

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

Condensed Interim Consolidated Financial Statements

For the nine months ended January 31, 2021

(Unaudited – Expressed in Canadian Dollars)

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

As at	Notes	January 31, 2021	April 30, 2020 (Audited)
ASSETS			
Current Assets			
Cash		\$ 13,341,645	\$ 1,616,985
Amounts receivable		162,664	-
Prepaid expenses and deposit		584,202	75,000
Promissory note receivable	6	-	250,548
Total Current Assets		14,088,511	1,942,533
Non-Current Assets			
Deposit		5,500	-
Intangible asset	4	2,670,681	-
Total Non-Current Assets		2,676,181	-
TOTAL ASSETS		16,764,692	1,942,533
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	7	1,012,257	41,109
SHAREHOLDERS' EQUITY			
Share capital	5	25,363,786	1,922,000
Contributed surplus	5	712,915	-
Subscriptions received	5	-	20,000
Share-based payment reserve	5	9,098,171	-
Deficit		(19,422,437)	(40,576)
Total equity		15,752,435	1,901,424
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 16,764,692	\$ 1,942,533

Nature of operations – Note 1

Subsequent events – Notes 5 and 10

Approved on behalf of the Board of Directors:

“Tim Moore”, Director

“Rick Brar”, Director

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

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

	Notes	For the three months ended January 31, 2021	For the nine months ended January 31, 2021
EXPENSES			
Advertising and promotion		\$ 41,514	\$ 211,413
Amortization	4	1,158,975	1,877,035
Consulting fees and employee payroll		398,444	641,196
Donations		20,000	40,000
Investor relations and marketing		2,015,082	3,145,656
Management and directors' fees	7	414,500	1,382,167
Office and miscellaneous		444,396	474,866
Professional fees		325,119	646,070
Rent		20,000	86,000
Research and development		216,542	230,744
Share-based payments	5, 7	2,593,857	5,064,144
Finders' performance warrants	5	5,476,618	5,476,618
Transfer agent and filing fees		25,704	84,847
Travel		6,002	19,615
TOTAL OPERATING EXPENSES		(13,156,753)	(19,380,371)
OTHER ITEM			
Foreign exchange loss		(3,508)	(1,490)
		(3,508)	(1,490)
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD		\$ (13,160,261)	\$ (19,381,861)
Weighted average number of common shares outstanding – basic and diluted			
		76,753,357	47,246,681
Loss per share, basic and diluted		\$ (0.17)	\$ (0.41)

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended January 31, 2021
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Warrants		Subscriptions Received	Share-Based Payment Reserve		Deficit	Total Equity
	Number	Amount	Special warrants	Finders' warrants		Options and RSRs			
		\$	\$	\$	\$	\$	\$	\$	\$
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

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HAVN Life Sciences Inc.
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Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended January 31, 2021
(Unaudited - Expressed in Canadian dollars)

	Share Capital		Contributed surplus			Subscriptions Received	Share-Based Payment Reserve Options, RSRs and Performance Warrants	Deficit	Total Equity
	Number	Amount	Special warrants	Finders' warrants / options					
		\$	\$	\$	\$	\$	\$	\$	
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 conversion of special warrants	34,155,667	703,033	(455,900)	-	-	(247,133)	-	-	
Shares issued pursuant to private placements	20,297,900	13,887,753	-	-	(20,000)	-	-	13,867,753	
Shares issued pursuant to warrant exercises	10,937,856	5,468,928	-	-	-	-	-	5,468,928	
Warrant exercises reserved for cancellation	(600,000)	(300,000)	-	-	-	-	-	(300,000)	
Finders' units	908,000	227,000	-	-	-	-	-	227,000	
Shares issued for services rendered	620,108	546,072	-	-	-	-	-	546,072	
Shares issued pursuant to acquisition of HAVN Research Inc.	15,233,333	3,808,333	-	-	-	-	-	3,808,333	
<i>Share issuance costs</i>									
Cash	-	(1,163,376)	-	-	-	-	-	(1,163,376)	
110,000 finders' units	-	(27,500)	-	-	-	-	-	(27,500)	
198,000 finders' warrants	-	(22,900)	-	22,900	-	-	-	-	
644,874 finders' options	-	(690,015)	-	690,015	-	-	-	-	
Fair value of cashless option exercises	19,747	16,242	-	-	-	(16,242)	-	-	
Fair value of RSRs exercised	1,439,130	1,179,216	-	-	-	(1,179,216)	-	-	
Fair value of options granted and expected to vest	-	-	-	-	-	2,075,502	-	2,075,502	
Fair value of RSRs granted and expected to vest	-	-	-	-	-	2,741,509	-	2,741,509	
Fair value of performance warrants granted and expected to vest	-	-	-	-	-	5,476,618	-	5,476,618	
Net loss for the period	-	-	-	-	-	-	(19,381,861)	(19,381,861)	
January 31, 2021	89,935,741	25,363,786	-	712,915	-	9,098,171	(19,422,437)	15,752,435	

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

HAVN Life Sciences Inc.
(Formerly 1246780 B.C. Ltd.)
Condensed Interim Consolidated Statement of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	For the nine months ended January 31, 2021
Cash (used in) provided by:	
OPERATING ACTIVITIES	
Loss for the period	\$ (19,381,861)
Items not involving cash:	
Amortization	1,877,035
Shares issued for services rendered	546,072
Share-based payments	5,064,144
Finders' performance warrants	5,476,618
Net changes in non-cash working capital items:	
Amounts receivable	(159,228)
Prepaid expenses and deposit	(506,052)
Accounts payable and accrued liabilities	939,913
Cash used in operating activities	(6,143,359)
INVESTING ACTIVITIES:	
Deposit	(5,500)
Net cash paid to acquire HAVN Research Inc.	(264,686)
Cash used in investing activities	(270,186)
FINANCING ACTIVITIES:	
Proceeds from the issuance of common shares	14,132,653
Proceeds from warrant exercises	5,168,928
Share issuance costs	(1,163,376)
Cash provided by financing activities	18,138,205
Net increase in cash	11,724,660
Cash, beginning of period	1,616,985
Cash, end of period	\$ 13,341,645

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HAVN Life Sciences Inc.
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Notes to the Condensed Interim Consolidated Financial Statements
For the nine months ended January 31, 2021
(Unaudited - Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

HAVN Life Sciences Inc. (formerly 1246780 B.C. Ltd.) (“the Company”) is a Canadian biotechnology company pursuing standardized, quality-controlled extraction of psychoactive compounds from plants and fungi and the development of natural health care products, and mental health treatments to support mental health.

The Company was incorporated under the laws of the Business Corporations Act (British Columbia) on April 8, 2020, and, as such, there are no comparative periods for presentation in the consolidated statements of loss and comprehensive loss and 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 Canadian Securities Exchange (“CSE”) under the symbol “HAVN”.

These condensed interim consolidated financial statements were approved by the Board of Directors on April 1, 2021.

2. BASIS OF PRESENTATION

2.1. Statement of compliance

These condensed interim consolidated 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”).

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements.

2.2. Basis of presentation

These condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company.

2.3. Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned Canadian subsidiary, HAVN Research Inc. (“HAVN Research”), whose functional currency is the Canadian dollar. The accounts of HAVN Research have been included from September 4, 2020 (the date of acquisition). Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

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2. BASIS OF PRESENTATION (CONTINUED)

2.4. Significant judgments, estimates and assumptions

The preparation of the Company's condensed consolidated 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.

Business combinations/Asset acquisitions

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination or an asset acquisition, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values.

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.

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.

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2. BASIS OF PRESENTATION (CONTINUED)

2.4. Significant judgments, estimates and assumptions (Continued)

Share-based payments

Where applicable, the fair value of certain equity instruments is subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Valuation of equity consideration granted

The valuation of share consideration granted involves management judgment in determining valuation of the share consideration granted. Judgment is exercised in the reliability of the fair value of consideration received.

Estimated useful lives, impairment considerations and amortization of tangible assets and intangible assets

Amortization of tangible and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Impairment of tangible and intangible assets with limited lives are affected by judgments about impairment indicators and estimates used to measure impairment losses where necessary.

The recoverable value of intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

Functional currency

Items included in the consolidated 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 consolidated statement of profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES

Aside from the policies adopted below, 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 consolidated 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.

3.1 Intangible assets

Intangible assets acquired individually or with a group of other assets from others (other than in a business combination) are recognized at cost, including transaction costs, and allocated to the individual assets acquired based on relative fair values and no goodwill is recognized. Cost is measured based on cash consideration paid. If consideration given is in the form of non-cash assets, liabilities incurred, or equity interests issued, measurement of cost is based on either the fair value of the consideration given or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and more reliably measurable. Costs of internally developing, maintaining or restoring intangible assets that are not specifically identifiable, have indeterminate lives or are inherent in a continuing business are expensed as incurred.

Intangibles with a finite useful life are amortized and those with an indefinite useful life are not amortized. The useful life is the best estimate of the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Company. The useful life is based on the duration of the expected use of the asset by the Company and the legal, regulatory or contractual provisions that constrain the useful life and future cash flows of the asset, including regulatory acceptance and approval, obsolescence, demand, competition and other economic factors. If an income approach is used to measure the fair value of an intangible asset, the Company considers the period of expected cash flows used to measure the fair value of the intangible asset, adjusted as appropriate for Company-specific factors discussed above, to determine the useful life for amortization purposes. If no regulatory, contractual, competitive, economic or other factors limit the useful life of the intangible to the Company, the useful life is considered indefinite.

Intangibles with a finite useful life are amortized on the straight-line method unless the pattern in which the economic benefits of the intangible asset are consumed or used up are reliably determinable. The Company evaluates the remaining useful life of intangible assets each reporting period to determine whether any revision to the remaining useful life is required. If the remaining useful life is changed, the remaining carrying amount of the intangible asset will be amortized prospectively over the revised remaining useful life. Licensed rights are amortized on a straight-line basis over the lease period of the leased premises to which the licensed rights are related.

Intangibles with an indefinite useful life are not amortized until its useful life is determined to be no longer indefinite. If the useful life is determined to be finite, the intangible is tested for impairment and the carrying amount is amortized over the remaining useful life in accordance with intangibles subject to amortization. Indefinite-lived intangibles are tested for impairment annually and more frequently if events or circumstances indicate that it is more-likely-than-not that the asset is impaired. The Company has not recognized any intangible assets with an indefinite useful life.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Impairment of tangible and intangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.3 Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, officers, employees and certain non-employees. For directors, officers and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in contributed surplus are transferred to share capital.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Share-based payments (Continued)

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in contributed surplus.

3.4 Research and development

Research costs are expensed as incurred. 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 or use or sell the asset. Other development expenditures are expensed as incurred.

3.5 Changes in Significant Accounting Policies

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 consolidated financial statements.

4. ACQUISITION AND INTANGIBLE ASSET

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. (see Note 5.3)

The condensed interim consolidated financial statements for the period ended January 31, 2021 reflect the assets, liabilities and results of operations of the Company and HAVN Research since September 4, 2020, being the date on which the Company formally became the sole shareholder of HAVN Research.

The transaction has been accounted for as an asset acquisition in accordance with IFRS 2 *Share-based payments*, with the excess purchase price having been accounted for as an intangible asset pursuant to the value of the Section 56 exemption rights ("Section 56 Exemption") granted by Health Canada to HAVN Research.

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4. ACQUISITION AND INTANGIBLE ASSET (CONTINUED)

The allocation of the purchase price to the estimated fair value of the assets and liabilities of HAVN Research is as follows:

Cost of acquisition	
15,233,333 common shares measured at a fair value of \$0.25 per share	\$ 3,808,333
798,000 finders' units measured at a fair value of \$0.25 per unit	199,500
Finder's fee, cash	142,857
Promissory note receivable at April 30, 2020	250,548
Cash advances	125,000
Total consideration	4,526,238
Fair value of net assets acquired	
Cash	3,171
Amounts receivable and deposit	6,586
Total assets	9,757
Accounts payable and accrued liabilities	31,235
Net liabilities acquired	21,478
Intangible assets – Section 56 Exemption	\$ 4,547,716

The intangible asset will be amortized over its useful life, that being one year.

The carrying value of the intangible asset at January 31, 2021 is as follows:

Cost	Section 56 Exemption
Balance, April 30, 2020	\$ -
Additions	4,547,716
Balance, January 31, 2021	\$ 4,547,716
Accumulated amortization	
Balance, April 30, 2020	\$ -
Additions	(1,877,035)
Balance, January 31, 2021	\$ (1,877,035)
Net, April 30, 2020	\$ -
Net, January 31, 2021	\$ 2,670,681

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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 89,935,741 common shares issued and outstanding as at January 31, 2021.

Shares issued during the nine months ended January 31, 2021 were as follows:

Description	Number of shares	Amount \$
Balance, April 30, 2020	16,474,000	1,922,000
May, 2020	(9,550,000)	(191,000)
May 27, 2020	Private placement 3,340,000	835,000
June 5, 2020	Private placement 6,210,000	1,552,500
June 5, 2020	Finders' units 908,000	227,000
September 4, 2020	Acquisition of HAVN Research 15,233,333	3,808,333
September 4, 2020	Conversion of special warrants 33,906,667	678,133
September 4, 2020	Conversion of special warrants 249,000	24,900
September 14, 2020	Investor relations and marketing services rendered 200,000	140,000
December 4, 2020	Research and development services rendered 35,212	28,874
December 4, 2020	Warrants exercised 10,937,856	5,468,928
December 4, 2020	Cancellation of warrants exercised (600,000)	(300,000)
January 7, 2021	Private placement 10,747,900	11,500,253
January 13, 2021	Cashless options exercised 19,747	16,242
January, 2021	RSRs exercised 1,439,130	1,179,216
January 22, 2021	Investor relations and marketing services rendered 298,896	292,918
January 22, 2021	Consulting services rendered 86,000	84,280
	Share issuance costs	(1,903,791)
Balance, January 31, 2021	89,935,741	25,363,786

During the nine months ended January 31, 2021, 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.

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5. EQUITY (CONTINUED)

5.2 Shares Issued (Continued)

- 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 5.3)

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 5.3). 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.

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5. EQUITY (CONTINUED)

5.2 Shares Issued (Continued)

- 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). 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 5.3)
- 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.
- vi. 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.
- vii. On September 4, 2020, the Company issued 15,233,333 common shares pursuant to the acquisition of HAVN Research measured at a fair value of \$3,808,333. (Note 4)
- viii. On September 14, 2020, the Company issued 200,000 common shares in exchange for investor relations and marketing services rendered. These common shares were measured at a fair value of \$140,000.
- ix. On December 4, 2020, the Company issued 35,212 common shares in exchange for a website which was included in research and development expense. These common shares were measured at a fair value of \$28,874.
- x. During the nine months ended January 31, 2021, the Company received total proceeds of \$5,468,928 pursuant to the exercise of 10,937,856 warrants. The Company is in the process of cancelling 600,000 of warrant exercises and has refunded 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 7,242,144 of unexercised warrants and finders' warrants expired unexercised.

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5. EQUITY (CONTINUED)

5.2 Shares Issued (Continued)

xi. On January 7, 2021, the Company completed a bought deal public financing with Eight Capital for 10,747,900 units at a price of \$1.07 per unit for total proceeds of \$11,500,253. Each unit consists of a common share a warrant exercisable into a common share at \$1.34 per warrant for three years.

In connection with completing the financing, the Company paid commissions, advisory and legal fees totalling \$891,020 and issued 644,874 finders' options, measured at a fair value of \$690,015. Each finders' option is exercisable into one unit for three years for no consideration. Each unit consists of one common share and one warrant at an exercise price of \$1.34 per warrant for a period of three years.

xii. On January 22, 2021, the Company issued 298,896 common shares pursuant to investor relations and marketing services rendered measured at a fair value of \$377,198. The Company also issued 86,000 common shares pursuant to consulting services rendered measured at a fair value of \$84,280.

During the nine months ended January 31, 2021, the Company issued common shares pursuant to options, RSRs and warrants exercised, as follows:

	Description	Number of shares issued	Options/ RSRs/ warrants exercised	Exercise price	Fair value reclassified to share capital	Proceeds
January 13, 2021	Cashless options exercised	19,747	25,000	\$ 0.25	\$ 16,242	\$ Nil
January, 2021	RSRs exercised	1,439,130	1,439,130	N/A	\$ 1,179,216	\$ Nil
December, 2020	Warrants exercised	10,337,856	10,337,856	\$ 0.50	\$ Nil	\$ 5,168,928

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5. EQUITY (CONTINUED)

5.3 Warrants

At January 31, 2021, 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
Exercised in November	(10,337,856)		0.50
Expired in November	(6,136,144)		0.50
Issued in January	10,747,900		1.34
January 31, 2021	10,747,900	\$	1.34
Expiry date	Warrants		Exercise Price
Warrants			
January 7, 2024	10,747,900	\$	1.34
Balance, January 31, 2021	10,747,900	\$	1.34

At January 31, 2021, the following finders' warrants were outstanding:

	Finders' warrants		Exercise Price
April 30, 2020	-	\$	-
Issued in May and June	1,106,000		0.50
Expired	(1,106,000)		0.50
January 31, 2021	-	\$	-

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

	January 31, 2021
Share price	\$ 0.25
Exercise price	\$ 0.50
Expected life	2
Volatility	120%
Risk-free interest rate	0.32%

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5. EQUITY (CONTINUED)

5.3 Warrants (Continued)

During the nine months ended January 31, 2021, the Company granted the following performance warrants (“PWs”):

- i. On June 4, 2020, the Company issued an aggregate of 9,000,000 performance warrants to certain consultants as consideration for the performance of ongoing consulting services. Each of the 9,000,000 performance warrant are 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;

On January 25, 2021, the Company entered into a share purchase agreement to acquire (the “Acquisition”) all of the outstanding share capital of GCO Packaging and Manufacturing Ltd. (“GCO”) in exchange for 6,000,000 common shares of the Company. Pursuant to the expectation of the Acquisition imminently closing, the Company has recognized \$5,476,618 in finders’ performance warrants expense on these 9,000,000 performance warrants expected to vest.

The fair value of performance warrants was determined using the following Black-Scholes Option Pricing Model assumptions:

	January 31, 2021	
Share price	\$	0.87
Exercise price	\$	0.05
Expected life		2.34 years
Volatility		120%
Risk-free interest rate		0.15%
Probability of meeting performance milestones		100%

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5. EQUITY (CONTINUED)

5.3 Warrants (Continued)

ii. On September 4, 2020, the Company issued an aggregate of 10,000,000 performance warrants to officers and director of the Company pursuant to the performance of services provided. Each 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 as follows:

- (a) 50% will be exercisable upon the Company's first production of psilocybin compounds in its laboratory facility; and
- (b) 50% will be exercisable upon the Corporation's first sale of a natural health product.

Pursuant to a settlement agreement with the President and Director of the Company, the Company modified the performance conditions such that 3,500,000 performance warrants vested on February 12, 2021, subject to escrow terms with 10% release upfront and the remainder in equal amounts every six months over thirty-six months.

At January 31, 2021, the following performance warrants were outstanding:

	Performance warrants	Exercise Price
April 30, 2020	-	\$ -
Granted in June and September	19,000,000	0.05
Outstanding, January 31, 2021	19,000,000	\$ 0.05
Vested	-	-
Exercisable, January 31, 2021	-	\$ -

Expiry date	Performance warrants outstanding	Performance warrants exercisable	Exercise Price
Performance Warrants			
June 4, 2023	9,000,000	-	\$ 0.05
September 4, 2023	10,000,000	-	0.05
Balance, January 31, 2021	19,000,000	-	\$ 0.05

At January 31, 2021, the weighted-average remaining life of the outstanding performance warrants was 2.47 years.

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5. EQUITY (CONTINUED)

5.4 Options

During the nine months ended January 31, 2021, the Company granted options subject to certain performance and time-based vesting conditions to directors, officers, employees and consultants as follows:

	Options	Weighted Average Exercise Price
April 30, 2020	-	\$ -
Granted in June, September, October and January	6,485,000	0.56
Exercised	(25,000)	0.25
Outstanding, January 31, 2021	6,460,000	\$ 0.56
Vested	2,985,000	0.59
Exercisable, January 31, 2021	2,985,000	\$ 0.59

The Company's options as at January 31, 2021 are as follows:

Expiry date	Options outstanding	Options exercisable	Exercise Price
Options			
June 4, 2025	750,000	500,000	0.25
September 4, 2022	1,375,000	50,000	0.25
September 4, 2022	200,000	50,000	0.50
September 10, 2025	2,135,000	2,135,000	0.65
October 4, 2025	1,750,000	-	0.79
January 15, 2026	250,000	250,000	0.85
Balance, January 31, 2021	6,460,000	2,985,000	\$ 0.56

At January 31, 2021, the weighted-average remaining life of the outstanding options was 3.87 years.

The fair value of options was determined using the following Black-Scholes Option Pricing Model assumptions:

	January 31, 2021
Share price	\$ 0.25 – 0.90
Exercise price	\$ 0.25 – 0.85
Expected life	2 – 5 years
Volatility	120%
Risk-free interest rate	0.24% – 0.46%

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5. EQUITY (CONTINUED)

5.4 Options (Continued)

During the nine months ended January 31, 2021, the Company recognized \$2,075,502 in share-based payment expense in connection with the options granted.

5.5 Restricted Share Rewards (“RSRs”)

During the nine months ended January 31, 2021, the Company granted the following RSRs subject to certain performance and time-based vesting conditions to directors, officers, employees, and consultants:

	RSRs
April 30, 2020	-
Granted June, September, October and January	4,679,130
Exercised	(1,439,130)
Outstanding, January 31, 2021	3,240,000
Vested	2,579,547
Exercised	(1,439,130)
Vested, January 31, 2021	1,140,417

During the nine months ended January 31, 2021, the Company recognized \$2,741,509 in share-based payment expense in connection with the RSRs granted.

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 rights 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 Research to advance \$250,000 for the purpose of pursuing a transaction whereby the Company and HAVN Research would enter into an acquisition with the effect that HAVN Research would become a wholly owned subsidiary of the Company, and the Company would subsequently pursue a going-public transaction in respect of HAVN Research. On September 4, 2020, the Company acquired HAVN Research (Note 4) and the promissory note receivable and accrued interest thereon have been included in the cost of acquisition.

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7. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel are the officers and directors of the Company. Management and directors' fees and share-based payments for the nine months ended January 31, 2021 is summarized as follows:

January 31, 2021	
Management and directors' fees	\$ 1,382,167
Share-based payments (fair value)	3,904,656
	\$ 5,286,823

As at January 31, 2021, \$82,708 (April 30, 2020 - \$nil) is owed to certain officers and directors of the Company.

During the nine months ended January 31, 2021, the Company recorded:

Equity incentives granted and fees paid to the following for services rendered:	Equity incentive	Equity incentive (amount)	Fair value	Fees paid
			\$	\$
The former President and Director (formerly Co-President) pursuant to officer services provided	RSRs	200,000	174,000	120,000
	Options	250,000	133,505	
	PWs	4,500,000	Nil	
The former Co-President and Director pursuant to president services rendered pursuant to officer services provided	Options	250,000	133,505	330,000
	PWs	4,500,000	Nil	
The CEO and Director pursuant to officer services provided	RSRs	500,000	36,783	114,000
	Options	750,000	229,361	
A company controlled by the CFO pursuant to CFO and former co-CEO, President and Director services provided	RSRs	150,000	37,500	162,500
	Options	250,000	51,397	
The former Co-CEO pursuant to officer services provided	RSRs	39,130	35,216	84,000
	PWs	1,000,000	Nil	
The Chief Psychedelics Officer pursuant to officer services provided	Options	1,000,000	Nil	45,500
The Chief Research Officer pursuant to officer services provided	Options	100,000	Nil	39,500
A company controlled by the Chief Science Officer pursuant to officer services provided	RSRs	100,000	Nil	30,000
	Options	200,000	63,212	
A company controlled by a Director of the Company pursuant to director services provided	RSRs	50,000	16,918	100,000
	Options	250,000	133,505	
A Director of the Company pursuant to director services provided	RSRs	50,000	2,459	40,000
	Options	250,000	163,971	
A Director and Vice Chair of the Company pursuant to director services provided	RSRs	1,040,000	666,080	112,500
	Options	1,000,000	321,083	
A Director and Chair of the Company pursuant to director services provided	RSRs	2,050,000	1,322,553	204,167
	Options	1,250,000	383,608	
			\$ 3,904,656	\$ 1,382,167

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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 exercises of equity instruments. 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.

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 January 31, 2021, the Company's working capital is \$13,076,254 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 January 31, 2021, the Company had cash of \$13,341,645 and total liabilities of \$1,012,257.

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9. RISK MANAGEMENT (CONTINUED)

9.1 Financial Risk Management (Continued)

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, amounts receivable, 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.

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 at level 1.

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10. SUBSEQUENT EVENTS

On January 25, 2021, the Company entered into a share purchase agreement to acquire all of the outstanding share capital of GCO in exchange for 6,000,000 common shares of the Company. GCO operates a manufacturing, packaging and distribution facility in British Columbia. As of April 1, 2021, this transaction has not closed.

Of the purchase price, 1,214,954 common shares will be subject to escrow with 50% released in four months after the closing date and 50% released 5 months after the closing date. The remaining 4,785,046 common shares will be released every 3 months after the closing date in 6 equal tranches.

Subsequent to January 31, 2021, the Company issued common shares, pursuant to options, RSRs and performance warrants exercised, as follows:

	Description	Number of shares issued	Options/ RSRs/ warrants exercised	Exercise price	Proceeds
February 19, 2021	Cashless options exercised	3,500	10,000	\$ 0.25	\$ Nil
February 17, 2021	RSRs exercised	100,000	100,000	N/A	\$ Nil
March, 2021	Performance warrants exercised	958,333	958,333	\$ 0.05	\$ 47,917