

BUSINESS ACQUISITION REPORT

(the “**Report**”)

Item 1 Identity of Company

1.1 Name and Address of Company

Core One Labs Inc. (the “**Company**”)
595 Burrard Street, Suite 3123
Vancouver, British Columbia, V7X 1J1

1.2 Executive Officer

Joel Shacker, Chief Executive Officer of the Company, is an executive officer of the Company who is knowledgeable about the significant acquisition and this Report, and can be contacted by telephone at 604-609-6142.

Item 2 Details of Acquisition

2.1 Nature of Business Acquired

Awakened Biosciences Inc. (“**Awakened**”) is a psychedelics research and technology company that has successfully developed novel technologies for the production of synthetic psilocybin, the synthetic production of psilocybin and psilocin analogues, and for the manufacturing of various no-psychoactive psilocybin-based prodrugs.

On February 9, 2022, the Company entered into a share purchase agreement (the “**Share Purchase Agreement**”) with Awakened and the shareholders of Awakened (collectively, the “**Vendors**”), pursuant to which, and subject to the terms and conditions of the Share Purchase Agreement, the Company agreed to acquire all of the issued and outstanding shares of Awakened (the “**Awakened Shares**”).

For the purposes of go-forward accounting treatment, Awakened is considered the acquired company.

2.2 Acquisition Date

The acquisition of Awakened (the “**Acquisition**”) was completed on February 10, 2022 (the “**Closing Date**”).

2.3 Consideration

On the Closing Date, the Company acquired 100% of the issued and outstanding Awakened Shares. As consideration for the Awakened Shares, the Company issued 7,030,000 common shares in the capital of the Company (the “**Common Shares**”) and 1,458,200 share purchase warrants (“**Warrants**”) to the Vendors. Each Warrant entitles the holder to acquire a common share of the Company as a price of \$1.15 per share until February 4, 2024.

2.4 Effect on Financial Position

Both the Company and Awakened are involved in the research and production of psychedelic compounds. Upon completion of the Acquisition, Awakened became a wholly-owned subsidiary of the Company. The business and operations of Awakened have been integrated with those of the Company.

2.5 Prior Valuations

To the knowledge of the Company, there has not been any valuation opinions obtained within the last 12 months by Awakened or the Company required by securities legislation or a Canadian exchange or market to support the consideration paid by the Company in connection with the Acquisition.

2.6 Parties to Transaction

The Acquisition was not with an “informed person” (as such term is defined in Section 1.1 of National Instrument 51-102 – *Continuous Disclosure Obligations*), associate or affiliate of the Company.

2.7 Date of Report

July 11, 2022

Item 3 Financial Statements and Other Information

The following is attached at Schedule “A” to this Report:

The audited financial statements of Awakened for the period from July 14, 2021 (the date of incorporation) to December 31, 2021, together with the auditor’s report thereon and notes thereto.

SCHEDULE "A"

Please see attached.

AWAKENED BIOSCIENCES INC.

FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Awakened Biosciences Inc.

Opinion

We have audited the financial statements of Awakened Biosciences Inc. (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the statements of loss and comprehensive loss, changes in shareholders' deficit, and cash flows for the period from July 14, 2021 (date of incorporation) to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the period from July 14, 2021 (date of incorporation) to December 31, 2021 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 1 in the financial statements, which indicates that the Company has no revenues, incurred a net loss of \$61,626, and has negative cash flow from operations during the period from July 14, 2021 (date of incorporation) to December 31, 2021 and, as at that date, the Company has a working capital deficit of \$61,526 and an accumulated deficit of \$61,626. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Prospectus.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of the auditor's report. If, based on the work we have performed on this information, 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.

The Prospectus is expected to be made available to us after the date of the auditor's report. If, based on the work we have performed on this information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

July 6, 2022

AWAKENED BIOSCIENCES INC.
STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	December 31, 2021 \$
ASSETS		
Non-current assets		
Intangible assets	6	1,523
Total assets		1,523
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts payable and accrued liabilities		46,866
Due to related party	7	14,660
Total liabilities		61,526
Shareholders' deficit		
Share capital	6	1,623
Deficit		(61,626)
Total shareholders' deficit		(60,003)
Total liabilities and shareholders' deficit		1,523

Nature of operations and continuance of business (Note 1)
Subsequent events (Note 11)

Approved and authorised for issuance on behalf of the Board on July 6, 2022:

"Joel Shacker"
Joel Shacker, Director

(The accompanying notes are an integral part of these financial statements)

AWAKENED BIOSCIENCES INC.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Period from incorporation (July 14, 2021) to December 31, 2021 \$
Expenses		
Consulting fees	7	26,433
Professional fees		5,042
Research and development	7	28,105
Travel	7	2,046
Total expenses		(61,626)
Net loss and comprehensive loss		(61,626)
Loss per share, basic and diluted		(0.13)
Weighted average number of shares outstanding		467,789

(The accompanying notes are an integral part of these financial statements)

AWAKENED BIOSCIENCES INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT

(Expressed in Canadian dollars)

	Share capital		Deficit \$	Total shareholders' deficit \$
	Number of shares	Amount \$		
Balance, July 14, 2021 (date of incorporation)	-	-	-	-
Issuance of founders' shares	465,116	100	-	100
Issuance of shares to acquire intangible assets	152,326	1,523	-	1,523
Net loss for the period	-	-	(61,626)	(61,626)
Balance, December 31, 2021	617,442	1,623	(61,626)	(60,003)

(The accompanying notes are an integral part of these financial statements)

AWAKENED BIOSCIENCES INC.

STATEMENT OF CASH FLOWS

(Expressed in Canadian dollars)

	Period from July 14, 2021 (date of incorporation) to December 31, 2021 \$
OPERATING ACTIVITIES	
Net loss for the period	(61,626)
Changes in non-cash working capital:	
Accounts payable and accrued liabilities	46,866
Due to related party	14,660
Net cash used in operating activities	(100)
FINANCING ACTIVITY	
Shares issued for cash	100
Net cash provided by financing activity	100
Change in cash	–
Cash, beginning of period	–
Cash, end of period	–
Non-cash investing and financing activity:	
Fair value of shares issued to acquire intangible assets	1,523

(The accompanying notes are an integral part of these financial statements)

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

Awakened Biosciences Inc. (“Awakened” or the “Company”) was incorporated on July 14, 2021 in the province of British Columbia. The Company’s head office is located at 800 – 1199 West Hastings Street, Vancouver, BC, V6E 3T5. The Company’s registered and records office address is 200 – 931 Fort Street, Victoria, British Columbia, V8V 3K3.

Awakened is a psychedelics research and technology company that is developing novel technologies for the production of synthetic psilocybin, the synthetic production of psilocybin and psilocin analogues, and for the manufacturing of various no-psychoactive psilocybin-based prodrugs. All of Awakened’s production methods have the potential to produce resultant compounds at scale, and at significantly reduced costs when compared to other production methods of the same name.

These 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 its assets and discharge its liabilities in the ordinary course of operations. The Company’s ability to meet its obligations and maintain its current operations through the ensuing twelve-month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon generating profitable operations.

During the period ended December 31, 2021, the Company had no revenues, incurred a net and comprehensive loss of \$61,626, and had negative cash flows from operations of \$100. As at December 31, 2021, the Company had a working capital deficit of \$61,526 and an accumulated deficit of \$61,626. The Company’s future capital requirements will depend on many factors, including operating costs, the current capital market environment, and global market conditions. The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and generate profitable operations in the future.

The Company has no assurance that it will be successful in its efforts. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company’s ability to continue as a going concern and the impact of these adjustments could be material. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations.

The COVID-19 pandemic has caused significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. Consequently, the Company has limited access to capital and financing which is the primary source of cash for the Company. While the extent of the effects of the COVID-19 pandemic on the Company’s operations has not been significant, the Company continues to monitor and assess the impact of the COVID-19 will have on its future business activities and the future impact could have a material effect on the Company’s planned business and operations.

2. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financing Reporting Interpretations Committee (“IFRIC”).

The financial statements were approved for issue by the Board of Directors on July 6, 2022.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value, as explained in the significant accounting policies outlined in Note 3. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

b) Impairment of non-financial assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at every reporting period. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable and at least annually. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is charged to the statement of loss, except to the extent they reverse gains previously recognized in accumulated other comprehensive income/loss.

c) Financial instruments

All financial assets not classified at amortized cost or fair value through other comprehensive income ("FVOCI") are measured at fair value through profit or loss ("FVTPL"). On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Financial instruments (continued)

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and financial liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, and subsequently carried at amortized cost less any impairment using the effective interest method. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in net income (loss) for the period and transaction costs are expensed in the statement of loss and comprehensive loss. The Company's financial instruments is comprised of accounts payable and accrued liabilities which is classified as amortized cost.

d) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

e) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options, and share purchase warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Valuation of equity units issued in private placements

The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to warrants reserve. Consideration received for the exercise of warrants is recorded in share capital and the related residual value in contributed surplus is transferred to share capital. For those warrants that expired, the recorded value is transferred to deficit.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Earnings (loss) per share

The Company presents basic earnings (loss) per share data for its common shares, calculated by dividing the income (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

g) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as either an expense or as mineral property interests with a corresponding increase in share-based payments reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in share-based payments reserve is transferred to share capital.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss over the remaining vesting period.

Where a grant of options is cancelled and settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest, except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. The amounts recorded in reserves for unexercised share options are transferred from share-based payments reserve to deficit upon their expiry or cancellation.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Intangible assets

Separately acquired intangible assets are recognized initially at cost. Following initial recognition, intangible assets with finite useful lives are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of loss.

i) Research and development

Expenditures on research activities, undertaken with the prospect of gaining new or technical knowledge and understanding, are recognized in the statement of loss as incurred and recognized as product development costs.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized include the costs of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and borrowing costs on qualifying assets. Other development expenditures are recognized in the statement of loss as incurred.

j) New accounting pronouncements

Certain new standards, interpretations, and amendments to existing standards have been issued by the IASB or IFRC that are mandatory for accounting years beginning after January 1, 2021, or later years. New accounting pronouncements that are not applicable or are not consequential to the Company have been excluded in the preparation of these financial statements.

A number of new standards, and amendments to standards and interpretations, are not effective for the period ended December 31, 2021, and have not been early adopted in preparing these financial statements. These new and amended standards are not expected to have a material impact on the Company's financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant areas requiring the use of estimates include impairment of carrying value of intangible assets, fair value of share-based compensation, and recoverability of unrecognized deferred income tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 1.

5. PROPOSED TRANSACTION

On February 1, 2022, the Company signed a share purchase agreement ("SPA") with 1175589 B.C. Ltd. ("117") to sell 100% of the issued and outstanding shares of the Company to shareholders of 117 in exchange for 650,000 common shares of 117. The closing of the transaction is subject to the Company completing a transaction involving the transfer of all of the outstanding share capital to the Vendors.

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued

- (i) On December 28, 2021, the Company acquired patent applications from three individuals, in a Section 85 rollover, for the acquisition of patents related to the production of synthetic psilocybin, psilocybin analogues, and the manufacturing of various no-psychoactive psilocybin-based prodrugs. In accordance with the transaction, the Company issued 152,326 common shares with a fair value of \$1,523.
- (ii) On July 14, 2021, the Company issued 465,116 common shares to founders of the Company for proceeds of \$100.

7. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of directors (executive and non-executive) and officers of the Company.

As at December 31, 2021, the Company owes \$14,660 to a significant shareholder of the Company of \$14,660 for payments made on behalf of the Company. The amounts owing are unsecured, non-interest bearing, and is due on demand.

During the period ended December 31, 2021, the Company incurred \$22,600 of consulting fees, \$10,014 of research and development expenses, and \$2,046 of travel expenses to significant shareholders of the Company.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

8. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its mineral properties; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash. The Company is not subject to any externally imposed capital requirements.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) 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.

Level 3: Inputs for assets or liabilities that are not based on observable market data.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

The fair values of financial instruments, which include accounts payable and accrued liabilities, and amount due to related party approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

The Company is exposed to credit concentration risk through its cash holdings. The risk is minimized by holding cash with a high-credit quality Canadian financial institution. The carrying amount of financial assets represents the maximum credit exposure.

Foreign exchange and interest rate risk

The Company is not exposed to any significant foreign rate or interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at December 31, 2021, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As of December 31, 2021, the Company had no cash and a working capital deficiency of \$61,526. The Company has outstanding accounts payable and accrued liabilities of \$46,866 which fall due for payment within twelve months of the statement of financial position date. There is no assurance that financing will be available or, if available, that such financing will be on terms acceptable to the Company. The Company monitors its risk of shortage of funds by monitoring the maturity dates of its existing liabilities.

AWAKENED BIOSCIENCES INC.

NOTES TO THE FINANCIAL STATEMENTS

For the period from July 14, 2021 (date of incorporation) to December 31, 2021
(Expressed in Canadian dollars)

10. DEFERRED INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2021
	\$
Net loss before income taxes	(61,626)
Statutory income tax rate	11%
Income tax recovery	(6,779)
Unrecognized benefit of deferred income tax assets	6,779
Income tax provision	-

The significant components of deferred income tax assets and liabilities as at December 31, 2021 is as follows:

	2021
	\$
Deferred income tax assets	
Non-capital losses carried forward	6,779
Unrecognized deferred income tax assets	(6,779)
Net deferred income tax asset	-

The Company has non-capital losses of \$61,626 available for carry-forward to reduce future years' income for income tax purposes. If not utilized, the non-capital loss carry-forward will expire in 2041.

11. SUBSEQUENT EVENTS

- (a) On January 12, 2022, the Company completed a share consolidation of its issued and outstanding common shares on a basis of 1 new common share for every 21.5 old common share. The share consolidation has been applied on a retroactive basis from the Company's date of incorporation and all common share transactions are reflected on a post-consolidated basis.
- (b) On January 14, 2022, the Company issued 32,558 common shares at a price of \$0.01 per share for proceeds of \$326.