressed in Canadian Dollars)

	Four Months Ended December 31, 2020	Year Ended August 31, 2020
Operating activities		
Net loss	$ (1,330,607)	$ (3,611,354)
Items not involving cash:		
Share-based payments	-	1,883,675
Listing expense	976,346	-
Reversal of (loss on) inventory write-down	(4,836)	90,667
Accretion expense	2,320	3,153
Government grant	-	(10,831)
Changes in non-cash working capital balances:		
Receivables	(8,163)	-
Inventory	5,265	(30,360)
Prepaid expenses	19,221	(74,190)
Due from related party	(1,453)	(6,032)
Accounts payable and accrued liabilities	12,258	65,566
Cash used in operating activities	(329,649)	(1,689,706)
Investing activity		
Cash acquired from transaction	302,036	-
Cash provided by Investing activity	302,036	-
Financing activities		
Proceeds from issuance of shares, net of share issue costs	320,752	1,132,168
Proceeds from loan payable	-	68,444
Repayment for loan payable	(10,000)	-
Cash provided by financing activities	310,752	1,200,612
Change in cash	283,139	(489,094)
Effect of foreign exchange on cash	4,056	5,519
Cash, beginning	21,654	505,229
Cash, ending	$ 308,849	$ 21,654

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

1. NATURE OF OPERATIONS

Happy Supplements Inc. (the "Company") (formerly known as Viking Gold Exploration Inc.) was incorporated under the laws of the Province of Ontario, and on August 6, 2019, was continued into British Columbia. The Company has the principal address at 1606 Camerbur Dr., Orlando, Florida, U.S.A. and registered office and records office at 1199 West Hastings Street, Suite 800, Vancouver, British Columbia, Canada, V6E 3T5.

On December 11, 2020, the Company completed a reverse takeover ("RTO") transaction with Happy Supplements Inc. ("Happy") (formerly Happy Supplement, LLC), a Delaware corporation formed in September 2018, as further described in Note 5. On December 14, 2020, the Company's common shares commenced trading on the Canadian Securities Exchange under the symbol "FITT".

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

2. GOING CONCERN

These consolidated 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 $1,330,607 and as at December 31, 2020 has a deficit of $8,950,604 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 consolidated 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 consolidated 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 consolidated financial statements were approved by the Board of Directors and authorized for issue on April 30, 2021.

b) Basis of preparation

These consolidated 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.

These consolidated financial statements include the accounts of the Company and Happy, which was incorporated under the laws of the Province of Ontario, and on August 6, 2019 was continued into British Columbia. Intercompany balances and transactions are eliminated in preparation of the Company's consolidated financial statements.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary Happy. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany transactions, balances, income and expenses are eliminated in full upon consolidation.

The legal subsidiary of the Company as of December 31, 2020 is as follows:

Name of Subsidiary	Place of Incorporation	Ownership Interest
Happy Supplements Inc.	USA	100%

d) Functional and presentation currency

The functional currency of the Company is the Canadian dollar and the functional currency of Happy is the United States dollar ("USD"). These consolidated financial statements are presented in Canadian dollars.

e) 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 December 31, 2020.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Cash and cash equivalents

Cash and cash equivalents 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. The Company does not have short-term deposits as at December 31, 2020.

g) 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.

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.

h) 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.

i) Share-based payments

The Company may receive or acquire goods or services in a share ‑ based transaction. The Company recognizes a corresponding increase in equity if the goods or services were received in an equity-settled share-based payment transaction, or a liability if the goods or services were acquired in a cash-settled share-based payment transaction. For equity-settled share-based payment transactions, the Company measures the goods or services received and the corresponding increase in equity directly at the fair value of the goods or services received, unless the fair value of the goods or services received cannot be estimated reliably, the Company measures their value and the corresponding increase in equity by reference to the fair value of the equity instruments issued.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Share-based payments (continued)

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.

j) 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.

k) Foreign currency translation

Translation of foreign currency transactions

Transactions in foreign currencies are translated using the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Exchange differences arising from the transactions are recorded in profit or loss for the period, except for exchange differences relating to borrowings hedging net investments denominated in the consolidated subsidiaries' currency. These differences are recognized in other comprehensive income as currency translation differences until the disposal of the net investment. Exchange differences arising from operating transactions are recorded in operating profit for the period; exchange differences related to financing transactions are recognized as finance costs or income, or in other comprehensive income.

Translation of foreign operations

The assets and liabilities of a foreign operation, including goodwill and fair value adjustments arising from the acquisition, are translated in Canadian dollars at year-end exchange rates. Income and expenses, and cash flows of a foreign operation are translated in Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in equity. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

l) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or loss or equity, in which case it is recognized in other comprehensive income or loss or equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Income taxes (continued)

Current tax expense is the expected tax payable on the taxable income for the year, calculated using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regard to previous years.

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.

m) 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)

m) 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 FVTPL as is the case for held-for-trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. 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)

m) Financial instruments (continued)

(ii) Financial liabilities

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.

n) New accounting pronouncements

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements*, to clarify the classification of a liability as either current or non-current. On July 15, 2020, the IASB issued an amendment deferring the effective date by one year. Currently the amendments are effective for annual periods beginning on or after January 1, 2023. Early application is permitted.

The amendments eliminated the requirement that the right to defer settlement or transfer of a liability for at least 12 months be unconditional to classify a liability as non-current. Instead, the right must be substantive and exist at the end of the reporting period.

The amendments also clarify how an entity classifies a liability that is convertible at the option of the counterparty. The amendments state that:

- The settlement of a liability includes the transfer of the entity's own equity instruments to the counterparty.
- When classifying a liability as current or non-current, an entity may only omit conversion options recognized as equity.

Property, Plant and Equipment – Proceeds before Intended Use (amendments to IAS 16)

On May 14, 2020, the IASB published *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)*. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

The amendments provide guidance for the recognition of proceeds from selling items that an entity produces and sells in the process of making an item of property, plant and equipment available for its intended use, as well as the associated production costs. Specifically, the proceeds from selling items produced before the related asset is available for use, as well as the related production costs, must be recognized in profit or loss.

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:

i. 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.

ii. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

iii. The determination of whether a set of assets acquired and liabilities assumed in an acquisition constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The reverse takeover as described in note 5 did not constitute a business combination as only net asses were acquired, and accordingly were accounted for as asset purchase transactions.

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 Canadian Dollars, unless otherwise noted)

5. REVERSE TAKEOVER

On July 28, 2020, the Company entered into an assignment and novation agreement with 1208004 B.C. Ltd. ("Assignor") whereby the Assignor assigned its letter of intent to acquire 100% of Happy to the Company for an assignment fee of 900,000 common shares of the Company. On the same date, the Company, Happy and the shareholders of the Happy executed a share exchange agreement dated (the "Agreement"). Pursuant to the Agreement, the Company issued an aggregate of 34,468,616 common shares of the Company pro rata to the shareholders of Happy in exchange for the 34,468,616 shares of Happy ("Share Exchange").

Upon completion of the Share Exchange, Happy became a wholly-owned subsidiary of the Company. Effective December 11, 2020, the Company changed its name from Viking Gold Exploration Inc. to "Happy Supplements Inc." and has continued to carry out the business operations of Happy.

As a result of the Share Exchange, Happy is deemed to be the acquirer for accounting purposes ("Reverse Takeover") and therefore its assets, liabilities and operations are included in the consolidated financial statements at their historical carrying value, with the operations of the Company being included from December 11, 2020, the closing date of the Reverse Takeover, and onwards.

At the time of the reverse takeover, the Company did not constitute a business as defined under IFRS 3; therefore, the Reverse Takeover of the Company by Happy is accounted for under IFRS 2, where the difference between the consideration given to acquire the Company and the net asset value of the Company is recorded as a listing expense to profit and loss. The fair value of the consideration issued for the net assets of the Company is as follows:

Consideration:		
Fair value of shares retained by former shareholders (2,827,042 shares)	$	706,761
Fair value of shares issued to Assignor (900,000 shares)		225,000
Fair value of 1,183,333 warrants assumed		88,430
Fair value of 95,000 stock options assumed		17,411
Total consideration		1,037,602
Fair value of net assets acquired:		
Cash		297,536
GST receivable		3,959
Due from related parties		44,934
Prepaid expenses		5,010
Accounts payable and accrued liabilities		(13,836)
Subscriptions received		(290,000)
Loans payable		(10,000)
Cash transferred from Assignor		4,500
Accounts receivable transferred from Assignor		19,153
Total net assets		61,255
Listing expense	**$**	**976,346**

(Expressed in Canadian Dollars, unless otherwise noted)

6. INVENTORY

Inventory is comprised of finished goods held on hand. During the period ended December 31, 2020, the Company recorded an $4,836 reversal of the write-down on its inventory (year ended August 31, 2020 – write-down of $90,667) and expensed $6,919 of inventory as cost of sales (year ended August 31, 2020 - $66,415). In addition, there was $nil (year-end August 31, 2020 - $17,096) of inventory given out for promotion, which is recognized as selling costs under general and administrative expenses.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2020	August 31, 2020
Accounts payable	$ 26,021	$ 67,998
Accrued liabilities	88,672	32,605
Payroll tax payable	6,051	951
	120,744	101,554

8. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

These amounts of key management compensation are included in general and administrative expenses:

	Period Ended December 31, 2020	Year Ended August 31, 2020
Officer compensation	$ 65,400	$ 80,748

Included in the accounts payable and accrued liabilities, $31,830 (2019 - $nil) is related to the above compensation incurred with the Company's Chief Executive Officer.

Due from related party

As at December 31, 2020, the Company has $58,544 (August 31, 2020 - $5,846) due from Fit Products, LLC ("Fit Products") for working capital advances. Fit Products' sole member is a director of the Company. The amount bears no interest, has no stated terms of repayment and is unsecured.

Convertible promissory note

The Company previously utilized funds provided by a 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.

On March 2, 2020, the Company issued a convertible promissory note to the director for the outstanding balance of USD$2,522,842 with non-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 10).

(Expressed in Canadian Dollars, unless otherwise noted)

8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Related party transactions

During the period ended December 31, 2020, the Company was allocated advertising and marketing expense of $nil (year ended August 31, 2020 - $106,667) from Fit Products. In addition, during the period ended December 31, 2020 and the year ended August 31, 2020, 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 USD$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.

9. LOAN PAYABLE

On May 21, 2020, the Company received a Small Business Administration ("SBA") loan of $50,857 USD 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 December 31, 2020 and 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 in neither period.

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 expense of $2,320 (year ended August 31, 2020 - $1,762) is recorded in the statements of loss and comprehensive loss for the four months ended December 31, 2020.

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

		Amount
Within one year	$	32,752
One to two years		32,511
		65,263
Less: amount representing interest payments		(6,669)
Total loan payable		58,594
Less:		
Loan payable – current portion		43,168
Loan payable		15,426

10. EQUITY TRANSACTIONS

a) Share capital

Authorized

Unlimited number of common voting shares without par value

Issued and Outstanding

(i) Private placements

During July and August, 2019, the Company commenced a private placement ("Series 2") of membership units at a price of $0.25 per unit. During September to December, 2019 when the Series 2 private placement was completed, the Company issued 4,468,616 membership units for total proceeds of $1,117,154.

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

On December 11, 2020, the Company completed a concurrent private placement with the Reverse Takeover (note 5). The Company issued 2,517,000 common shares at $0.25 per share for gross proceeds of $629,250. The Company paid finders fees of $18,498 and issued 73,990 broker warrants valued at $10,124.

(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 USD issued to the director of the Company (note 8) was converted to 17,000,000 shares of common shares of the Company.

(iv) Share Exchange

As described in note 5, as part of the Reverse Takeover, 2,827,042 shares was retained by the former shareholders of the Company. In addition, the Company issued 900,000 common shares to the shareholder of Assignor at a deemed price of $0.25 per share. A total value of $931,761 of these shares was included in the acquisition consideration.

(Expressed in Canadian Dollars, unless otherwise noted)

10. EQUITY TRANSACTIONS (Continued)

b) Warrants

During the period ended December 31, 2020, the Company recognized $nil (year ended August 31, 2020 - $1,883,675) share-based payment expense in connection with the warrants granted to an advisor for service during the year.

Warrant transactions and the number of warrants outstanding for the four months ended December 31, 2020 and the year ended August 31, 2020 are summarized as follows:

	December 31, 2020		**August 31, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	9,000,000	$ 0.05	-	-
Assumed from Reverse Takeover	1,183,333	$ 0.40	-	-
Granted	73,990	$ 0.25	9,000,000	$ 0.05
Outstanding, end of period	10,257,323	$ 0.09	9,000,000	$ 0.05

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

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
July 6, 2021	0.51	$ 0.40	1,183,333
December 11, 2021	0.95	$ 0.25	73,990
March 2, 2022	1.17	$ 0.05	9,000,000
	1.09	$ 0.09	10,257,323

The 73,990 warrants were issued to brokers as finders fee for the private placement. 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 granted was calculated using the following weighted average assumptions:

	December 31, 2020	**August 31, 2020**
Expected life (year)	1.00	1.00
Risk-free interest rate	0.25%	0.99%
Expected annualized volatility	150%	100%
Dividend yield	0%	0%
Stock price at grant date	$ 0.25	$ 0.25
Exercise price	$ 0.25	$ 0.05
Weighted average grant date fair value	$ 0.14	$ 0.20

(Expressed in Canadian Dollars, unless otherwise noted)

10. EQUITY TRANSACTIONS (Continued)

b) Warrants (continued)

The fair value of each warrant assumed from Reverse Takeover was calculated using the following weighted average assumptions:

	December 11, 2020
Expected life (year)	0.57
Risk-free interest rate	0.25%
Expected annualized volatility	150%
Dividend yield	0%
Stock price at grant date	$ 0.25
Exercise price	$ 0.40
Weighted average assumption date fair value	$ 0.075

The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

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.

Warrant transactions and the number of warrants outstanding for the four months ended December 31, 2020 and the year ended August 31, 2020 are summarized as follows:

	December 31, 2020		August 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	-	-	-	-
Assumed from Reverse Takeover	95,000	$ 0.32	-	-
Outstanding, end of period	95,000	$ 0.32	-	-

(Expressed in Canadian Dollars, unless otherwise noted)

10. EQUITY TRANSACTIONS (Continued)

c) Stock options (continued)

The following stock options were outstanding and exercisable at December 31, 2020:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding and Exercisable
June 2, 2023	2.42	$ 0.32	95,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its options granted on December 11, 2020 (note 5). The fair value of each option granted was calculated using the following weighted average assumptions:

Expected life (year)	2.47
Risk-free interest rate	0.25%
Expected annualized volatility	150%
Dividend yield	0%
Stock price at grant date	$ 0.25
Exercise price	$ 0.32
Weighted average grant date fair value	$ 0.18

The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

11. EXPENSES

General and administrative expenses by natural category for the four months ended December 31, 2020 and the year ended August 31, 2020 were as follows:

	Four Months Ended December 31, 2020	Year Ended August 31, 2020
Bank charges	2,310	8,010
Computer	2,739	12,960
Contract labour	27,000	4,126
Insurance	6,217	15,481
Legal and professional service	199,771	249,257
Office supplies and software	7,763	20,354
Other business expense	6,956	14,864
Personnel compensation	74,225	574,165
Selling costs	1,270	22,108
Share-based payments	-	1,883,675
Shareholder communications and investor relations	3,507	-
Taxes and licenses	-	1,958
Transfer agent and filing fees	4,661	-
Travel	7,217	15,550
Total general and administrative expenses	$ 343,636	$ 2,822,508

12. GOVERNMENT GRANTS

On April 28, 2020, the Company received USD$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 attributed to the difference of the proceeds received and the fair value of the SBA loan received in May 2020 (note 9).

13. 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, 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 December 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 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 Canadian Dollars, unless otherwise noted)

13. 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 December 31, 2020, the Company is not exposed to significant interest rate risk.

14. INCOME TAXES

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

	December 31, 2020	August 31, 2020
Statutory income tax rate	27%	27%
Income tax recovery at statutory rate	$ (359,000)	$ (975,000)
Tax effect of:		
Permanent differences and other	280,259	544,394
Different effective tax rates in foreign jurisdiction	(3,297)	(75,838)
Other	(426,962)	7,444
Unrecognized deferred income tax assets	509,000	499,000
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:

	December 31, 2020	August 31, 2020
Deferred income tax assets		
Net operating losses	$ 2,186,000	$ 1,671,000
Unrecognized deferred tax assets	(2,186,000)	(1,671,000)
Net deferred income tax asset	$ -	$ -

As of December 31, 2020, the Company had estimated Canadian non-capital losses of $1,704,000 in tax loss carryforwards. These non-capital losses are available to be carried forward, to be applied against taxable income earned in Canada over the next 20 years and expire up to 2040. The Company has estimated U.S. state and local net operating losses of $5,780,000. These non-capital losses are available to be carried forward, to be applied against taxable jurisdiction in the U.S. over the next 20 years and expire up to 2040. The deferred tax benefit of these tax losses has not been set up as an asset.

15. SUBSEQUENT EVENTS

a) Subsequent to December 31, 2020, 50,000 stock options expired unexercised and 45,000 stock options were exercised for proceeds of $14,400.

b) Subsequent to December 31, 2020, 497,990 warrants were exercised for proceeds of $196,498.