



## HAVN Life Sciences Inc.

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the three months ended July 31, 2022

This Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of HAVN Life Sciences Inc. (the "Company"), is for the three months ended July 31, 2022. It is supplemental to, and should be read in conjunction with, the Company's condensed interim consolidated financial statements and the accompanying notes for the three months ended July 31, 2022, as well as the audited financial statements and MD&A for the year ended April 30, 2022. Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") however the current quarter being reported is unique in that the financial statements have been prepared on a liquidation basis of accounting instead of on the basis of the Company being a going concern. This MD&A has been prepared with reference to the MD&A disclosure requirements established under National Instrument 51-102 - *Continuous Disclosure Obligations* ("NI 51-102") of the Canadian Securities Administrators.

In this MD&A, reference is made to adjusted EBITDA which does not have any standardized meaning under IFRS and is not a measure of financial performance under IFRS, and therefore, may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations. The Company calculates adjusted EBITDA as follows:

Net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, amortization expense, share-based payments, finders' performance warrants, impairment, one-time transaction costs and certain one-time non-operating expenses, as determined by management.

All dollar amounts in this MD&A are expressed in Canadian dollars unless otherwise indicated. This MD&A contains forward-looking information within the meaning of Canadian securities laws. Refer to "Cautionary Note Regarding Forward-Looking Statements" for cautionary statements regarding forward-looking statements.

### LIQUIDATION BASIS OF ACCOUNTING

Under International Accounting Standard 1 (IAS 1) Conceptual Framework, paragraph 4.1, financial statements are normally prepared assuming the entity is a going concern and will continue in operation for the foreseeable future.

IAS 1 requires management to assess an entity's ability to continue as a going concern. If management concludes that the entity is not a going concern, the financial statements should not be prepared on a going concern basis, in which case IAS 1.25 requires a series of disclosures around the basis used for accounting.

On September 20, 2022, the Company's Board of Directors announced it has determined that **the Company is no longer a going concern**. For the three months ended July 31, 2022, its condensed interim consolidated financial statements are accordingly presented on a liquidation basis.

For a reporting entity that has adopted the liquidation basis of accounting, the financial statements consist of a statement of net assets in liquidation and a statement of changes in net assets in liquidation.

### DATE

This MD&A is prepared as of September 28, 2022.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about the global economic environment, the market price and demand for products and our ability to manage our operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) the company is no longer a going concern making its future existence uncertain, (2) a downturn in general economic conditions, (3) the uncertainty of government regulation and politics (4) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, (5) other factors beyond our control, and (6) the risk factors set out in the Company's Annual Information Form ("AIF").

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below as well as in the Company's Annual Information Form.

## DESCRIPTION OF BUSINESS

HAVN Life Sciences Inc. is a biotechnology company engaged in the scientific research and development of psychopharmacological and natural health care products, including the formulation of standardized psychoactive compounds derived from fungi, which the Company intends to supply to third parties for use in clinical trials and for production of natural health products ("NHPs"). The Company intends for its compounds to be used to develop innovative therapies to improve mental health and human performance. The Company is also focused on developing methodologies for the standardized, quality-controlled extraction of psychoactive compounds from plants and fungi, including *Psilocybe* spp. mushrooms and the genera directive compounds, such as psilocybin, psilocin and baeocystin, and the development of natural health care products from non-regulated compounds.

The Company was incorporated under the laws of the Business Corporations Act (British Columbia) on April 8, 2020. 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".

On September 4, 2020, the Company acquired all of the issued and outstanding securities of HAVN Research Inc. ("HAVN Research") in exchange for the issuance of 507,778 (15,233,333 pre-consolidation) common shares to the HAVN Research shareholders on a pro rata basis (the "Acquisition").

In connection with completion of the Acquisition and acceptance of its final long form prospectus dated September 2, 2020 (the "Prospectus"), the Company successfully began trading its shares on the CSE.

On April 7, 2021, the Company completed the acquisition of GCO Packaging and Manufacturing Ltd. ("GCO"), acquiring 100% of the outstanding shares of GCO in exchange for an aggregate of 200,000 (6,000,000 pre-consolidation) common shares of HAVN. GCO operated a manufacturing, packaging and distribution facility which

the Company intended to utilize to support formulation and manufacturing processes in-house to ensure the highest standards of quality and efficacy.

On December 14, 2021, the Company incorporated a wholly owned subsidiary, 1000053494 Ontario Inc., in anticipation of completing an amalgamation agreement. The amalgamation agreement has since been terminated and the subsidiary has not undertaken any active business.

The Company has two principal business divisions: HAVN Labs and HAVN Retail, however on September 20, 2022 the Company's Board of Directors announced that it has determined the Company is no longer a going concern.

#### *HAVN Labs*

The Company's HAVN Labs division is engaged in the development of research protocols to cover the production of Psilocybe spp. mushrooms in sterile conditions, the extraction and purification of psilocybin, psilocin, baeocystin and other compounds found in the genus, and quality control and testing necessary for safety and formulation protocols with Psilocybe spp. and/or constituents. The Company plans to develop a compound library designed to support the science of safe, quality-controlled psychoactive compounds for formulation to supply researchers with compounds for clinical trials.

The Company has made an application to Health Canada for a Dealer's Licence under the Food and Drugs Regulations (Part J) to the Food and Drugs Act (Canada) (the "Dealer's Licence") for standardized psychoactive compounds (including the compound Psilocybe spp.) to permit sale of proprietary formulations to third parties for use in research and clinical trials, and eventually for sale to healthcare practitioners once permitted by health authorities. There can be no certainty that the Company will obtain a Dealer's Licence.

On May 4, 2021, the Company entered into a contract with nutraceutical company Hypha Wellness Jamaica Psilocybin (HWJP) towards jointly researching and, subject to compliance with all applicable laws and regulations, producing standardized powdered homogenized psilocybin mushroom active pharmaceutical ingredient (API) products. The arrangement provides the Company with a mycology lab and production facility in Jamaica.

#### *HAVN Life Retail*

The Company's HAVN Retail division formulates and sells NHPs using compounds, the safety and efficacy of which have already been established and approved by Health Canada, and in respect of which Health Canada has published pre-approved data documents entitled the "Compendium of Monographs" (the "Monographs"). To this end, the Company has secured eleven product licences under the *Natural Health Products Regulations* for the sale of its products (the "Product Licences"). The Product Licences are focused on four broad categories of human health and performance: immunity support, cognitive support, stress prevention, and energy support. Each of the initial seven products developed by HAVN Retail contains a foundational medicinal mushroom (Chaga, Cordyceps, Lion's Mane, Reishi, Shiitake, or Turkey Tail), together with other herbs that have been selected for each of the seven products based on an evidence-informed model following the Health Canada regulatory framework. The additional four product formulations were recently acquired through an acquisition of Bennett's Choice and address traumatic brain injury. The Company utilizes contract manufacturing services and markets its proprietary NHPs under the HAVN Life brand through a direct to consumer market model and through third party point of sale locations of NHPs.

On June 2, 2021, the Company acquired intellectual property ("IP") from Bolt Therapeutics Limited Partnership (the "IP Acquisition") consisting primarily of a formulation for non-psychedelic 2-Bromo-Lysergic Acid Diethylamide (LSD) and a provisional patent application which will allow the company to begin executing on certain milestones. On November 22, 2021, the Company filed a Patent Cooperation Treaty ("PCT") international application in connection with the IP acquired. The Company looks to substantiate its patent application after which preclinical work can begin. To complete the IP Acquisition, the Company issued 529,801 (pre-consolidation 15,894,040) common shares. Of the purchase price, 353,201 (10,596,032 pre-consolidation) common shares will be subject to escrow with 1/6th of the common shares will be released every three months from closing date and 176,600 (5,298,008 pre-consolidation) common shares (the "Milestone Shares") upon satisfaction of milestones tied to the IP.

On September 28, 2021, the Company acquired IP from 926932 Canada Inc. (dba "Bennett's Choice"), consisting of patents and product licences for compositions and methods relating to the treatment of traumatic brain injury. The Company has been able to offer four new NPN products as a result of the acquisition. As consideration, the Company issued 90,243 (2,707,275 pre-consolidation) common shares and paid \$200,000 in cash. The 90,243 common shares are subject to escrow, with 1/6<sup>th</sup> of the common shares being released every six months after the closing date.

The Company has been actively pursuing strategic relationships towards executing the goal of acquiring assets and businesses in the psychopharmacological industry. The Company is still in its start-up phase and on September 20, 2022 the Board of Directors announced that it does not have sufficient cash or other financial resources to pay its obligations as they come due, or to continue operations, and is therefore no longer a going concern.

The following highlights occurred during the first quarter ended July 31, 2022:

On May 2, 2022, the Company announced it successfully shipped its first order of white label health products to its Australian distribution partner, Woke Pharmaceuticals Pty Ltd.

On May 11, 2022, the Company announced it entered into a supply partnership with Atman Retreat, a retreat center helping people to explore psychedelics therapeutically, in order to harness the potential of healing, transformation, and transcendental experience.

On May 16, 2022, the Company announced a partnership with TheraPsil – a non-profit coalition made up of healthcare professionals, patients, community members and advocates dedicated to helping Canadians in medical need access legal psilocybin-assisted psychotherapy and GMP-quality psilocybin. Under the partnership, TheraPsil will support prescribing healthcare professionals in requesting psilocybin from HAVN Life through the Special Access Program ("SAP").

On June 7, 2022, the Company announced it entered into a supply partnership with Green Stripe Naturals Ltd. (GSN) through its subsidiary Green Peak Growers Ltd., a licenced cannabis producer in Jamaica. GSN will distribute the Company's product for sale at licensed dispensaries, as psilocybin containing mushrooms are legal for sale and consumption within the country.

On June 14, 2022, the Company announced the departure of Victor Neufeld and Dennis Staudt, respectively, as Directors of the Company, effective immediately. Tim Moore, CEO, has been appointed Chairman of the Board, and Gordon Clissold, CFO, has been appointed as a Director.

On June 22, 2022, the Company announced that it will be featured in an upcoming *Viewpoint with Dennis Quaid* episode, airing in July. The episode will be distributed to more than 170 public television stations throughout the United States, reaching 60 million households throughout the year.

On June 28, 2022, the Company announced that it entered into a supply partnership with MPB Group Inc., a comprehensive outpatient mental health clinic with locations in Columbia and Laurel, Maryland that is helping adults, children, adolescents, couples and families navigate the path to healing. MPG Group Inc. is partnered with Healing Escapes Foundation retreats, a non-profit organization focussed on creating immersive, holistic mental health retreats for couples and adults in Jamaica.

On July 15, 2022, the Company issued layoff notices to all employees and contractors, except for the Chief Executive Officer and Chief Financial Officer. Employees and contractors were given working notice in accordance with the terms of their employment agreements and subcontractor agreements. Employee notice periods ranged from three weeks to 6 months, depending upon the terms of their individual employment agreements. Arrangements were also made with certain key vendors for HAVN shares to be issued in exchange for unpaid debts and future services.

On July 21, 2022, the Company announced that Alpha Blue Ocean is supporting the Company's growth with a CAD\$9,000,000 financing arrangement whereby the Company will issue up to \$10.6 million principal amount of

Convertible Debentures, which will include one initial tranche in the aggregate principal amount of \$500,000 followed by up to nineteen (19) subsequent tranches in the aggregate principal amount of \$500,000 each over a period of 36-months. Net cash to the Company for each tranche, other than the first tranche, to be \$450,000.

On July 28, 2022, the Company announced its participation in Project Solace, launching in Canada in July. A collaboration between Canadian non-profit TheraPsil and the UK's Drug Science, the project will be the largest medical psilocybin and data project to date, providing a safe supply of psilocybin to patients in medical need.

On July 29, 2022, the Company announced that it will complete a consolidation of its issued and outstanding common shares on the basis of one (1) post-consolidation common share for every thirty (30) pre-consolidation common shares. The common shares will begin trading on a consolidated basis and with a new CUSIP number on August 3, 2022.

*The following highlights occurred subsequent to the first quarter ended July 31, 2022:*

On August 3, 2022, the Company completed a consolidation of its issued and outstanding common shares on the basis of 1 post-consolidation common share for every 30 pre-consolidation common shares. No fractional shares were issued as a result of the consolidation. Fractional interests of 0.5 or greater were rounded up to the nearest whole number of common shares and fractional interests of less than 0.5 were rounded down to the nearest whole number of common shares.

On September 2, 2022 the Company received notification of default from lawyers representing the landlord for the Company's proposed research lab facility in Vancouver. The Company advised the landlord that it is unable to make further payments under the lease agreement.

On September 20, 2022 the Company released a corporate update announcing that its Board of Directors has determined that the Company is no longer a going concern, as it is unable to meet its financial obligations as they come due.

On September 22, 2022 a former employee filed a Notice of Claim in the Provincial Court of British Columbia (Small Claims), naming the Company and two of its officers as defendants, claiming damages in the amount of \$34,448 arising from termination of the Claimant's employment on July 22, 2022.

On September 28, 2022 Mr. Tim Laidler announced his resignation as a director on the board of directors of the Company.

**OVERALL PERFORMANCE**

During the three months ended July 31, 2022, the Company earned revenues of \$67,910 (2021 - \$9,367) from the sale of NHP products to Canadian retail customers and dried, ground, psychedelic mushrooms to retreats in Jamaica. The Company has abandoned its efforts towards completing its Vancouver, Canada based laboratory to execute research and development activities on the quality-controlled extraction of standardized psychoactive compounds derived from fungi, as these functions are being executed at the Company's Jamaica facility where a license is not required.

The net assets of the Company as at July 31, 2022 have been measured at their liquidation value, as compared to the going concern basis of accounting used at April 30, 2022. Net assets decreased from \$3,140,917 as at April 30, 2022 to become net liabilities of \$896,149 as at July 31, 2022, representing a decrease of \$4,037,066.

The assets at July 31, 2022, consist primarily of cash of \$112,418 (April 30, 2022 - \$1,055,658), accounts receivable of \$64,701 (April 30, 2022 - \$319,291), prepaid expenses and deposits of \$23,698 (April 30, 2022 - \$221,252), inventory of \$NIL (April 30, 2022 - \$1,149,073), deposit of \$NIL (April 30, 2022 - \$23,698), capital assets of \$NIL (April 30, 2022 - \$356,375), and intangible assets of \$NIL (April 30, 2022 - \$934,034).

Liabilities as of July 31, 2022, consist of accounts payable and accrued liabilities of \$535,122 (April 30, 2022 - \$529,107), current portion of lease liability of \$561,844 (April 30, 2022 - \$79,166), and non-current portion of lease liability of \$NIL (April 30, 2022 - \$310,188).

## **DISCUSSION OF OPERATIONS**

The following highlights the key operating expenditures during the three months ended July 31, 2022, compared to the three months ended July 31, 2021.

During the three months ended July 31, 2022, the Company incurred a net and comprehensive loss of \$3,903,058 (2021 - \$2,971,190). The comprehensive loss for the period consists primarily of the following:

- Revenues of \$67,910 (2021 - \$9,367) consisting of the sale of NHP products to Canadian retail customers and dried, ground, psychedelic mushrooms to retreats in Jamaica.
- Amortization expense of \$45,576 (2021 - \$130,818) consists primarily of the non-cash intangible asset amortization on the Company's non-cash intangible asset amortization on IP acquired through the acquisition of Bennett's Choice.
- Consulting fees and employee payroll of \$188,061 (2021 - \$287,123) consists primarily of fees paid to third party service providers and employee payroll.
- Investor relations and marketing expense of \$121,166 (2021 - \$1,004,595) consists of strategic marketing, advertising, public relations and corporate branding programs executed pursuant to investor relation agreements with a focus on North American and German markets.
- Management and directors' fees of \$282,222 (2021 - \$439,417) consisting of fees paid to the Company's executive officers and directors for salaries and terminations.
- Professional fees of \$141,677 (2021 - \$50,486) consists primarily of accounting and legal fees.
- Research and development expense of \$144,345 (2021 - \$252,955) consists primarily of psilocybin research performed in conjunction with the Company's contract with Hypha Wellness.
- Share-based payments recapture of \$114,008 (2021 expense - \$480,807) consists of the non-cash fair value as measured by the Black-Scholes option pricing model pursuant to the vesting of options, RSRs and performance warrants granted in the current and prior year. There were several forfeitures of options and RSRs which resulted in a recapture during the period.
- Remeasurement of net assets expense of \$2,933,143 (2021 - \$NIL) required to adjust the balance sheet to liquidation basis accounting.

### SUMMARY OF QUARTERLY RESULTS

- The following is a summary of the Company's financial results for the most recently completed eight quarters:

	1 <sup>st</sup> Quarter Ended July 31, 2022 \$	4 <sup>th</sup> Quarter Ended April 30, 2022 \$	3 <sup>rd</sup> Quarter Ended January 31, 2022 \$	2 <sup>nd</sup> Quarter Ended October 31, 2021 \$
Revenue	67,910	216,379	23,025	27,702
Operating expenses	(973,717)	(1,756,036)	(2,018,821)	(3,155,092)
Loss	(3,903,058)*	(11,366,517)	(2,188,479)	(5,917,362)
Loss per share, basic and diluted	(0.90)	(2.38)	(0.52)	(1.42)
	1 <sup>st</sup> Quarter Ended July 31, 2021 \$	4 <sup>th</sup> Quarter Ended April 30, 2021 \$	3 <sup>rd</sup> Quarter Ended January 31, 2021 \$	2 <sup>nd</sup> Quarter Ended October 31, 2020 \$
Revenue	9,367	Nil	Nil	Nil
Operating expenses	(2,970,210)	(10,972,767)	(13,156,753)	(5,399,675)
Loss	(2,971,190)	(10,998,772)	(13,160,261)	(5,404,315)
Loss per share, basic and diluted	(0.75)	(3.47)	(5.14)	(3.35)

- \* The loss shown for the 1<sup>st</sup> quarter ended July 31, 2022 includes an adjustment of \$2,933,143 in connection with the remeasurement of assets to restate the balance sheet to the liquidation basis of accounting.

On a quarter-by-quarter basis, losses are expected to fluctuate significantly due to a number of factors including timing of operating activities from the date of incorporation due to the nature of a start up company, timing of stock option grants, and acquisition related expenses.

An analysis of the quarterly results is as follows:

- For the first quarter ended July 31, 2020, the Company was still its initial start-up phase closing two financings raising gross proceeds of \$2,632,400 in private placements and had submitted its preliminary prospectus.
- For the second quarter ended October 31, 2020, the Company received acceptance of its final prospectus and listed its shares on the CSE, closed the acquisition of HAVN Research for 507,77 (pre-consolidation 15,233,333) shares, granted executive, consulting and employee options and RSRs recognizing fair value of \$2,128,464 and received subscriptions of \$655,400 pursuant to warrant exercises.
- For the third quarter ended January 31, 2021, the Company closed warrant exercises for total gross proceeds of \$5,168,928 and closed a bought deal financing for gross proceeds \$11,500,253. Additionally, the Company developed 7 Natural Health Products which have been approved by Health Canada which it plans to manufacture pursuant to the acquisition of GCO (acquired April 7, 2021). The Company recognized \$5,476,618 in non-cash finders' fees pursuant to performance warrant milestones expected to vest upon completion of the GCO acquisition.
- For the fourth quarter ended April 30, 2021, the Company closed the acquisition of GCO, recognized additional \$530,826 in finders' warrant expense pursuant to the vesting of performance warrants, recognized \$3,353,179 pursuant to employee performance warrants vesting and recognized \$969,283

pursuant to the vesting of RSRs and options. The Company also recognized amortization expense of \$2,727,501 primarily to the completion of research and development activities related to the Section 56 exemption rights which were completed.

- For the first quarter ended July 31, 2021, the Company closed the acquisition of the Bolt IP, recognized additional share-based payment expense of \$480,807 pursuant to the vesting of RSRs and options, \$130,818 in amortization expense, \$1,004,595 in investor relations and marketing pursuant to capital markets and NHP promotional activities, and \$252,955 in research and development activities pursuant to clinical studies and psychedelic research in Jamaica. The Company began earning revenues from the first sales of its NHP products in late June, totaling \$9,367 for the period.
- For the second quarter ended October 31, 2021, the Company recognized \$2,726,466 in asset impairment related to the exclusive Manufacturing and Supply Agreement with Garden to Cup Organics Ltd. The Company also recognized share-based payment expense of \$754,380 and \$421,332 in consulting fees and payroll. Revenue of \$27,702 from sales of NHP products and rental income was recognized for the period.
- For the third quarter ended January 31, 2022, the Company recognized share based payment expense of \$375,207, \$338,999 in management and directors' fees and \$156,840 in asset impairment related to intangible and equipment assets acquired in the April 7, 2021 GCO acquisition. Revenue of \$23,025 from sales of NHP products and rental income was recognized for the period. Several service contracts were reduced or terminated during the past two quarters, reducing overall expenditure levels.
- For the fourth quarter ended April 30, 2022, the Company completed a private placement for gross proceeds of \$1,999,755. The Company recognized an impairment on the note receivable and accrued interest of \$780,000. The Company recognized investor relations and marketing expense of \$435,462 and management and directors' fees of \$301,500. Revenues of \$216,379 from sales of NHP products and rental income were recognized for the period.
- For the first quarter ended July 31, 2022 the Company's condensed interim consolidated financial statements have been presented on a liquidation basis, meaning that assets and liabilities have been remeasured at their liquidation values. For a reporting entity that has adopted the liquidation basis of accounting, the financial statements consist of a statement of net assets in liquidation and a statement of changes in net assets in liquidation and is not comparable to financial statements prepared using the going concern basis of accounting.



## FIRST QUARTER YEAR OVER YEAR

For the three months ending July 31, 2022, the Company's focus was on increasing revenue from its natural health products and obtaining financing necessary to sustain the business. Revenues were \$67,910 for the three months ended July 31, 2022 (2021 - \$9,367) representing an increase of \$58,543. The increase in revenues is primarily attributed to a large order procured through its distribution partner, Jonluca Enterprises Inc., for the Forintos Supermarket chain. During the three months ended July 31, 2022, the Company focused on reducing its cash burn rate by terminating employee and vendor contracts.

Operating expenditures were \$973,717 for the three months ended July 31, 2022 (2021 - \$2,970,210) representing a decrease of \$1,996,493 over the comparative period and consisted primarily of:

	For the three months ended July 31, 2022	For the three months ended July 31, 2021
Advertising and promotion	39,111	189,488
Amortization	45,576	130,818
Consulting fees and payroll	188,061	287,123
Investor relations and marketing	121,166	1,004,595
Management and directors' fees	282,222	439,417
Office and miscellaneous	98,368	68,481
Professional fees	141,677	50,486
Rent	4,821	51,059
Research and development	144,345	252,955
Share-based payments	(114,008)	480,807
Transfer agent and filing fees	15,679	7,064
Travel	6,699	7,917
	<b>973,717</b>	<b>2,970,210</b>

## LIQUIDITY AND CAPITAL RESOURCES

The Company had cash of \$112,418 as at July 31, 2022 (April 30, 2022 - \$1,055,658) and a working capital deficit of \$896,149 as at July 31, 2022 (April 30, 2022 - \$2,137,001 working capital).

### Financing activities

During the three months ended July 31, 2022, the company used cash of \$52,737 (2021 - \$32,737) in financing activities.

The Company intends to raise capital through liquidation of assets and/or issuance of equity securities or debt. Management estimates that the Company has sufficient cash remaining to continue operating to October 15, 2022. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required.

### Operating Activities

The Company used cash of \$890,503 (2021 - \$2,502,524) in operating activities during the three months ended July 31, 2022.

### Investing Activities

The Company used cash of \$NIL (2021 - \$1,085,389) in investing activities during three months ended July 31, 2022.

#### OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

#### TRANSACTIONS WITH RELATED PARTIES

Key management personnel are the officers and directors of the Company. Management and directors' fees and share-based payments for the three months ended July 31, 2022, is summarized as follows:

	July 31, 2022	July 31, 2021
Management and directors' fees	\$ 282,222	\$ 439,417
Share-based payments (fair value)	(127,450)	489,431
	<b>\$ 154,772</b>	<b>\$ 928,848</b>

As at July 31, 2022, \$58,417 (April 30, 2022 - \$127,500) is owed to certain officers and directors of the Company. During the three months ended July 31, 2022, the Company recorded:

Equity incentives granted and fees paid to the following for services rendered:	Equity incentive*	Equity incentive (amount)*	Fair value	Fees paid
Tim Moore, the CEO and Director pursuant to officer services provided	Options	100,000	\$ -	\$ 66,833
A company controlled by Jenna Pozar, the COO, pursuant to COO services provided		-	-	39,000
Gordon Clissold, the CFO pursuant to CFO services provided	Options	33,333	4,400	46,250
Ivan Casselman, the Chief Psychedelics Officer pursuant to officer services provided	-	-	-	45,000
Alex Samuelsson, the Chief Research Officer pursuant to officer services provided		-	-	30,000
Vic Neufeld, a former Director and Chair of the Company, pursuant to director services provided	Options	-	(146,930)	16,125
Dennis Staudt, a former Director of the Company pursuant to director services provided	Options	-	(11,827)	7,764
A company controlled by Tim Laidler, a Director of the Company, pursuant to director services provided	Options	-	13,176	16,250
A company controlled by Gary Leong, a Director of the Company, pursuant to director services provided	Options	-	13,731	15,000
			<b>\$ 127,450</b>	<b>\$ 282,222</b>

\* The fair value recognized during the three months ended July 31, 2022, relates to the vesting of equity incentives previously granted.

## PROPOSED TRANSACTIONS

On October 4, 2021, the Company filed its final short form base shelf prospectus, to offer and issue the following securities: (i) common shares of the Company ("Common Shares"); (ii) debt securities of the Company ("Debt Securities"); (iii) subscription receipts ("Subscription Receipts") exchangeable for Common Shares and/or other securities of the Company; (iv) warrants exercisable to acquire Common Shares and/or other securities of the Company ("Warrants"); and (v) securities comprised of more than one of Common Shares, Debt Securities, Subscription Receipts and/or Warrants offered together as a unit ("Units"), or any combination thereof having an offer price of up to \$25,000,000 in aggregate at any time during the 25-month period that the short form base shelf prospectus remains valid.

On March 3, 2022, the Company completed a private placement under its base shelf prospectus. Pursuant to the private placement, the Company issued:

- i. 684,571 common shares at a price of \$2.61 per common share for gross proceeds of \$1,786,730.
- ii. 81,713 pre-funded warrants at a price of \$2.61 for gross proceeds of \$213,025. Each pre-funded warrant entitles the holder to purchase one common share at an exercise price of \$0.003 per warrant for five years: and
- iii. 766,284 common share purchase warrants. Each warrant entitles the holder to purchase one common share at an exercise price of \$3.75 per warrant for five years.

In connection with completing the private placement, the Company issued 61,303 agent warrants measured at fair value of \$67,613. Each agent warrant entitles the holder to purchase one common share at an exercise price of \$3.75 per warrant for five years.

On March 25, 2022, 81,713 common shares were issued for gross proceeds of \$245 upon the exercise of the 81,713 aforementioned pre-funded warrants.

## SUBSEQUENT EVENTS

On August 18, 2022, the Company completed the first tranche of a financing commitment from Alpha Blue Ocean, pursuant to a July 21, 2022 Subscription Agreement. The Company issued a \$1.1 million principal amount senior unsecured convertible debenture, and 189,393 common share purchase warrants, receiving net proceeds of \$420,000, after deducting certain transactional expenses and a \$600,000 debenture commitment fee. Each warrant entitled the holder to purchase one additional common share at a price of \$1.32 per warrant for a period of 60 months from the date of issuance. The debenture commitment fee and an additional 489,130 compensation shares were issued as consideration for the subscriber purchasing the convertible debenture and warrants. The subscriber is required to return the compensation shares if certain future conditions are met.

On August 18, 2022, 16,669 agent warrants were issued to certain designees of H.C. Wainwright & Co. LLC in connection with the March 3, 2022 private placement. Each new warrant entitled the holder to acquire one common share at an exercise price of \$2.70 per common shares for a term of 60 months from the date of issuance.

On August 18, 2022 the Company issued 190,214 common shares at a price of \$1.15 per debt share to settle an aggregate amount of indebtedness in the amount of \$218,747 owing to certain third-party trade creditors of the Company.

On September 13, 2022, \$100,000 of the secured convertible debenture issued on August 18, 2022 was converted into 416,666 common shares of the Company at a price of \$0.24 per share. The conversion of debentures into shares reduced the balance owed to the senior convertible debenture holder from \$1.1 million to \$1 million and increased shareholder equity accordingly.

On September 26, 2022, \$100,000 of the secured convertible debenture issued on August 18, 2022 was converted into 1,000,000 common shares of the Company at a price of \$0.10 per share. The conversion of debentures into

shares reduced the balance owed to the senior convertible debenture holder from \$1.0 million to \$900,000 and increased shareholder equity accordingly.

## FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The following is the Company's accounting policy for financial instruments under IFRS 9:

### (i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company classifies its financial instruments as follows:

Financial assets/liabilities	
Cash	FVTPL
Accounts receivable	Amortized cost
Note receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost

### (ii) Measurement

#### *Financial assets and liabilities at amortized cost*

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

#### *Financial assets and liabilities at FVTPL*

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statement of loss in the period in which they arise.

### (iii) Impairment of financial assets at amortized cost.

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of loss.

**Adjusted EBITDA**

Adjusted EBITDA is a non-IFRS financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations.

The Company calculates adjusted EBITDA as net income (loss), plus (minus) the add-backs or reversals of the following: unrealized foreign exchange (gains) losses, interest (income) expense, tax (recovery) expense, amortization expense, share-based payments, finders' performance warrants, impairment, one-time transaction costs, one-time non-operating expenses, as determined by management. Adjusted EBITDA for the three months ended July 31, 2022 and 2021 is as follows:

	Three months ended	
	July 31, 2022	July 31, 2021
<b>LOSS AND COMPREHENSIVE LOSS</b>	\$ (3,903,058)	\$ (2,971,190)
Amortization	45,576	130,818
Share-based payments	(114,008)	480,807
Finders' performance warrants	-	16,916
Foreign exchange loss	3,822	(11,899)
Remeasurement of net assets	2,933,143	
Interest expense	14,405	-
<b>ADJUSTED EBITDA</b>	<b>\$ (1,020,120)</b>	<b>\$ (2,354,548)</b>

**DISCLOSURE OF OUTSTANDING SHARE DATA**

**Common Shares**

The Company's common shares are listed on the CSE under the symbol 'HAVN.' The Company's authorized share capital consists of an unlimited number common shares without par value. As at August 28 2022 the Company had the following shares and equity instruments outstanding:

- i) *Common shares*: **7,205,663** (July 31, 2022 – 5,109,653) common shares issued and outstanding.
- ii) *Share Purchase Warrants*: **1,330,609** (July 31, 2022 – 1,124,547) share purchase warrants outstanding.
- iii) *Finders' Options*: **61,303** (July 31, 2022 – 61,303) finders' options outstanding.
- iv) *Performance Warrants*: **134,445** (July 31, 2022 – 134,445), performance warrants outstanding.
- v) *Restricted Share Rewards*: **35,347** (July 31, 2022 – 35,347), RSRs outstanding.

vi) *Options*: **375,133** (July 31, 2022 – 375,133), options outstanding, summarized as follows:

Expiry date	Options outstanding	Options exercisable	Exercise Price
<b>Options</b>			
June 4, 2025	16,667	16,667	7.50
September 4, 2022	44,167	43,333	7.50
September 4, 2022	6,667	6,667	15.00
September 10, 2025	69,167	69,167	19.50
October 4, 2025	50,000	50,000	23.70
January 15, 2026	8,333	8,333	25.50
September 24, 2026	20,133	12,600	9.45
September 25, 2026	5,000	3,333	9.45
December 22, 2026	13,333	-	5.10
February 2, 2027	8,333	2,083	4.80
May 26, 2027	133,333	-	1.80
<b>Balance, July 31, 2022</b>	<b>375,133</b>	<b>212,183</b>	<b>\$ 10.36</b>

#### RISK FACTORS

The Company's Board of Directors has determined that the Company is insolvent, unable to raise the capital necessary to sustain the business, and is therefore no longer a going concern.

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below as well as in the Prospectus' previously filed. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following risk factors:

### Risks Related to the Company's Business

*The Company has no reasonable expectation that it will be able to access additional funding available through its August 18, 2022 Subscription Agreement with Alpha Blue Ocean, or that future funding tranches will be sufficient to sustain the Company.*

The Company has received a CAD\$9,000,000 financing arrangement from Alpha Blue Ocean. The Company received the first tranche of that financing arrangement on August 18, 2022 receiving net proceeds of \$420,000 from ABO. Under the terms of the Subscription Agreement, the second tranche is subject to a 60 trading day cooling down period whereby the second tranche cannot occur prior to November 15, 2022. Management estimates that it will have no cash remaining by October 15, 2022. Further funding is subject to no Material Adverse Affect having occurred, including the following selected circumstances:

- Failure by the Corporation to pay when due or within any applicable grace period any outstanding indebtedness in excess of \$500,000
- if a resolution is passed for the winding-up, liquidation or dissolution of the Corporation or any Subsidiary
- failure by the Corporation to remain eligible to issue securities, including the debentures and common shares of the Corporation, pursuant to the Prospectus

Other selected conditions for the closing of the second tranche include:

- in respect of the Second Closing only, the Corporation shall have successfully closed an equity raise for a total net cash funding to the Corporation in the aggregate amount of \$1,000,000 on terms reasonably satisfactory to the Investor
- the Corporation shall have qualified the Debentures and the Warrants issuable at the applicable Closing and the Common Shares issuable upon conversion of the Debentures and exercise of the Warrants, as applicable, for distribution under the Prospectus through the filing of a supplement to the Prospectus in accordance with National Instrument 44-102 - Shelf Distributions and, upon the issuance of such Debentures, Warrants and Common Shares, as applicable, such securities shall be freely tradable by the Investor
- the closing price of the Common Shares shall be above \$0.15 for ten (10) consecutive Trading Days prior to disbursement of a Tranche.

*The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company will have to cease its activities and investors could lose their entire investment.*

There is no expectation that the Company will operate profitably or will generate positive cash flow in the future. The Company requires additional financing to sustain its business operations. The Company does not have access to further financing and may not be able to obtain financing before running out of cash. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business will fail, and investors could lose their entire investment.

*The Company is unable to issue unrestricted shares in compensation to key vendors and contractors beyond August 31, 2022.*

In an effort to continue operating and reduce cash requirements, the Company made arrangements with key vendors and contractors to continue providing services in exchange for the issuance of pre-qualified, unrestricted shares of the Company. It is necessary to pre-qualify shares under the Company's base shelf prospectus for them to be unrestricted upon issuance and not subject to otherwise standard hold periods. The Company does not have sufficient cash resources to prepare a prospectus supplement to pre-qualify additional debt payment shares and maintenance of the base shelf prospectus also requires the condensed interim consolidated financial statements for the three months ended July 31, 2022 to be subject to a review by the Company's auditors. The Company does not

have sufficient cash resources to undertake a review its interim financial statements and the auditors have indicated that they may not be able to review financial statements prepared on a liquidation basis of accounting.

*The Company has a limited operating history and there is no assurance that the Company will be successful in achieving a return on shareholders' investment.*

The Company has a limited operating history and as a result will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, lack of revenue and the risk that it will not achieve its growth objective. There is no assurance that the Company will be successful in achieving a return on shareholders' investment.

#### *History of losses*

The Company has incurred losses since inception and is no longer a going concern. The Company has not been able to achieve or maintain profitability. In addition, if the Company were able to continue, it would need to increase operating expenses to implement initiatives required to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, it cannot be profitable.

#### *Reliance on management*

The Company issued layoff notices to its employees and contractors on July 15, 2022. The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements have been terminated. The loss of services of such individuals will have a material adverse effect on the Company's business, operating results and financial condition.

#### *Insurance and uninsured risks*

The Company's business is subject to a number of risks and hazards including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability.

The Company is unable to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, and its insurance will not cover all the potential risks associated with its operations. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

#### *The psychedelic industry and market are relatively new and this industry may not succeed in the long term*

Following completion of the Acquisition Transaction, the Corporation has begun operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

The psychedelic market will face specific marketing challenges given the products' status as a controlled substance which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any marketing efforts by the Corporation would need to overcome this perception to build consumer confidence, brand recognition and goodwill.



#### *Dependence on suppliers and skilled labour*

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components as employees have been issued layoff notices on July 15, 2022. This could have an adverse effect on the financial results of the Company.

#### *Difficulty to forecast*

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the biotechnology industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

#### *Management of growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

#### *Internal controls*

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's shares.

#### *Liquidity*

The Company cannot predict at what prices its shares will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Company.

#### *Litigation*

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Reporting Issuer's shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Reporting Issuer resources.

#### *Privacy*

The Corporation and its employees and consultants have access, in the course of their duties, to personal information of clients of the Corporation. There can be no assurance that the Corporation's existing policies, procedures and systems will be sufficient to address the privacy concerns of existing and future clients whether or not such a breach of privacy were to have occurred as a result of the Corporation's employees or arm's length third parties. If a client's

privacy is violated, or if the Corporation's found to have violated any law or regulation, it could be liable for damages or for criminal fines and/or penalties.

For a complete list of risk factors, please see the section entitled "Risk Factors" described in the AIF filed September 21, 2021 which may be accessed on the Corporation's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **BOARD APPROVAL**

The Board of Directors of the Company has approved this MD&A.