

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)

Amended Condensed Interim Financial Statements

For the three months ended July 31, 2020

(Unaudited – Expressed in Canadian Dollars)

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Amended Condensed Interim Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

As at	Notes	July 31, 2020	April 30, 2020 (Audited)
ASSETS			
Current Assets			
Cash		\$ 2,862,917	\$ 1,616,985
Amounts receivable		45,138	-
Prepaid expenses		768,718	75,000
Promissory note receivable	6	350,548	250,548
		4,027,321	1,942,533
Non-current Asset			
Deposits on acquisition	10	342,357	-
TOTAL ASSETS		4,369,678	1,942,533
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7	304,173	41,109
SHAREHOLDERS' EQUITY			
Share capital	5	4,102,743	1,922,000
Contributed surplus	5	820,623	-
Subscriptions received	5	-	20,000
Deficit		(857,861)	(40,576)
Total equity		4,065,505	1,901,424
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,369,678	\$ 1,942,533

Nature of operations – Note 1
Subsequent events – Notes 5 and 10

Approved on behalf of the Board of Directors:

“Barinder Rasode”, Director

“Rick Brar”, Director

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Amended Condensed Interim Statement of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	Notes	For the three months ended July 31, 2020
EXPENSES		
Advertising and marketing		\$ 63,400
Bank charges and interest		524
Consulting fees		62,734
Management and directors fees	7	128,000
Office		18,000
Professional fees		198,309
Share-based payments	5, 7	341,823
Transfer agent and filing fees		11,153
TOTAL OPERATING EXPENSES		(823,943)
OTHER ITEM		
Foreign exchange gain		6,658
		6,658
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (817,285)
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Loss per share, basic and diluted		\$ (0.05)
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Weighted average number of common shares outstanding – basic and diluted		16,583,718

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Amended Condensed Interim Statements of Changes in Shareholders' Equity
For the three months ended July 31, 2020
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Contributed surplus			Subscriptions Received	Deficit	Total Equity
	Number	Amount	Options and RSRs	Special warrants	Finders' warrants			
		\$	\$	\$	\$	\$	\$	\$
Incorporation, April 8, 2020								
Incorporation share issued	1	1	-	-	-	-	-	1
Incorporation share repurchased by the Company	(1)	(1)	-	-	-	-	-	(1)
Shares issued pursuant to private placements	16,474,000	1,922,000	-	-	-	-	-	1,922,000
Subscription receipts	-	-	-	-	-	20,000	-	20,000
Net loss for the period	-	-	-	-	-	-	(40,576)	(40,576)
April 30, 2020	16,474,000	1,922,000	-	-	-	20,000	(40,576)	1,901,424
Share issuance converted to 9,550,000 special warrants	(9,550,000)	(191,000)	-	191,000	-	-	-	-
<i>Special warrants</i>								
Issuance of 12,249,000 special warrants for cash	-	-	-	264,900	-	-	-	264,900
Issuance of 12,356,667 special warrants for consulting services rendered	-	-	-	247,133	-	-	-	247,133
Shares issued pursuant to private placement	9,550,000	2,387,500	-	-	-	(20,000)	-	2,367,500
Finders' units	908,000	227,000	-	-	-	-	-	227,000
<i>Share issuance costs</i>								
Cash	-	(192,357)	-	-	-	-	-	(192,357)
110,000 Finders' units	-	(27,500)	-	-	-	-	-	(27,500)
198,000 Finders' warrants	-	(22,900)	-	-	22,900	-	-	-
Fair value of options granted	-	-	84,702	-	-	-	-	84,702
Fair value of RSRs expected to vest	-	-	9,988	-	-	-	-	9,988
Net loss for the period	-	-	-	-	-	-	(817,285)	(817,285)
July 31, 2020	17,382,000	4,102,743	94,690	703,033	22,900	-	(857,861)	4,065,505

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. LTD.)
Amended Condensed Interim Statement of Cash Flows
For the three months ended July 31, 2020
(Unaudited - Expressed in Canadian dollars)

	For the three months ended July 31, 2020
Cash (used in) provided by:	
OPERATING ACTIVITIES	
Net loss for the period	\$ (817,285)
Item not involving cash:	
Share-based payments	341,823
Net changes in non-cash working capital items:	
Amounts receivable	(45,138)
Prepaid expenses	(693,718)
Accounts payable and accrued liabilities	263,064
Net cash used in operating activities	(951,254)
INVESTING ACTIVITIES:	
Promissory note receivable	(100,000)
Deposits on acquisition	(142,857)
Cash used in investing activity	(242,857)
FINANCING ACTIVITIES:	
Proceeds from the issuance of common shares	2,367,500
Proceeds from special warrants	264,900
Share issuance costs	(192,357)
Cash provided by financing activities	2,440,043
Net increase in cash	1,245,932
Cash, beginning of period	1,616,985
Cash, end of period	\$ 2,862,917

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Notes to the Amended Condensed Interim Financial Statements
For the three months ended July 31, 2020
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

HAVN Life Sciences Inc. (formerly 1246780 B.C. LTD.) (“the Company”) was incorporated under the laws of British Columbia on April 8, 2020 and as such, there are no comparative periods for presentation in the statement of loss and comprehensive loss and statement of cash flows. The Company’s registered office is 2200-885 West Georgia Street, Vancouver, British Columbia V6C 3E8. On September 8, 2020, the Company’s shares began trading on the CSE under the symbol HAVN.

The Company has been active in establishing strategic relationships towards executing the goal of acquiring assets and businesses in the psychopharmacological industry, through an acquisition transaction. On June 3, 2020, the Company entered into a share purchase agreement (the “SPA”) with HAVN Research Inc. (“HAVN”), a privately owned research and development biotechnology company. On September 4, 2020, the Company acquired all of the issued and outstanding securities of HAVN in exchange for the issuance of 15,233,333 common shares to the HAVN shareholders on a pro rata basis (the “Acquisition”). Consequently, the Acquisition constitutes control of HAVN by the Company, with HAVN representing a wholly owned subsidiary of the Company for accounting and reporting purposes and will be presented on a consolidation basis from the date of acquisition onwards.

In connection with completion of the Acquisition and acceptance of its Prospectus, the Company successfully began trading its shares on the CSE. The Company will focus its business on pursuing opportunities in the biotechnology healthcare industry.

These amended condensed interim financial statements of the Company for the three months ended July 31, 2020, were approved by the Board of Directors on December 18, 2020.

2. AMENDMENT

The amended condensed interim financial statements for the three months ended July 31, 2020 have been amended as a result of HAVN Research not meeting the definition of a business in accordance with IFRS 3 *Business Combinations*. As such, the transaction has been accounted for as an asset acquisition and accounted for in accordance with IFRS 2 *Share-Based Payments*. As a result, acquisition costs previously expensed have been capitalized as deposits on acquisition. The impact of the change in accounting for the transaction on the amended condensed interim consolidated statement of loss and comprehensive loss for the three months ended July 31, 2020 is set out below:

	Loss and comprehensive loss
As previously reported	\$ 1,159,642
Reclassification of finders’ fee expense to deposits on acquisition	(342,357)
Amended loss and comprehensive loss for the three months ended July 31, 2020	\$ 817,285

HAVN Life Sciences Inc.
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For the three months ended July 31, 2020
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2. AMENDMENT (CONTINUED)

The impact on the amended condensed interim consolidated statement of financial position as at July 31, 2020 is set out below:

	Deposit on acquisition	Deficit
As previously reported	\$ -	\$ (1,200,218)
Reclassification of finders' fee expense to deposits on acquisition	342,357	342,357
Amended balances as at July 31, 2020	\$ 342,357	\$ (857,861)

3. BASIS OF PRESENTATION

3.1. Statement of compliance

These amended condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34"), using accounting policies which are consistent with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

3.2. Basis of presentation

These amended condensed interim financial statements have been prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value. In addition, these amended condensed interim financial statements have been prepared using accrual basis of accounting except for cash flow information. All monetary references expressed in these notes are references to Canadian dollar amounts. These amended condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

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3. BASIS OF PRESENTATION (CONTINUED)

3.3. Significant judgments, estimates and assumptions

The preparation of the Company's amended condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and revenues and expenses. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical Accounting Judgments

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Financial Instruments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgements or assessments made by management.

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3. BASIS OF PRESENTATION (CONTINUED)

3.3. Significant judgments, estimates and assumptions (continued)

Critical Accounting Estimates

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

3.4. Foreign Currency Translation

Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

The functional currency of the Company was determined to be the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the date of the transaction. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting principles utilized herein are consistent with those applicable to the annual audited financial statements; however, they lack certain disclosures that are ordinarily only reported in those annual statements. Accordingly, these amended condensed interim financial statements should be read in conjunction with the Company’s last annual financial statements as at and for the period ended April 30, 2020 and filed on SEDAR.com.

Accounting standard anticipated to be effective

There are no new standards issued, but not yet effective, that are anticipated to have a material impact on the Company’s financial statements.

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Notes to the Amended Condensed Interim Financial Statements
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5. EQUITY

5.1 Authorized Share Capital

Unlimited number of common shares without par value.

5.2 Shares Issued

There are 17,382,000 common shares issued and outstanding as at July 31, 2020.

During the three months ended July 31, 2020, the Company:

- i. During May 2020, all of the subscribers of the \$0.02 private placement entered into special warrant subscription agreements at a price of \$0.02 per special warrant. The replacement special warrant subscription agreements resulted in the termination of the previous \$0.02 subscription agreements, and the cancellation of the underlying common shares. In total, the Company cancelled all 9,550,000 common shares on May 28, 2020.
- ii. On May 28, 2020, the Company completed a private placement of 21,550,000 special warrants at a price of \$0.02 per special warrant for total net proceeds of \$431,000 (of which \$191,000 was previously received). Each special warrant automatically converts into a common share of the Company at the earlier of (a) the date that is four months and a day following the closing date and (b) the day on which a receipt for the final prospectus of the Company qualifying the distribution of its common shares underlining the special warrant is received.
- iii. During May and June 2020, the Company completed the following private placements:
 - a) Issued 249,000 special warrants at a price of \$0.10 per special warrant for total net proceeds of \$24,900. Each special warrant automatically converts into a common share of the Company at the earlier of (a) the date that is four months and a day following the closing date and (b) the day on which a receipt for the final prospectus of the Company qualifying the distribution of its common shares underlining the special warrant is received; and
 - b) Issued 9,550,000 units at a price of \$0.25 per unit for total net proceeds of \$2,387,500. Each unit consists of one common share and one warrant, with each warrant being exercisable at \$0.50 per common share for a period of two years, provided that in the event that the common shares trade on the CSE, or other recognized stock exchange or market, as applicable, at a price of \$0.75 or more for a period of at least ten (10) consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the warrants. (see Note 10 iv)

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5. EQUITY (CONTINUED)

5.2 Shares Issued (Continued)

In connection with completing the aforementioned private placements, the Company paid cash of \$192,357 to finders, issued 110,000 finder's units and 198,000 finder's warrants. Each finder's unit consists of one common share and one warrant, with each warrant being exercisable at \$0.50 per common share for a period of two years, provided that in the event that the common shares trade on the CSE, or other recognized stock exchange or market, as applicable, at a price of \$0.75 or more for a period of at least ten (10) consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the warrants (see Note 10 iv). The finder's units were measured at a fair value of \$0.25 per finders' unit for a total of \$27,500. The finder's warrants have the same terms as those included in the units and were measured at a fair value of \$22,900.

- iv. On June 3, 2020, the Company entered into an Acquisition with HAVN Research. Under the terms of the Agreement, the Company is to acquire 100% of the outstanding shares of HAVN Research for an aggregate of 15,233,333 common shares of the Company (completed September 4, 2020, (Note 10). In connection with completing the Acquisition, the Company paid cash of \$142,857 and issued 798,000 units, measured at a value of \$199,500, pursuant to finders' fees. Each unit consists of one common share and one warrant at an exercise price of \$0.50 per warrant for a period of two years, provided that in the event that the common shares trade on the CSE, or other recognized stock exchange or market, as applicable, at a price of \$0.75 or more for a period of at least ten (10) consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the warrants. (see Note 10 iv)
- v. During June 2020, the Company issued 12,356,667 special warrants in consideration for consulting fees totalling \$247,133. Each special warrant automatically converts into a common share of the Company at the earlier of (a) the date that is four months and a day following the closing date and (b) the day on which a receipt for the final prospectus of the Company qualifying the distribution of its common shares underlining the special warrant is received.

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5. EQUITY (CONTINUED)

5.3 Warrants

At July 31, 2020, the following warrants were outstanding:

	Warrants		Exercise Price
April 30, 2020	6,924,000	\$	0.50
Issued in May and June	9,550,000		0.50
July 31, 2020	16,474,000	\$	0.50

Expiry date	Warrants		Exercise Price
Warrants			
April 20, 2022	4,000,000	\$	0.50
April 29, 2022	2,924,000		0.50
May 27, 2022	3,340,000		0.50
June 5, 2022	6,210,000		0.50
Balance, July 31, 2020	16,474,000	\$	0.50

On October 5, 2020, the acceleration clause was activated, thereby accelerating the expiry date on the warrants to November 24, 2020.

At July 31, 2020, the following finders' warrants were outstanding:

	Finders' warrants		Exercise Price
April 30, 2020	-	\$	-
Issued	1,106,000		0.50
July 31, 2020	1,106,000	\$	0.50

Expiry date	Finders' Warrants		Exercise Price
Warrants			
May 29, 2022	798,000		0.50
June 4, 2022	308,000		0.50
Balance, July 31, 2020	1,106,000	\$	0.50

On October 5, 2020, the acceleration clause was activated, thereby accelerating the expiry date on the finders' warrants to November 24, 2020.

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5. EQUITY (CONTINUED)

5.3 Warrants (continued)

On November 24, 2020, the Company initially received total proceeds of \$5,463,928 pursuant to the exercise of 10,927,856 warrants. Subsequently, the Company cancelled 600,000 of warrant exercises and returned exercise proceeds totalling \$300,000. The Company notes that certain of the warrants were sold by their original holders to third party buyers prior to being exercised. The Company paid a finder's fee totalling \$80,000 pursuant to certain warrant exercises. The remaining 7,252,144 of unexercised warrants and finders' warrants expired unexercised.

The fair value of finders' warrants was determined on the date of issuance using the following Black-Sholes Option Pricing Model assumptions:

	July 31, 2020
Share price	\$ 0.25
Exercise price	\$ 0.50
Expected life	2
Volatility	120%
Risk-free interest rate	0.32%

At July 31, 2020, the Company had 34,155,667 special warrants issued and outstanding. Each special warrant automatically converts into a common share of the Company at the earlier of (a) the date that is four months and a day following the closing date and (b) the day on which a receipt for the final prospectus of the Company qualifying the distribution of its common shares underlining the special warrant is received. Subsequent to period end, the Company received a receipt for its final prospectus and all special warrants were converted into shares of the Company.

On June 4, 2020, the Corporation issued an aggregate of 9,000,000 performance warrants to certain persons as consideration for the performance of ongoing consulting services. Each of the 9,000,000 performance warrant is exercisable to acquire one common share of the Company at a price of \$0.05 for a period of three years from the date of issuance, and will vest and become exercisable when the Company completes an acquisition of an accretive business or asset having a value of \$5,000,000 or greater either in a single or in a series of separate transactions in respect of which the vending party is identified and introduced to the Company by the holder of such performance warrants. As no acquisitions under these contracts have taken place the current estimate that these performance warrants will vest is 0% and as such, no expense has been recognized to date.

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5. EQUITY (CONTINUED)

5.3 Warrants (continued)

At July 31, 2020, the following performance warrants were outstanding:

	Performance warrants	Exercise Price
April 30, 2020	-	\$ -
Granted, June 4, 2020	9,000,000	0.05
July 31, 2020	9,000,000	\$ 0.05

At July 31, 2020, the weighted-average remaining life of the outstanding performance warrants was 2.85 years.

5.4 Options

On June 4, 2020, the Company granted 750,000 options at an exercise price of \$0.25 to a director and officers of the Company. Of the total granted, 500,000 options vest quarterly over 12 months and 250,000 options vest on the date of grant.

At July 31, 2020, the following options were outstanding:

	Options	Exercise Price
April 30, 2020	-	\$ -
Granted	750,000	0.25
Balance, July 31, 2020	750,000	\$ 0.25
Vested	250,000	0.25
Exercisable	250,000	0.25

Expiry date	Options Outstanding	Options Vested	Exercise Price
Options			
June 4, 2025	750,000	250,000	0.25
Balance, July 31, 2020	750,000	250,000	\$ 0.25

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5. EQUITY (CONTINUED)

5.4 Options (continued)

The fair value of options was determined on the date of issuance using the following Black-Sholes Option Pricing Model assumptions:

	July 31, 2020
Share price	\$ 0.25
Exercise price	\$ 0.25
Expected life	5
Volatility	120%
Risk-free interest rate	0.46%

During the three months ended July 31, 2020, the Company recognized \$84,702 in share-based payment expense pursuant to the grant and vesting of options.

5.5 Restricted Share Rewards

On June 4, 2020, the Company granted an aggregate total of 650,000 restricted share rewards (“RSRs”) subject to certain vesting conditions. The grant date fair value of the awards was measured at \$0.25 per RSR. During the three months ended July 31, 2020, the Company recognized a total of \$9,988 in share-based payments expense for RSRs expected to vest.

5.6 Equity Incentive Plan

On June 4, 2020, the Company established its equity incentive plan. The equity incentive plan provides for the grant to eligible directors and employees (including officers) of stock options and restricted share rights. The equity incentive plan also provides for the grant to eligible directors of deferred share units which the directors are entitled to redeem for 90 days following retirement or termination from the Board. The aggregate number of common shares that may be subject to issuance under the equity incentive plan, together with any other securities-based compensation arrangements of the Corporation, shall not exceed 20% of the Corporation’s issued and outstanding share capital from time to time.

6. PROMISSORY NOTE RECEIVABLE

On April 20, 2020 the Company entered into a promissory note agreement (the “Note”) with HAVN to advance \$250,000 for the purpose of pursuing a transaction whereby the Company and HAVN would enter into the Acquisition (Note 10) with the effect that HAVN would become a wholly-owned subsidiary of the Company, and the Company would subsequently pursue a going-public transaction in respect of HAVN. The Note will accrue interest at 8% per annum, payable monthly in arrears and on the date of any prepayment or repayment. During the period, an additional \$100,000 was advanced to HAVN with no fixed terms of interest. Pursuant to the completion of the acquisition transaction on September 4, 2020, this note and accrued interest of \$548 were included in the cost of acquisition.

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7. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the directors and officers of the Company. Management compensation transactions for the months ended July 31, 2020 is summarized as follows:

	July 31, 2020	
Management fees	\$	128,000
Share-based payments (fair value)		94,690

As at July 31, 2020, \$40,000 (April 30, 2020 - \$nil) is owed to the CFO of the Company for unpaid fees.

During the three months ended July 31, 2020, the Company recorded:

- a) \$38,000 included in management fees to the Co-CEO of the Company pursuant to CEO services provided. \$33,305 included in share-based payments representing the fair value of vested amounts for 500,000 stock options granted to the Co-CEO. The Co-CEO was also granted 500,000 restricted share rights vesting subject to certain performance conditions; and
- b) \$40,000 included in management fees to the CFO of the Company pursuant to CFO services and \$50,000 pursuant to Co-CEO, director and president services provided. \$61,385 included in share-based payments representing the fair value of vested amounts for 150,000 restricted share rewards and 250,000 stock options granted pursuant to officer services provided.

8. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

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9. RISK MANAGEMENT

9.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

b. Credit Risk

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. The Company is not exposed to any credit risk at this time.

c. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at July 31, 2020, the Company's working capital is \$3,723,148 and it does not have any long-term liabilities. The Company may seek additional financing through equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2020, the Company had cash of \$2,862,917 and total liabilities of \$304,173.

d. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

9.2 Fair Values

The carrying values of cash, promissory note receivable and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

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9. RISK MANAGEMENT (CONTINUED)

9.2 Fair Values (continued)

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Cash is classified as level 1.

10. SUBSEQUENT EVENTS

- i. On September 4, 2020, the Company acquired the net assets of HAVN Research for an aggregate of 15,233,333 common shares of the Company (the “Purchaser Shares”). The Purchaser Shares issued to complete the share purchase agreement (“SPA”) are subject to escrow terms with 1/10th of the Purchaser Shares released on date of successful listing (September 2, 2020), and the remaining shares released every 6 months over a 36-month escrow period.

In connection with entering into the original SPA on May 29, 2020, the Company paid \$142,857 and issued 798,000 units pursuant to finder’s fees measured at a fair value of \$0.25 per unit for an aggregate total finders’ fee expense of \$342,357. Each unit consists of one common share and one warrant at an exercise price of \$0.50 per warrant for a period of two years, provided that in the event that the common shares trade on the CSE, or other recognized stock exchange or market, as applicable, at a price of \$0.75 or more for a period of at least ten (10) consecutive trading days, the Company shall be entitled to accelerate the exercise period to a period ending at least 30 days from the date that notice of such acceleration is provided to the holders of the warrants.

The transaction has been accounted for as an asset acquisition in accordance with IFRS 2 *Share-based payments* and accordingly has capitalized finders’ fees totalling \$342,357 within deposits on acquisition. In addition, the promissory note receivable at closing of \$375,548 (July 31, 2020 - \$350,548) was included in the cost of acquiring the asset.

- ii. Following receipt of the Company’s prospectus, on September 4, 2020, the Company issued 34,155,667 common shares pursuant to the conversion of all 34,155,667 special warrants.
- iii. On September 14, 2020, the Company issued 200,000 common shares in exchange of investor relations and marketing services rendered. These common shares were measured at a fair value of \$140,000.

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10. SUBSEQUENT EVENTS (CONTINUED)

- iv. Subsequent to period end, the common shares of the Company traded at a price of \$0.75 or more for a period of at least ten (10) consecutive trading days. As such, the Company accelerated the exercise period of their outstanding warrants and finder's warrants to a period ending 30 days from the date that notice of such acceleration was provided to the holders of the warrants.

On November 24, 2020, the Company received total proceeds of \$5,463,928 pursuant to the exercise of 10,927,856 warrants. The Company is in the process of cancelling 600,000 of warrant exercises and refunding exercise proceeds totalling \$300,000. The Company notes that certain of the warrants were sold by their original holders to third party buyers prior to being exercised. The Company paid a finder's fee totalling \$80,000 pursuant to certain warrant exercises. The remaining 7,252,144 of unexercised warrants and finders' warrants expired unexercised.

- v. On December 4, 2020, the Company issued 35,212 common shares in respect of marketing services measured at a fair value of \$0.82 per share.
- vi. On December 15, 2020, the Company entered into a bought deal financing, whereby Eight Capital agreed to purchase 9,346,000 units of the Company at an exercise price of \$1.07 (the "Issue Price") for gross proceeds of approximately \$10,000,220. Each unit will consist of one common share and one warrant at an exercise price of \$1.34 for a period of 36 months from the date of issuance. The Offering is subject to the Company receiving all necessary regulatory approvals.

The Company has agreed to grant Eight Capital an over-allotment option to purchase up to an additional 15% of the units at the Issue Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the offering. If this option is exercised in full, an additional approximately \$1,500,033 will be raised pursuant to the offering and the aggregate proceeds of the offering will be approximately \$11,500,253.

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10. SUBSEQUENT EVENTS (CONTINUED)

- vii. Subsequent to period end, the Company granted the following performance warrants, options and RSRs to directors, officers and employees:

	Option and warrant expiry dates / RSR vesting dates	Amount	Price
Performance Warrants	September 4, 2023	5,500,000	\$ 0.05
Options	September 4, 2022	1,400,000	\$ 0.25
Options	September 4, 2022	200,000	\$ 0.50
Options	September 10, 2025	2,135,000	\$ 0.65
Options	October 4, 2025	1,750,000	\$ 0.79
RSRs	Subject to certain milestones	100,000	n/a
RSRs	October 11, 2020	200,000	n/a
RSRs	January 4, 2021	1,000,000	n/a
RSRs	January 4, 2021	500,000	n/a
RSRs	January 4, 2021 – October 4, 2022	50,000	n/a
RSRs	January 4, 2021 – July 4, 2020	40,000	n/a
RSRs	January 11, 2021	500,000	n/a
RSRs	January 11, 2021 – October 11, 2022	50,000	n/a
RSRs	January 18, 2021 – October 18, 2020	39,130	n/a
RSRs	April 4, 2021	1,000,000	n/a
RSRs	April 4, 2021	500,000	n/a