HAPPY SUPPLEMENTS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2021

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED – PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2021 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

HAPPY SUPPLEMENTS INC.
Condensed interim Consolidated Statements of Financial Position
As at March 31, 2021 and December 31, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	March 31, 2021	December 31, 2020
ASSETS		
Current		
Cash	$ 77,443	$ 308,849
GST receivable	5,704	12,122
Inventory (Note 6)	16,039	21,817
Prepaid expenses	96,828	99,539
Due from related party (Note 8)	183,573	58,544
	$ 379,587	**$ 500,871**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 7 and 8)	$ 200,029	$ 120,744
Loan payable – current portion (Note 9)	43,878	43,168
	243,907	163,912
Loan payable (Note 9)	15,426	15,426
	259,333	179,338
Shareholders' Equity		
Share capital (Note 10)	7,481,290	7,265,559
Reserves	1,934,270	1,941,352
Accumulated other comprehensive income	43,279	65,226
Deficit	(9,338,585)	(8,950,604)
	120,254	321,533
	$ 379,587	**$ 500,871**

Going concern (Note 2)
Commitments (Note 9)
Subsequent events (Note 10)

Authorized for issuance on behalf of the Board on May 31, 2021:

"Joel Shacker" Director

"Geoff Balderson" Director

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

HAPPY SUPPLEMENTS INC.
Condensed interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2021 and February 29, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	For the three months ended	
	March 31, 2021	**February 29, 2020**
		(Note 13)
Revenue	$ 7,178	$ 38,970
Cost of sales	5,419	31,105
Gross margin	1,759	7,865
Operating expenses		
Advertising and marketing	2,224	197,138
Bank charges and interest	2,666	457
Computer and internet	7,775	2,763
Consulting fees	56,580	-
Office and miscellaneous	14,026	28,326
Professional fees	117,283	83,010
Rent	4,000	-
Shareholder communications	2,055	-
Transfer agent and filing fees	6,020	-
Travel and promotions	42,704	6,848
Wages and benefits (Note 8)	134,409	202,251
	389,742	520,793
Net loss for the period	(387,983)	(512,928)
Other comprehensive income (loss)		
Exchange difference on translating foreign operation	(21,947)	(74,319)
Comprehensive loss for the period	$ (409,930)	$ (587,247)
Loss per share – basic and diluted	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding – basic and diluted	40,857,890	16,419,694

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

HAPPY SUPPLEMENTS INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2021 and for the three months ended February 29, 2020
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

	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**	**$ 1,250,000**	**$ -**	**$ (4,008,643)**	**$ -**	**$ (2,758,643)**
Contributions	-	2,667,636	666,909	-	-	-	666,909
Net loss and comprehensive loss for the period	-	-	-	-	(708,908)	(95,860)	(804,768)
Balance, November 30, 2019	**-**	**15,667,636**	**1,916,909**	**-**	**(4,717,551)**	**(95,860)**	**(2,896,502)**
Contributions	-	1,800,980	450,245	-	-	-	450,245
Conversion of membership units to common shares	17,468,616	(17,468,616)	-	-	-	-	-
Net loss for the period	-	-	-	-	(512,928)	(74,319)	(587,247)
Balance, February 29, 2020 (Note 13)	**17,468,616**	**-**	**2,367,154**	**-**	**(5,230,479)**	**(170,179)**	**(3,033,504)**
Balance, December 31, 2020	**40,712,658**	**-**	**$ 7,265,559**	**$ 1,941,352**	**$ (8,950,604)**	**$ 65,226**	**$ 321,533**
Exercise of stock options	45,000	-	14,400	-	-	-	14,400
Exercise of share purchase warrants	480,000	-	192,000	-	-	-	192,000
Exercise of broker warrants	8,995	-	2,249	-	-	-	2,249
Transfer of fair value on stock options exercised	-	-	5,850	(5,850)	-	-	-
Transfer of fair value on broker warrants exercised	-	-	1,232	(1,232)	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	(387,981)	(21,947)	(409,928)
Balance, March 31, 2021	**41,246,653**	**-**	**$ 7,481,290**	**$ 1,934,270**	**$ (9,338,585)**	**$ 43,279**	**$ 120,254**

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

HAPPY SUPPLEMENTS, INC.
Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	For the three months ended	
	March 31, 2021	**February 29, 2020**
		(Note 13)
Operating activities		
Net loss	$ (387,981)	$ (512,928)
Items not involving cash:		
Accretion expense		
Foreign exchange	(7,869)	-
Changes in non-cash working capital balances:		
Receivables	6,418	-
Inventory	5,778	46,609
Prepaid expenses	2,712	(84,379)
Due from related party	(125,029)	(33,573)
Accounts payable and accrued liabilities	79,285	22,292
Cash used in operating activities	(426,686)	(561,979)
Financing activities		
Proceeds from issuance of shares, net of share issue costs	208,649	450,245
Repayment of due to related party	-	(2,388)
Proceeds from loan payable	710	-
Cash provided by financing activities	209,359	447,857
Change in cash	(217,328)	(114,122)
Effect of foreign exchange on cash	(14,078)	(39,103)
Cash, beginning	308,849	270,995
Cash, ending	$ 77,443	$ 117,770

Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period		
Interest	-	-
Income taxes	-	-

The accompanying notes are an integral part of these condensed interim 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. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 31, 2021.

(b) Basis of Measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3 of the condensed interim consolidated financial statements at March 31, 2021. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The condensed interim consolidated financial statements are presented in Canadian dollars, unless otherwise noted.

(c) Going Concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At March 31, 2021, the Company has not achieved profitable operations, has accumulated losses of $9,338,585 since inception and expects to incur further losses in the development of its business.

2. BASIS OF PREPARATION – (cont'd)

(c) Going Concern – (cont'd)

There was a global pandemic outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in Canada. The outbreak has caused companies and various governmental bodies to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally and the related financial impact cannot be reasonably estimated at this time. Similarly, the Company cannot estimate whether or to what extent this outbreak and the potential financial impact may extend. At this point, the extent to which COVID-19 will or may impact the Company is uncertain and these factors are beyond the Company's control; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

The above material uncertainties cast significant doubt about the Company's ability to continue as a going concern. The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at December 31, 2020.

4. CRITICAL 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS – (cont'd)

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. 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.

ii. 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.

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. Happy also changed its year end to December 31.

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:

(Expressed in Canadian Dollars)

5. REVERSE TAKEOVER – (cont'd)

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 payable transferred from Assignor		19,153
Total net assets		61,255
Listing expense	**$**	**976,346**

6. INVENTORY

Inventory is comprised of finished goods held on hand.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		March 31, 2021		December 31, 2020
Accounts payable	$	104,451	$	26,021
Accrued liabilities		95,578		88,672
Payroll tax payable		-		6,051
	$	200,029	$	120,744

(Expressed in Canadian Dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

Key management compensation

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

	For the three months ended	
	March 31, 2021	**February 29, 2020**
Officer compensation	$ 134,409	$ 42,838

Included in the accounts payable and accrued liabilities, $31,438 (December 31, 2020 - $31,830) is related to the above compensation incurred with the Company's Chief Executive Officer.

Due from related party

As at March 31, 2021, the Company has $183,573 (December 31, 2020 - $58,544) 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).

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 March 31, 2021 and December 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 $1,442 (December 31, 2020 - $2,320) is recorded in the statements of loss and comprehensive loss for the three months ended March 31, 2021.

(Expressed in Canadian Dollars)

9. LOAN PAYABLE – (cont'd)

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

	March 31, 2021	December 31, 2020
Within one year	$ 32,752	$ 32,752
One to two years	32,511	32,511
	65,263	65,263
Less: amount representing interest payments	(5,959)	(6,669)
Total loan payable	59,304	58,594
Less:		
Loan payable – current portion	43,878	43,168
Loan payable	$ 15,426	$ 15,426

10. SHARE CAPITAL

a) Share capital

Authorized

Unlimited number of common voting shares without par value

Issued and Outstanding

(i) Share issuances

During the three months ended March 31, 2021:

On March 3, 2021, pursuant to the exercise of stock options, the Company issued 45,000 common shares at $0.32 per share for total proceeds of $14,400. The Company transferred the fair value of $5,850 from reserve.

During the three months ended March 31, 2021, pursuant to the exercise of share purchase warrants, the Company issued an aggregate of 480,000 common shares at a price of $0.40 for total proceeds of $192,000.

On March 12, 2021, pursuant to the exercise of broker warrants, the Company issued 8,995 common shares at a price of $0.25 for total proceeds of $2,249. The Company transferred the fair value of $1,232 from reserve.

10. SHARE CAPITAL – (cont'd)

a) Share capital – (cont'd)

(i) Private placements – (cont'd)

During the four month period ended December 31, 2020:

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. The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its warrants granted using the following assumptions: Expected life – 1 year; Risk-free interest rate – 0.25%; Expected annualized volatility – 150%; Stock price at grant date - $0.25; Exercise price - $0.25; and Dividend yield – 0%. The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

(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 were 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)

10. SHARE CAPITAL – (cont'd)

b) Share Purchase Warrants

Share Purchase Warrant transactions and the number of warrants outstanding as at March 31, 2021 and for the four months ended December 31, 2020 are summarized as follows:

	March 31, 2021		**December 31, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	10,257,323	$ 0.09	9,000,000	$ 0.05
Assumed from Reverse Takeover	-		1,183,333	$ 0.40
Exercised	488,995	$0.40	-	-
Granted	-	-	73,990	$ 0.25
Outstanding, end of period	9,768,328	$ 0.08	10,257,323	$ 0.09

The following warrants were outstanding and exercisable as at March 31, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Warrants
July 6, 2021	0.51	$ 0.40	703,333
December 11, 2021	0.95	$ 0.25	64,995
March 2, 2022	1.17	$ 0.05	9,000,000
	1.09	$ 0.09	

The fair value of 1,183,333 share purchase warrants assumed from Reverse Takeover was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: Expected life – 0.57 year; Risk-free interest rate – 0.25%; Expected annualized volatility – 150%; Stock price at grant date - $0.25; Exercise price - $0.40; and Dividend yield – 0%. The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

Subsequent to March 31, 2021, 102,328 share purchase warrants were exercised for total proceeds of $40,931.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL – (cont'd)

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.

The stock options outstanding for the three months ended March 31, 2021 and for the four months ended December 31, 2020 are summarized as follows:

	March 31, 2021		**December 31, 2020**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	95,000	$ 0.32	-	-
Exercise	(45,000)	$ 0.32	-	-
Forfeited	(50,000)	$ 0.32		
Assumed from Reverse Takeover	-	-	95,000	$ 0.32
Outstanding, end of period	-	-	95,000	$ 0.32

The fair value of the 95,000 stock options assumed from the reverse takeover was calculated using the Black-Scholes option pricing model based on the following weighted average assumptions: Expected life – 2.47 year; Risk-free interest rate – 0.25%; Expected annualized volatility – 150%; Stock price at grant date - $0.25; Exercise price - $0.32; and Dividend yield – 0%. The Company has used a volatility of 150% with reference to the historical record of comparable public companies.

11. 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).

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, is classified as level 1 according to the fair value hierarchy.

<u>Management of capital</u>

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 March 31, 2021, 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.

<u>Financial Risk Management</u>

The Company's activities expose itself to different kinds of financial risks. Management monitors this risk exposures to ensure appropriate measures are implemented in a timely manner so as to mitigate or reduce such risks.

a. Credit risk

The company is exposed to credit which is the risk that a counterparty will be unable to pay amounts in full when due. The credit risk on liquid funds and time deposits is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. For banks and financial institutions, the Company from time-to-time evaluates the soundness of these institutions for possible exposure to loss. To mitigate the potential for loss, the Company's cash deposits are maintained in the United States with large, reputable financial institutions. The company does not provide any guarantees which would expose the company to credit risk.

b. Liquidity risk

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.

12. FINANCIAL INSTRUMENTS (Continued)

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 March 31, 2021, the Company is not exposed to significant interest rate risk.

13. COMPARATIVE FIGURES

As a result of the RTO transaction (Note 5) Happy changed its year end from August 31, 2020 to December 31, 2020, accordingly, the comparative figures for the statements of changes in shareholders' equity, statements of loss and comprehensive loss and statements of cash flows are for the three months ended February 29, 2020.