

RED LIGHT HOLLAND CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Expressed in Canadian Dollars)

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Red Light Holland Corp. (the "Company") have been prepared by, and are the responsibility of, the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)
As at September 30, 2023 and March 31, 2023

| | September 30, 2023 | March 31, 2023 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 16,363,670 | \$ 18,486,644 |
| Accounts receivable (Note 20) | 437,758 | 518,146 |
| Sales tax receivable | 470,506 | 283,397 |
| Income tax receivable | 27,690 | 81,652 |
| Marketable securities (Note 5) | 8,472 | 45,498 |
| Prepaid expenses and deposits | 2,072,399 | 2,051,361 |
| Inventory (Note 6) | 912,686 | 741,249 |
| TOTAL CURRENT ASSETS | 20,293,181 | 22,207,947 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment (Note 7) | 5,080,092 | 4,806,140 |
| Marketable securities – long term (Note 5) | 865,268 | 865,268 |
| Right of use asset (Note 12) | 477,555 | 581,932 |
| Call option | - | 28,110 |
| Intangible assets (Note 8) | 193,534 | 339,352 |
| Goodwill (Note 9) | 1,286,097 | 1,314,534 |
| TOTAL ASSETS | \$ 28,195,727 | \$ 30,143,283 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 20) | \$ 1,330,867 | \$ 1,292,333 |
| Loans and advances (Note 14) | 905,059 | 905,059 |
| Convertible debenture (Note 10) | 342,127 | 257,695 |
| Derivative liability (Note 10) | 21,008 | 48,376 |
| Lease liability – current portion (Note 13) | 150,302 | 179,819 |
| TOTAL CURRENT LIABILITIES | 2,749,363 | 2,683,282 |
| NON-CURRENT LIABILITIES | | |
| Lease liability (Note 13) | 350,936 | 422,618 |
| Contingent consideration (Note 11) | 38,077 | 188,077 |
| Deferred tax liability | 466,161 | 506,476 |
| TOTAL NON-CURRENT LIABILITIES | 855,174 | 1,117,171 |
| TOTAL LIABILITIES | 3,604,537 | 3,800,453 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 16(a)) | 42,428,724 | 41,786,685 |
| Shares to be issued (Note 16(a)) | 27,027 | 96,482 |
| Equity portion of convertible debenture (Note 10) | 113,614 | 135,985 |
| Warrants (Note 16(f)) | 10,697,260 | 10,701,239 |
| Contributed surplus | 4,586,243 | 3,829,428 |
| Non-controlling interest (Note 15) | 236,007 | 278,617 |
| Accumulated other comprehensive income (loss) | (24,519) | 44,584 |
| Accumulated deficit | (33,473,166) | (30,530,190) |
| TOTAL SHAREHOLDERS' EQUITY | 24,591,190 | 26,342,830 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 28,195,727 | \$ 30,143,283 |
| NATURE OF OPERATIONS (Note 1) | | |
| PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 19) | | |

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended September 30, 2023 and 2022

| | Three months ended September 30, | | Six months ended September 30, | |
|--|---|-------------|---|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUE (Note 17) | \$ 983,324 | \$ 736,428 | \$ 2,185,002 | \$ 1,521,514 |
| COST OF SALES (Note 6) | 538,656 | 448,760 | 1,217,237 | 944,661 |
| GROSS PROFIT | 444,668 | 287,668 | 967,765 | 576,853 |
| OPERATING EXPENSES | | | | |
| General and administrative (Note 22) | 1,450,068 | 1,305,953 | 3,005,505 | 2,554,614 |
| Share based payments (Note 16(b)) | 154,370 | 91,456 | 1,066,309 | 429,286 |
| Interest expense | 60,329 | 6,096 | 106,804 | 10,480 |
| Research | 16,062 | 129,507 | 46,086 | 231,896 |
| | 1,680,829 | 1,533,012 | 4,224,704 | 3,226,276 |
| LOSS BEFORE OTHER ITEMS AND TAXES | (1,236,161) | (1,245,344) | (3,256,939) | (2,649,423) |
| OTHER ITEMS | | | | |
| Realized loss on sale of marketable securities (Note 5) | - | (20,195) | - | (19,364) |
| Unrealized loss in fair value of marketable securities (Note 5) | (1,534) | (47,427) | (37,026) | (246,855) |
| Realized gain on sale of property, plant and equipment | - | - | 13,138 | - |
| Foreign exchange (loss) gain | (3,693) | (3,556) | 1,973 | (4,604) |
| Change in fair value of equity portion of convertible debenture | (35,955) | (11,008) | - | (9,952) |
| Change in fair value of derivative liability (Note 10) | 13,641 | - | 27,368 | - |
| Change in fair value of call option | - | 3,366 | (28,110) | (2,118) |
| Change in fair value of contingent consideration | - | (47,620) | - | (47,620) |
| Interest income | 136,551 | 33,919 | 264,242 | 52,111 |
| NET LOSS BEFORE TAXES | (1,127,151) | (1,337,865) | (3,015,354) | (2,927,825) |
| Recovery of income taxes (Note 23) | 18,933 | 32,574 | 29,768 | 87,329 |
| NET LOSS | (1,108,218) | (1,305,291) | (2,985,586) | (2,840,496) |
| NET LOSS ATTRIBUTABLE TO: | | | | |
| Shareholders of Red Light Holland Corp. | (1,066,946) | (1,264,394) | (2,942,976) | (2,767,333) |
| Non-controlling Interests (Note 15) | (41,272) | (40,897) | (42,610) | (73,163) |
| NET LOSS | (1,108,218) | (1,305,291) | (2,985,586) | (2,840,496) |
| Foreign currency translation | (22,176) | 905 | (69,103) | (30,661) |
| COMPREHENSIVE LOSS | (1,130,394) | (1,304,386) | (3,054,689) | (2,871,157) |
| LOSS PER SHARE – Basic and diluted (Note 16(d)) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 16(d)) | 395,166,917 | 373,849,130 | 394,060,705 | 366,628,124 |

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian Dollars)
For the six months ended September 30, 2023 and 2022

| | Common Shares # | Common Shares \$ | Shares to be Issued \$ | Equity Portion of Convertible Debenture \$ | Warrants \$ | Contributed Surplus \$ | Non- controlling Interest \$ | Accumulated Other Compre- nsive Income (Loss) \$ | Deficit \$ | Shareholders' Equity \$ |
|---|-----------------------|------------------------|------------------------------|--|-------------------|------------------------------|---------------------------------------|---|---------------------|-------------------------------|
| Balance, March 31, 2023 | 387,892,187 | 41,786,685 | 96,482 | 135,985 | 10,701,239 | 3,829,428 | 278,617 | 44,584 | (30,530,190) | 26,342,830 |
| Exercise of RSUs (Note 16(e)) | 3,159,305 | 301,166 | (69,455) | - | - | (231,711) | - | - | - | - |
| Exercise of warrants (Note 16(f)) | 200,000 | 22,371 | - | - | (10,371) | - | - | - | - | 12,000 |
| Exercise of stock options (Note 16(b)) | 1,500,000 | 167,783 | - | - | - | (77,783) | - | - | - | 90,000 |
| Shares issued for contingent consideration (Note 11) | 1,543,208 | 150,000 | - | - | - | - | - | - | - | 150,000 |
| Shares and warrants issued on conversion of debentures (Note 10) | 952,380 | 15,979 | - | (22,371) | 6,392 | - | - | - | - | - |
| Shares purchased and cancelled under normal course issuer bid (Note 16) | (212,000) | (15,260) | - | - | - | - | - | - | - | (15,260) |
| Share based payments | - | - | - | - | - | 1,066,309 | - | - | - | 1,066,309 |
| Net loss and comprehensive loss | - | - | - | - | - | - | (42,610) | (69,103) | (2,942,976) | (3,054,689) |
| Balance, September 30, 2023 | 395,035,080 | 42,428,724 | 27,027 | 113,614 | 10,697,260 | 4,586,243 | 236,007 | (24,519) | (33,473,166) | 24,591,190 |
| Balance, March 31, 2022 | 358,165,282 | 38,286,226 | 24,721 | - | 10,701,239 | 4,755,373 | 681,070 | (158,617) | (25,132,023) | 29,157,989 |
| Exercise of RSUs (Note 16(e)) | 4,049,000 | 1,234,945 | 24,721 | - | - | (1,259,666) | - | - | - | - |
| Shares issued for services (Note 16(a)) | 13,333,334 | 1,000,000 | - | - | - | - | - | - | - | 1,000,000 |
| Shares issued on acquisitions (Note 4) | 1,423,963 | 117,649 | - | - | - | - | - | - | - | 117,649 |
| Shares issued for contingent consideration (Note 11) | - | - | 250,000 | - | - | - | - | - | - | 250,000 |
| Share based payments | - | - | - | - | - | 429,286 | - | - | - | 429,286 |
| Net loss and comprehensive loss | - | - | - | - | - | - | (73,163) | (30,661) | (2,767,333) | (2,871,157) |
| Balance, September 30, 2022 | 376,971,579 | 40,638,820 | 299,442 | - | 10,701,239 | 3,924,993 | 607,907 | (189,278) | (27,899,356) | 28,083,767 |

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)
For the six months ended September 30, 2023 and 2022

| | 2023 | 2022 |
|---|----------------------|----------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Net loss for the year | \$ (2,985,586) | \$ (2,840,496) |
| Items not affecting cash: | | |
| Amortization and depreciation (Note 7, 8 and 12) | 339,440 | 287,435 |
| Share based payments (Note 16) | 1,066,309 | 429,286 |
| Realized loss on sale of marketable securities (Note 5) | - | 19,364 |
| Unrealized loss in fair value of marketable securities (Note 5) | 37,026 | 246,855 |
| Change in fair value of equity portion of convertible debenture | - | 9,952 |
| Change in fair value of derivative liability (Note 10) | (27,368) | - |
| Change in fair value of call option | 28,110 | 2,118 |
| Change in fair value of contingent consideration | - | 47,620 |
| Gain on sale of property, plant and equipment | (13,043) | - |
| Interest and accretion | 106,157 | 10,700 |
| Deferred tax gains (Note 23) | (40,315) | (103,479) |
| Movements in working capital: | | |
| Accounts receivable | 80,388 | 122,922 |
| Sales tax receivable | (187,109) | (135,310) |
| Income tax receivable | 53,962 | (2,768) |
| Inventory | (171,437) | (15,723) |
| Prepaid expenses | (21,038) | (892,134) |
| Accounts payable and accrued liabilities | 38,534 | (506,210) |
| Cash flows used in operating activities | (1,695,970) | (3,319,868) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Proceeds from sale of marketable securities (Note 5) | - | 65,338 |
| Acquisition of subsidiaries-net of cash acquired (Note 4) | - | (273,348) |
| Acquisition earn out payment | - | (50,000) |
| Proceeds from sale of property, plant and equipment | 19,593 | - |
| Acquisition of property, plant and equipment (Note 7) | (387,521) | (1,963,525) |
| Cash flows used in investing activities | (367,928) | (2,221,535) |
| CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES | | |
| Exercise of warrants | 12,000 | - |
| Exercise of options | 90,000 | - |
| Shares purchased under normal issuer course bid (Note 16) | (15,260) | - |
| Lease payments (Note 13) | (110,686) | (59,514) |
| Cash flows (used in) from financing activities | (23,946) | (59,514) |
| Effect of changes in foreign currency rates on cash | (35,130) | (18,280) |
| CHANGE IN CASH | (2,122,974) | (5,619,197) |
| CASH, BEGINNING OF PERIOD | 18,486,644 | 26,093,738 |
| CASH, END OF PERIOD | \$ 16,363,670 | \$ 20,474,541 |
| SUPPLEMENTAL INFORMATION: | | |
| Shares issued for contingent consideration | \$ 150,000 | \$ - |
| Shares issued for services | - | 1,000,000 |
| Shares issued for acquisitions | - | 117,649 |

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

RED LIGHT HOLLAND CORP.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and six months ended September 30, 2023 and 2022****1. NATURE OF OPERATIONS**

Red Light Holland Corp. ("RLHC" or the "Company") is engaged in the production, growth and sale of functional mushrooms and mushroom home grow kits in North America and Europe, and a premium brand of psilocybin truffles to the legal, recreational market within the Netherlands. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "TRIP".

2. BASIS OF PRESENTATION*Statement of compliance*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's March 31, 2023 audited annual consolidated financial statements.

These condensed interim consolidated financial statements have been prepared on a going concern basis, under historical cost, except for certain financial instruments and equity instruments that are measured at fair value.

These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 29, 2023.

Principles of consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These condensed interim consolidated financial statements include the accounts of the Company and all its subsidiaries. Intercompany accounts and balances are eliminated upon consolidation.

| Name of subsidiary | Country of Incorporation | Functional Currency | Sep 30 2023 Percentage Ownership | Sep 30 2022 Percentage Ownership |
|--|---------------------------------|----------------------------|---|---|
| RLH Netherlands BV | Netherlands | EUR | 100% | 100% |
| RLH Farms BV | Netherlands | EUR | 100% | 100% |
| Red Light Holland (Subco 1) Inc. | Canada | CAD | 100% | 100% |
| Red Light Holland (Subco 2) Inc. | Canada | CAD | 100% | 100% |
| SR Wholesale B.V. | Netherlands | EUR | 100% | 100% |
| Red Light Acquisition Inc. | United States | USD | 100% | 100% |
| Radix Motion Inc. | United States | USD | 100% | 100% |
| 4316747 Nova Scotia Limited ("Happy Caps") | Canada | CAD | 80% | 80% |
| Acadian Exotic Mushrooms Ltd. ("AEM") | Canada | CAD | 51% | 51% |
| Mera Life Sciences LLC | St Vincent | USD | - | 100% |
| Wellness World Oss BV | Netherlands | EUR | 100% | 100% |
| Wellness World Utrecht BV | Netherlands | EUR | 100% | 100% |
| Minichamp BV | Netherlands | EUR | 100% | - |

Functional and presentation currency

The condensed interim consolidated financial statements are presented in Canadian ("CAD") dollars, except as otherwise noted, which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical accounting judgements and estimates

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements and estimates based on assumptions about future events that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

These critical judgements and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised. Significant judgements, estimates and assumptions within these condensed interim consolidated financial statements remain the same as those applied to the consolidated financial statements for the year ended March 31, 2023.

(b) Accounting policies

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's March 31, 2023 annual consolidated financial statements, except for the adoption of new standards and interpretations as of April 1, 2023.

Future accounting standards

As at the date of authorization of these condensed interim consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain new pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

Presentation of Financial Statements (Amendments to IAS 1)

The IASB has published Disclosure of Accounting Policies (Amendments to IAS 1) which clarifies the guidance on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

New standards, amendments and interpretations not yet adopted are not expected to have a material effect on the condensed interim consolidated financial statements.

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended September 30, 2023 and 2022

4. BUSINESS ACQUISITIONS

(i) Wellness World Utrecht BV and Wellness World Oss BV (“Wellness World”)

On July 26, 2022, the Company established two newly formed and wholly owned subsidiaries, Wellness World Utrecht BV and Wellness World Oss BV. The subsidiaries were incorporated to acquire two SmartShop retail stores located in Utrecht and Oss, Netherlands, two of the Netherlands premiere retail shops for quality psychedelic truffles. Concurrently with the formation of Wellness World Utrecht BV and Wellness World Oss BV, the Company entered into two asset purchase agreements to acquire each of the retail stores. The acquisitions were completed effective August 1, 2022, pursuant to the terms of the definitive asset purchase agreements.

The acquisition in Utrecht had total consideration of €200,000 consisting of €140,000 paid in cash and €60,000 satisfied through the issuance of shares. The acquisition in Oss had total consideration of €100,000 consisting of €70,000 paid in cash and €30,000 satisfied through the issuance of shares.

The total fair value of consideration of \$392,160 is comprised of \$274,511 (€210,000) in cash plus 1,423,963 common shares of the Company (the "Red Light Shares") with a fair value of \$117,649. The Red Light Shares issued are subject to a statutory hold period of four months and one day and shall be deposited into escrow and released every six months in 25% allotments.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations as the operations of the SmartShops meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed. The net assets acquired and liabilities assumed are recorded at fair value.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

| | |
|--|----------------|
| Net assets acquired | \$ |
| Cash | 1,163 |
| Inventory | 55,638 |
| Equipment | 8,390 |
| Right of use asset | 190,607 |
| Accounts payable and accrued liabilities | (1,162) |
| Lease liability | (190,607) |
| Net assets as at August 1, 2022 | 64,029 |
| Consideration | \$ |
| Cash | 274,511 |
| Common shares | 117,649 |
| | 392,160 |
| Purchase price allocation | \$ |
| Net identifiable assets acquired | 64,029 |
| Goodwill | 328,131 |
| | 392,160 |

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition such as assembled workforce and synergies that do not qualify for separate recognition. No goodwill for the Wellness World acquisition is expected to be deductible for tax purposes.

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended September 30, 2023 and 2022

4. BUSINESS ACQUISITIONS (continued)

(ii) Minichamp BV (“Minichamp”)

On October 4, 2022, the Company acquired 100% of the issued and outstanding shares of MiniChamp B.V., located in Horst, The Netherlands, a producer of grow at home mushroom kits with existing distribution channels throughout the European Union.

The acquisition was completed effective October 4, 2022, pursuant to the terms of the definitive agreement, pursuant to which the Company acquired 100% of the issued and outstanding shares of Minichamp for \$854,563. The consideration was comprised of \$743,381 (€550,000) in cash and 981,466 common shares of the Company with a fair value of \$73,105. The common shares with a deemed price of \$0.1009 per share, being the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the acquisition, are subject to sale restrictions and have been discounted from their face value for the inability to liquidate the shares during this period. The Acquisition Agreement provides for up to €100,000 of earn out payments to be made to the Vendor subject to reaching certain financial milestones. The fair value assigned to the future earn out payments was \$38,077 on the acquisition date. During the year ended March 31, 2023, the first of three earn out milestones was not achieved.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations as the operations of MiniChamp B.V. meet the definition of a business. Due to the complexity associated with the valuation process and short period of time between the acquisition date and the reporting date, the identification and measurement of the assets acquired and liabilities assumed is not yet complete as the valuation process and analysis of resulting tax effects is currently in progress. Management will finalize the accounting for this acquisition no later than one year from the date of acquisition and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company’s future financial position and results of operations.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

| | |
|--|----------------|
| Net assets acquired | \$ |
| Cash | 58,754 |
| Accounts receivable | 62,032 |
| Inventory | 135,972 |
| Equipment | 47,932 |
| Right of use assets | 197,079 |
| Lease liabilities | (197,079) |
| Accounts payable and accrued liabilities | (62,368) |
| Net assets as at October 4, 2022 | 242,322 |
| Consideration | \$ |
| Cash | 743,381 |
| Contingent consideration | 38,077 |
| Common shares | 73,105 |
| | 854,563 |
| Purchase price allocation | \$ |
| Net identifiable assets acquired | 242,322 |
| Goodwill | 612,241 |
| | 854,563 |

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition such as assembled workforce and synergies that do not qualify for separate recognition. No goodwill for the Minichamp acquisition is expected to be deductible for tax purposes.

The contingent consideration has been classified as a financial liability as the earn out payments, upon achievement of the financial milestones, are to be settled in cash.

The Company has used the monte carlo model to estimate the fair value of contingent consideration on the date of acquisition. The key inputs included in the model are: (i) variability in future EBITDA of 68.8%, (ii) discount rate of 19.1%, and (iii) risk free rate of 3.8%.

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended September 30, 2023 and 2022

5. MARKETABLE SECURITIES

| | Number of Securities | Cost | Value |
|---|-------------------------|---------|---------|
| PharmaDrug Inc. – common shares (level 1) | 1,500,000 | 62,995 | 7,500 |
| PharmaDrug Inc. – warrants (level 2) | 12,000,000 | 392,596 | 972 |
| Elevate Farms Inc. – shares (level 3) | 45,976 | 299,996 | 865,268 |
| Balance, September 30, 2023 | | 755,587 | 873,740 |
| Current Portion | | | 8,472 |
| Long-Term Portion | | | 865,268 |
| Total | | | 873,740 |

| | Number of Securities | Cost | Value |
|---|-------------------------|---------|---------|
| PharmaDrug Inc. – common shares (level 1) | 1,500,000 | 62,995 | 18,750 |
| PharmaDrug Inc. – warrants (level 2) | 12,000,000 | 392,596 | 26,748 |
| Elevate Farms Inc. – shares (level 3) | 45,976 | 299,996 | 865,268 |
| Balance, March 31, 2023 | | 755,587 | 910,766 |
| Current Portion | | | 45,498 |
| Long-Term Portion | | | 865,268 |
| Total | | | 910,766 |

The fair value of the PharmaDrug warrants as at September 30, 2023 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 0.8 years; expected volatility – 146%; expected interest rate – 4.83%. The fair value of these warrants as at March 31, 2023 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 1.3 years; expected volatility – 146%; expected interest rate – 3.78%.

Based on management's intention and ability, the investment in Elevate Farms Inc. has been classified as non-current. Elevate is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. The share price has been estimated based on Elevate's recent financings.

During the three and six months ended September 30, 2023, the Company bought nil shares and sold nil shares of PharmaDrug Inc. During the three and six months ended September 30, 2022, the Company sold 1,250,000 and 1,993,000 shares of PharmaDrug Inc., respectively, for proceeds of \$32,930 and \$65,338, respectively, resulting in a realized loss on sale of marketable securities of \$20,195 and \$19,364, respectively.

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|------------|------------|------------|--------------|
| At March 31, 2023 | \$ 18,750 | \$ 26,748 | \$ 865,268 | \$ 910,766 |
| Revaluation to fair market value | (11,250) | (25,776) | - | (37,026) |
| At September 30, 2023 | \$ 7,500 | \$ 972 | \$ 865,268 | \$ 873,740 |
| At March 31, 2022 | \$ 202,505 | \$ 325,308 | \$ 682,332 | \$ 1,210,145 |
| Proceeds from disposal | (65,338) | - | - | (65,338) |
| Realized loss on sale of securities | (19,364) | - | - | (19,364) |
| Revaluation to fair market value | (33,335) | (201,787) | (11,734) | (246,856) |
| At September 30, 2022 | \$ 84,468 | \$ 123,521 | \$ 670,598 | \$ 878,587 |

For the three and six months ended September 30, 2023 the unrealized change in fair value of marketable securities amounted to a loss of \$1,534 and \$37,026, respectively (2022 – a loss of \$47,428 and \$246,856, respectively), which is recorded in the condensed interim consolidated statement of net loss and comprehensive loss.

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5. MARKETABLE SECURITIES (continued)

Fair value hierarchy

The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at September 30, 2023 and March 31, 2023:

| Investments, at fair value | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|---------------------|--|--|------------|
| | Quoted market price | Valuation technique - observable market inputs | Valuation technique - non-observable market inputs | |
| September 30, 2023 | \$ 7,500 | \$ 972 | \$ 865,268 | \$ 873,740 |
| March 31, 2023 | \$ 18,750 | \$ 26,748 | \$ 865,268 | \$ 910,766 |

Level 2 financial instruments includes warrants of public issuers.

Level 3 financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. The net change in unrealized gains are recognized in the consolidated statements of loss and comprehensive loss.

Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2.

Significant unobservable inputs used in the fair value measurement of Level 3 investments were:

| Description | Fair value at September 30, 2023 | Valuation-technique / unobservable input | % of Investments | Sensitivity to changes in significant unobservable inputs |
|---------------------------|----------------------------------|--|------------------|---|
| Unlisted private equities | \$ 865,268 | Recent financing activity | 99.0 | Additional recent financing activity |

| Description | Fair value at March 31, 2023 | Valuation-technique / unobservable input | % of Investments | Sensitivity to changes in significant unobservable inputs |
|---------------------------|------------------------------|--|------------------|---|
| Unlisted private equities | \$ 865,268 | Recent financing activity | 95.0 | Additional recent financing activity |

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For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- \$216,317 change in the total fair value of the investments (March 31, 2023 - \$216,317).

While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

6. INVENTORY

| | Sep 30, 2023 | Mar 31, 2023 |
|------------------|---------------------|---------------------|
| Raw materials | \$ 10,080 | \$ 18,109 |
| Packaging | 172,289 | 145,619 |
| Finished Goods | 730,317 | 577,521 |
| Inventory | \$ 912,686 | \$ 741,249 |

For the three and six months ended September 30, 2023, inventory recognized as an expense amounted to \$538,656 and \$1,217,237, respectively, (2022 - \$448,760 and \$944,661, respectively), which is included in cost of sales in the condensed interim consolidated statements of loss and comprehensive loss.

7. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Equipment | Leasehold improvement | Vehicle | Total |
|------------------------------------|------------------|------------------|----------------|--------------------------|---------------|------------------|
| Cost | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, March 31, 2022 | 40,000 | 2,487,169 | 460,099 | 24,645 | 34,356 | 3,046,269 |
| Acquisitions (Note 4) | - | - | 51,883 | - | 4,439 | 56,322 |
| Additions | 1,527,635 | 478,817 | 57,915 | - | - | 2,064,367 |
| Transfer | - | - | (10,799) | - | 10,799 | - |
| Disposal | - | - | - | (24,645) | - | (24,645) |
| Foreign currency adjustment | - | - | 25,974 | - | 5,157 | 31,131 |
| Balance, March 31, 2023 | 1,567,635 | 2,965,986 | 585,072 | - | 54,751 | 5,173,444 |
| Additions | - | 42,460 | 345,061 | - | - | 387,521 |
| Disposal | - | - | - | - | (32,656) | (32,656) |
| Foreign currency adjustment | - | - | (6,683) | - | (58) | (6,741) |
| Balance, September 30, 2023 | 1,567,635 | 3,008,446 | 923,450 | - | 22,037 | 5,521,568 |

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land | Buildings | Equipment | Leasehold improvement | Vehicle | Total |
|---------------------------------|-----------|-----------|-----------|-----------------------|----------|-----------|
| Accumulated Depreciation | | | | | | |
| Balance, March 31, 2022 | - | 71,474 | 64,913 | 24,645 | 7,939 | 168,971 |
| Transfer | - | - | (10,799) | - | 10,799 | - |
| Disposal | - | - | - | (24,645) | - | (24,645) |
| Depreciation | - | 98,821 | 109,980 | - | 9,575 | 218,376 |
| Foreign currency adjustment | - | - | (1,330) | - | 5,932 | 4,602 |
| Balance, March 31, 2023 | - | 170,295 | 162,764 | - | 34,245 | 367,304 |
| Disposal | - | - | - | - | (26,106) | (26,106) |
| Depreciation | - | 49,312 | 53,677 | - | 2,077 | 105,066 |
| Foreign currency adjustment | - | - | (5,156) | - | 368 | (4,788) |
| Balance, September 30, 2023 | - | 219,607 | 211,285 | - | 10,584 | 441,476 |
| Carrying amount | | | | | | |
| Balance, Mar 31, 2023 | 1,567,635 | 2,795,691 | 422,308 | - | 20,506 | 4,806,140 |
| Balance, Sep 30, 2023 | 1,567,635 | 2,788,839 | 712,165 | - | 11,453 | 5,080,092 |

For the three and six months ended September 30, 2023, depreciation expense related to property and equipment amounted to \$52,666 and \$105,066, respectively, (2022 - \$50,266 and \$102,368, respectively), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

As at September 30, 2023, buildings with a value of \$521,277 (March 31, 2023 - \$478,817) are under construction and not available for use and, as a result, no depreciation has been recorded against these assets.

8. INTANGIBLE ASSETS

| | Trade name | Customer relationships | Total |
|---------------------------------|------------|------------------------|----------|
| Cost | | | |
| | \$ | \$ | \$ |
| Balance, Mar 31, 2022 | 130,269 | 718,594 | 848,863 |
| Foreign currency adjustment | - | 44,332 | 44,332 |
| Balance, Mar 31, 2023 | 130,269 | 762,926 | 893,195 |
| Foreign currency adjustment | - | (20,953) | (20,953) |
| Balance, Sep 30, 2023 | 130,269 | 741,973 | 872,242 |
| Accumulated Amortization | | | |
| Balance, Mar 31, 2022 | 10,493 | 243,603 | 254,096 |
| Amortization | 32,567 | 235,901 | 268,468 |
| Foreign currency adjustment | - | 31,279 | 31,279 |
| Balance, Mar 31, 2023 | 43,060 | 510,783 | 553,843 |
| Amortization | 16,284 | 125,179 | 141,463 |
| Foreign currency adjustment | - | (16,598) | (16,598) |
| Balance, Sep 30, 2023 | 59,344 | 619,364 | 678,708 |
| Carrying amount | | | |
| Balance, Mar 31, 2023 | 87,209 | 252,143 | 339,352 |
| Balance, Sep 30, 2023 | 70,925 | 122,609 | 193,534 |

RED LIGHT HOLLAND CORP.**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and six months ended September 30, 2023 and 2022****8. INTANGIBLE ASSETS (continued)**

For the three and six months ended September 30, 2023, amortization expense related to intangible assets amounted to \$70,663 and \$141,463, respectively (2022 - \$64,948 and \$131,835, respectively), which are included in general and administrative expenses in the condensed interim consolidated statement of loss and comprehensive loss.

9. GOODWILL

The continuity of the Company's goodwill is summarized as follows:

| | \$ |
|-------------------------------------|-----------|
| Balance, March 31, 2022 | 722,992 |
| Additions upon acquisition (Note 4) | 940,372 |
| Impairment loss | (443,896) |
| Foreign currency adjustment | 95,066 |
| Balance, March 31, 2023 | 1,314,534 |
| Foreign currency adjustment | (28,437) |
| Balance, September 30, 2023 | 1,286,097 |

10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES

On March 19, 2023 the unsecured convertible promissory note payable due to the previous owner of SR Wholesale and in the amount of €300,000 became due. On March 31, 2023, this note was derecognized as a replacement debt instrument was issued to a new debenture holder pursuant to an assignment agreement, terms as outlined below. The derecognized note has a value of \$442,055 on the date of derecognition resulting in a loss on the change of in fair value of convertible debentures in the amount of \$56,712 during the year ended March 31, 2023.

On March 31, 2023, the Company entered into a debt settlement agreement in connection with the original unsecured convertible promissory note payable, resulting in the issuance of \$491,173 of secured debentures with a term of one year and due by March 31, 2024. The major terms of the debentures are as follows:

- (a) The principal amount of the debenture does not bear interest. Notwithstanding the foregoing, upon and from the date on which there occurs and event of default, which is continuing, the principal amount will bear interest at a rate of 22% per annum. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in units at the conversion price in effect on the date of such payment.
- (b) The debentures are convertible into Units of the Company at a conversion price of \$0.105 per Unit and will mature one year from the date of issuance. Each Unit consists of one common share of the Company and a $\frac{1}{4}$ warrant, with each whole warrant exercisable into one common share at a price of \$0.1575 until March 31, 2025. The debenture holder has the right, from time to time and at any time while any portion of the principal amount or any accrued and unpaid interest on the debenture is outstanding, to convert all or a portion of the outstanding principal and interest (if any) into common shares of the Company.
- (c) The convertible debentures are secured by way of a general and continuing interest in certain assets of the Company.
- (d) On closing, the Company issued to the purchasers of the convertible debentures 1,052,515 warrants (Note 16(f)). The warrants are exercisable for a period of two years from issuance into common shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of \$0.1575 per common share.

As a result of the contractual terms that may result in a potential adjustment to the exercise price of the warrants, the share purchase warrants have been accounted for as derivative liabilities. As a result of the fixed conversion price, the "fixed-for-fixed" condition was met resulting in the conversion feature being accounted for as an equity instrument. The effect is that the convertible debenture host debt instrument has been accounted for at amortized cost, with the warrant derivative liability being measured at fair value with changes in value being recorded in profit and loss.

As a result of the conversion feature being accounted for as an equity instrument, there is an equity portion of the convertible debenture recorded in the amount of \$113,614 as at September 30, 2023 (March 31, 2023 - \$135,985).

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10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES (continued)

| | Convertible debenture | Derivative liability: share purchase warrants | Total |
|---|--------------------------|--|-----------|
| Balance, Mar 31, 2022 | 385,440 | - | 385,440 |
| Change in fair value of convertible debenture | 56,615 | - | 56,615 |
| Derecognition of convertible debenture | (442,055) | - | (442,055) |
| Fair value on issuance | 306,812 | 48,376 | 355,188 |
| Transaction costs | (49,117) | - | (49,117) |
| Balance, Mar 31, 2023 | 257,695 | 48,376 | 306,071 |
| Interest accretion | 84,432 | - | 84,432 |
| Change in fair value of derivative liability | - | (27,368) | (27,368) |
| Balance, Sep 30, 2023 | 342,127 | 21,008 | 363,135 |

During the six months ended September 30, 2023, the Company issued 952,380 common shares and 238,095 warrants as a conversion of debentures with a value of \$15,979 and \$6,392, respectively.

11. CONTINGENT CONSIDERATION

| | Happy Caps \$ | AEM \$ | Minichamp \$ | Total \$ |
|--|------------------|-----------|-----------------|-------------|
| Balance, March 31, 2022 | 91,655 | 202,380 | - | 294,035 |
| Issued upon acquisition (Note 4) | - | - | 38,077 | 38,077 |
| Cash payment | (100,000) | - | - | (100,000) |
| Shares issued for contingent consideration | - | (250,000) | - | (250,000) |
| Change in fair value of contingent consideration | 158,345 | 47,620 | - | 205,965 |
| Balance, March 31, 2023 | 150,000 | - | 38,077 | 188,077 |
| Shares issued for contingent consideration | (150,000) | - | - | (150,000) |
| Balance, September 30, 2023 | - | - | 38,077 | 38,077 |

a) Contingent consideration issued in Happy Caps acquisition

The Company is required to make certain pro-rata earn-out payments, payable in shares and cash, to former shareholders of Happy Caps as additional purchase consideration. These payments are based on Happy Caps' ability to meet certain sales in unit targets, with a minimum gross margin requirement on products sold.

During the prior year ended March 31, 2023, upon achieving an average sale of over 1,000 units a week during any consecutive three-month span of Earn Out Period 2 and Earn Out Period 3, the Company was obliged to issue an additional \$150,000 worth of Red Light Shares. The shares issuable upon meeting this milestone had a deemed price per share equal to the 10-day VWAP of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares. During the six months ended September 30, 2023, the Company issued 1,543,208 Red Light Shares to satisfy this obligation.

As of September 30, 2023, all remaining earn out periods have expired, and therefore the Company has no further obligations of share payments or cash payments to the former shareholders of Happy Caps related to contingent consideration milestones.

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11. CONTINGENT CONSIDERATION (continued)

b) Contingent consideration issued in AEM acquisition

As of September 30, 2023, all remaining earn out periods have expired, and therefore the Company has no further obligations of share payments or cash payments to the former shareholders of AEM related to contingent consideration milestones.

c) Contingent consideration issued in Minichamp acquisition

As detailed in Note 4, the Company is required to make certain earn-out payments, payable in cash, to former shareholders of Minichamp as additional purchase consideration. These payments are based on operational milestones, specifically earnings before interest, tax, depreciation, and amortization (EBITDA), for the calendar years 2022, 2023 and 2024.

Upon Minichamp achieving an operational result, defined as EBITDA, in the amount of €144,101 for each of the individual calendar years 2022, 2023 and 2024, the Company will pay €33,333 in cash to the former shareholders of Minichamp. During the year ended March 31, 2023, the Company assessed the operational result of the calendar year ended December 31, 2022 and this condition was not met.

As of September 30, 2023, the earn out periods of the calendar years ending December 31, 2023 and 2024 remain, and the Company has potential future obligations of cash payments to the former shareholders of Minichamp on the above milestones.

The contingent consideration has been classified as financial liability as the potential future payments will be made in cash.

The fair value of the Minichamp contingent consideration is determined to be \$38,077 (March 31, 2023 - \$38,077). The Company used the monte carlo model to estimate the fair value of contingent consideration from the Minichamp acquisition. The key inputs included in the model are: (i) variability in EBITDA of 68.8%; (ii) discount rate of 19.1%; (iii) risk free rate of 3.8%. A +/- 25% change in the key assumptions would result in a change in fair value of \$9,519.

12. RIGHT OF USE ASSET

| | \$ |
|------------------------------------|-----------|
| Balance, March 31, 2022 | 202,066 |
| Additions - leases | 90,858 |
| Acquired upon acquisition (Note 4) | 387,686 |
| Depreciation | (143,197) |
| Foreign currency adjustment | 44,519 |
| Balance, March 31, 2023 | 581,932 |
| Depreciation | (92,911) |
| Foreign currency adjustment | (11,466) |
| Balance, September 30, 2023 | 477,555 |

For the three and six months ended September 30, 2023, depreciation expense related to right of use assets amounted to \$46,416 and \$92,911, respectively (2022 - \$28,971 and \$53,232, respectively), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

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13. LEASE LIABILITIES

| | \$ |
|------------------------------------|-----------|
| Balance, March 31, 2022 | 209,713 |
| Additions | 90,858 |
| Acquired upon acquisition (Note 4) | 387,686 |
| Interest expense | 33,869 |
| Lease payments | (164,163) |
| Foreign currency adjustment | 44,474 |
| Balance, March 31, 2023 | 602,437 |
| Interest expense | 21,725 |
| Lease payments | (110,686) |
| Foreign currency adjustment | (12,238) |
| Balance, September 30, 2023 | 501,238 |

| Allocated as: | Sep 30, 2023 | Mar 31, 2023 |
|----------------------|---------------------|---------------------|
| Current | 150,302 | 179,819 |
| Long term | 350,936 | 422,618 |
| Balance | 501,238 | 602,437 |

On April 1, 2022, the Company entered into a new lease for SR consisting of an office and warehouse facilities with an associated lease liability fair value of \$70,010. The lease term is until March 31, 2024 with a renewal option. The lease payments of €2,300 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

On February 1, 2023, the Company entered into a new lease for Happy Caps consisting of an office and warehouse facilities with an associated lease liability fair value of \$20,848. The lease term is until January 31, 2024. The lease payments of \$2,120 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada.

On August 1, 2022, through the acquisition of Wellness World, the Company assumed two leased premises consisting of two retail store locations and an associated lease liability fair value of \$190,606. The lease term for the Oss and Utrecht locations is until August 31, 2027 and July 31, 2027, respectively. The total lease payments of €3,000 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

On October 4, 2022, through the acquisition of Minichamp, the Company assumed a leased premise consisting of an office, production facility and warehouse and an associated lease liability fair value of \$197,080. The lease term for the premise is until July 31, 2025. The total lease payments of €3,000 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

For the three and six months ended September 30, 2023, interest and accretion expense related to lease liabilities amounted to \$10,425 and \$21,725, respectively (2022 - \$6,030 and \$10,700, respectively), which are included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss.

As at September 30, 2023, future minimum annual lease payments for premises and equipment are as follows:

| | \$ |
|----------------------|---------|
| 2024 | 150,302 |
| 2025 | 123,931 |
| 2026 | 110,506 |
| 2027 | 116,499 |
| Total lease payments | 501,238 |

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14. LOANS AND ADVANCES

The Company has recorded loans in the amount of \$905,059 which are unsecured, non-interest bearing with no specific terms of repayment. These are advances owing to the minority interest holders of AEM. \$590,404 of the advances originated prior to the acquisition of AEM and the remaining \$314,655 represent funds deposited by the minority interest holders post acquisition for the procurement of capital expenditures.

15. NON-CONTROLLING INTEREST

| | Happy Caps \$ | AEM \$ | Total \$ |
|--|------------------|-----------|-------------|
| Balance, March 31, 2022 | 111,841 | 569,229 | 681,070 |
| Net loss attributable to non-controlling interest | (132,783) | (269,670) | (402,453) |
| Balance, March 31, 2023 | (20,942) | 299,559 | 278,617 |
| Net profit (loss) attributable to non-controlling interest | (16,581) | (26,029) | (42,610) |
| Balance, September 30, 2023 | (37,523) | 273,530 | 236,007 |

16. CAPITAL STOCK

(a) *Share capital*

Authorized
 Unlimited number of common shares with no par value
 2,000,000 voting, convertible, redeemable, preference shares

Issued and Outstanding

Details of shares issued and outstanding are as follows:

| | Shares | Amount |
|---|--------------------|-------------------|
| Balance March 31, 2022 | 358,165,282 | 38,286,226 |
| Shares issued on acquisition of Wellness World (Note 4) | 1,423,963 | 117,649 |
| Shares issued on acquisition of Minichamp BV (Note 4) | 981,466 | 73,105 |
| Shares issued for contingent consideration (Note 11) | 957,853 | 250,000 |
| Shares issued for services (i) (ii) | 13,625,731 | 1,025,000 |
| Shares issued on exercise of RSUs (Note 16(e)) | 5,604,559 | 1,374,492 |
| Shares issued on exercise of options (v) | 833,333 | 93,213 |
| Shares issued for a legal retainer (iv) | 6,300,000 | 567,000 |
| Balance, March 31, 2023 | 387,892,187 | 41,786,685 |
| Shares issued for contingent consideration (Note 11) | 1,543,208 | 150,000 |
| Shares issued on conversion of debentures (Note 10) | 952,380 | 15,979 |
| Shares issued on exercise of RSUs (Note 16(e)) | 3,159,305 | 301,166 |
| Shares issued on exercise of warrants (vii) | 200,000 | 22,371 |
| Shares issued on exercise of options (vi) | 1,500,000 | 167,783 |
| Share purchased through normal course issuer bid (viii) | (212,000) | (15,260) |
| Balance, September 30, 2023 | 395,035,080 | 42,428,724 |

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16. CAPITAL STOCK (continued)

- (i) During the year ended March 31, 2023, the Company issued 13,333,334 common shares to certain consultants of the Company in accordance with an IP agreement related to future marketing and branding commitments which have been recorded to prepaid expenses and deposits in the amount of \$1,000,000.
- (ii) During the year ended March 31, 2023, the Company issued 292,397 common shares in relation to a consulting service agreement. The shares issued were measured based on the fair value of shares issued on the issuance date in the amount of \$25,000.
- (iii) During the year ended March 31, 2023, the Company issued 1,423,963 common shares pursuant to the acquisition of Wellness World and 981,466 common shares pursuant to the acquisition of Minichamp (Note 4).
- (iv) During the year ended March 31, 2023, the Company issued 6,300,000 common shares in lieu of a legal retainer. The shares issued were measured based on the fair value of legal services to be received in the amount of \$567,000.
- (v) During the year ended March 31, 2023, 833,333 options were exercised for proceeds of \$50,000. The options had a recorded value of \$43,213. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (vi) During the six months ended September 30, 2023, 1,500,000 options were exercised for proceeds of \$90,000. The options had a recorded value of \$77,783. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (vii) During the six months ended September 30, 2023, 200,000 warrants were exercised for proceeds of \$12,000. The warrants had a recorded value of \$10,371. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (viii) During the six months ended September 30, 2023, 212,000 shares with an acquired value of \$15,260 were repurchased and cancelled through a normal course issuer bid.

On June 27, 2023 the Company's Board of Directors authorized the repurchase under a normal course issuer bid ("NCIB") of up to 19,762,354 common shares in the capital of the Company from time to time over the next 12 months, through the facilities of the Canadian Securities Exchange or alternative trading systems, at prevailing market prices in order to allow the Company to use its excess cash reserves to strategically return value to shareholders. Purchases under the NCIB may commence as of July 4, 2023 and will end on the earlier of: (i) July 24, 2024; or (ii) the date on which the Company has purchased the maximum number of common shares to be acquired under the NCIB. The Company may terminate the NCIB earlier if it feels it is appropriate to do so.

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 39,503,508 common shares.

On May 10, 2022, the Company issued 300,000 stock options to a consultant exercisable at \$0.090 per share and expire three years from the date of issuance. 1/2 of the options vest on May 10, 2023 and the remainder vest on May 10, 2024. The options were valued at \$23,468 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 2.67%.

On June 29, 2022, the Company issued 400,000 stock options to consultants exercisable at \$0.075 per share and expire five years from the date of issuance. 1/2 of the options vest on June 29, 2023 and the remainder vest on June 29, 2024. The options were valued at \$28,491 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 175%; Interest rate – 3.14%.

On April 24, 2023, the Company issued 14,800,000 stock options to directors, officers and consultants exercisable at \$0.100 per share and expire five years from the date of issuance. 1/3 of the options vest upon the grant date, 1/3 on April 24, 2024 and the remainder vest on April 24, 2025. The options were valued at \$1,119,648 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

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16. CAPITAL STOCK (continued)

On April 24, 2023, the Company issued 1,200,000 stock options to consultants exercisable at \$0.100 per share and expire three years from the date of issuance. 1/6 of the options vest upon each three month anniversary of the grant date. The options were valued at \$76,119 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 100%; Interest rate – 3.6%. On October 10, 2023 these stock options were cancelled due to the termination of the consulting agreement and the related vesting of the options ceased on that date.

On April 24, 2023, the Company issued 2,135,000 stock options to employees and consultants exercisable at \$0.100 per share and expire five years from the date of issuance. The options fully vested upon the grant date. The options were valued at \$161,517 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

The following table reflects the continuity of options for the six months ended September 30, 2023 and the year ended March 31, 2023:

| | Options # | Amount \$ | Weighted Average Exercise Price \$ |
|-----------------------------|--------------|--------------|---|
| Balance, March 31, 2022 | 16,900,000 | 2,950,763 | 0.12 |
| Exercised | (833,333) | (43,213) | 0.06 |
| Expired | (1,000,000) | - | 0.38 |
| Granted | 700,000 | 644,395 | 0.08 |
| Balance, March 31, 2023 | 15,766,667 | 3,551,945 | 0.11 |
| Exercised | (1,500,000) | (77,783) | 0.06 |
| Expired | (3,650,000) | - | 0.08 |
| Cancelled | (1,200,000) | - | 0.10 |
| Granted | 18,135,000 | 1,357,284 | 0.10 |
| Balance, September 30, 2023 | 27,551,667 | 4,831,446 | 0.11 |

As at September 30, 2023, the weighted average remaining life of the outstanding stock options was 3.6 years (March 31, 2023 – 1.4 years). Of the outstanding options, 16,835,000 (March 31, 2023 – 14,300,000) were fully vested, exercisable, and had a weighted average remaining useful life of 3.0 years (March 31, 2023 – 1.3 years).

The following table reflects the continuity of options for the six months ended September 30, 2023:

| Expiry Date | Exercise Price | Opening Balance | Options Granted | Options Exercised | Number of Options | | Closing Balance |
|--------------|----------------|-----------------|-----------------|-------------------|-------------------|-------------------|-----------------|
| | | | | | Options Expired | Options Cancelled | |
| May 27, 2025 | \$0.06 | 1,666,667 | - | - | - | - | 1,666,667 |
| May 27, 2023 | \$0.06 | 2,950,000 | - | (1,500,000) | (1,450,000) | - | - |
| May 23, 2023 | \$0.06 | 1,000,000 | - | - | (1,000,000) | - | - |
| Jun 10, 2023 | \$0.15 | 350,000 | - | - | (350,000) | - | - |
| Jun 24, 2023 | \$0.105 | 500,000 | - | - | (500,000) | - | - |
| Jul 16, 2023 | \$0.085 | 150,000 | - | - | (150,000) | - | - |
| Dec 1, 2023 | \$0.10 | 200,000 | - | - | - | - | 200,000 |
| Dec 30, 2023 | \$0.315 | 250,000 | - | - | - | - | 250,000 |
| Mar 4, 2024 | \$0.32 | 200,000 | - | - | - | - | 200,000 |
| Sep 13, 2023 | \$0.25 | 200,000 | - | - | (200,000) | - | - |
| Nov 2, 2024 | \$0.185 | 1,000,000 | - | - | - | - | 1,000,000 |
| Mar 7, 2025 | \$0.12 | 6,600,000 | - | - | - | - | 6,600,000 |
| May 10, 2024 | \$0.09 | 300,000 | - | - | - | - | 300,000 |
| Jun 29, 2027 | \$0.075 | 400,000 | - | - | - | - | 400,000 |
| Apr 24, 2026 | \$0.10 | - | 1,200,000 | - | - | (1,200,000) | - |
| Apr 24, 2028 | \$0.10 | - | 16,935,000 | - | - | - | 16,935,000 |
| | | 15,766,667 | 18,135,000 | (1,500,000) | (3,650,000) | (1,200,000) | 27,551,667 |

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16. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the year ended March 31, 2023:

| Expiry Date | Exercise Price | Opening Balance | Options Granted | Number of Options | | | Closing Balance |
|--------------|----------------|-----------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | | | | Options Exercised | Options Expired | Options Forfeited | |
| May 27, 2025 | \$0.06 | 2,500,000 | - | (833,333) | - | - | 1,666,667 |
| May 27, 2023 | \$0.06 | 2,950,000 | - | - | - | - | 2,950,000 |
| May 23, 2023 | \$0.06 | 1,000,000 | - | - | - | - | 1,000,000 |
| Jun 10, 2023 | \$0.15 | 350,000 | - | - | - | - | 350,000 |
| Jun 24, 2023 | \$0.105 | 500,000 | - | - | - | - | 500,000 |
| Jul 16, 2023 | \$0.085 | 150,000 | - | - | - | - | 150,000 |
| Dec 1, 2023 | \$0.10 | 200,000 | - | - | - | - | 200,000 |
| Dec 30, 2023 | \$0.315 | 250,000 | - | - | - | - | 250,000 |
| Mar 4, 2024 | \$0.32 | 200,000 | - | - | - | - | 200,000 |
| Mar 18, 2023 | \$0.38 | 1,000,000 | - | - | (1,000,000) | - | - |
| Sep 13, 2023 | \$0.25 | 200,000 | - | - | - | - | 200,000 |
| Nov 2, 2024 | \$0.185 | 1,000,000 | - | - | - | - | 1,000,000 |
| Mar 7, 2025 | \$0.12 | 6,600,000 | - | - | - | - | 6,600,000 |
| May 10, 2024 | \$0.09 | - | 300,000 | - | - | - | 300,000 |
| Jun 29, 2027 | \$0.075 | - | 400,000 | - | - | - | 400,000 |
| | | 16,900,000 | 700,000 | (833,333) | (1,000,000) | - | 15,766,667 |

For the three and six months ended September 30, 2023, \$154,370 and \$1,066,309, respectively, has been recorded as share based payments (2022 - \$91,456 and \$429,286, respectively) in the condensed interim consolidated statements of loss and comprehensive loss.

(c) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of \$8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors.

There were no purchases under the ESPP for the six months ended September 30, 2023 and 2022.

(d) *Loss per share data*

The effect of outstanding common share purchase options, RSUs, warrants and convertible debentures on the net loss for the six months ended September 30, 2023 and 2022 presented is not reflected as to do so would be anti-dilutive.

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16. CAPITAL STOCK (continued)

(e) *Restricted share units ("RSU's")*

Pursuant to the RSU Plan, RSU's were granted to officers, directors and consultants as follows:

For the six months ended September 30, 2023

| Position | # Granted | Grant Date | Vesting | FMV | \$ |
|------------|------------------|--------------|-----------------------------|------|----------------|
| Director | 2,700,000 | Apr 24, 2023 | 1/3 grant; 1/3 1yr; 1/3 2yr | 0.10 | 270,000 |
| Director | 1,500,000 | Apr 24, 2023 | 1/3 grant; 1/3 1yr; 1/3 2yr | 0.10 | 150,000 |
| Director | 750,000 | Apr 24, 2023 | 1/3 grant; 1/3 1yr; 1/3 2yr | 0.10 | 75,000 |
| Consultant | 1,000,000 | Apr 24, 2023 | 1/2 grant; 1/4 1yr; 1/4 2yr | 0.10 | 100,000 |
| Consultant | 25,000 | Apr 24, 2023 | Upon grant | 0.10 | 2,500 |
| | <u>5,975,000</u> | | | | <u>597,500</u> |

For the year ended March 31, 2023

| Position | # Granted | Grant Date | Vesting | FMV | \$ |
|------------|------------------|--------------|--|-------|----------------|
| Consultant | 246,774 | Dec 12, 2022 | Upon grant | 0.085 | 20,976 |
| Consultant | 1,312,460 | Dec 12, 2022 | 25% upon grant; then over 3 months | 0.085 | 111,559 |
| Consultant | 238,709 | Dec 12, 2022 | Upon grant | 0.085 | 20,290 |
| Consultant | 300,000 | Dec 12, 2022 | 33% upon grant; then at 6, 12, 18 months | 0.085 | 25,500 |
| Consultant | 111,593 | Dec 12, 2022 | Upon grant | 0.085 | 9,485 |
| Consultant | 251,288 | Dec 12, 2022 | Over 5 months | 0.085 | 21,359 |
| Consultant | 164,096 | Dec 12, 2022 | Upon grant | 0.085 | 13,948 |
| | <u>2,624,920</u> | | | | <u>223,117</u> |

| | # | \$ |
|----------------------------|-------------|-------------|
| Balance, March 31, 2022 | 6,907,116 | 2,075,540 |
| Granted | 2,624,920 | 197,575 |
| Vested | (6,556,520) | (1,457,240) |
| Forfeited | (2,675,000) | (815,875) |
| Balance, March 31, 2023 | 300,516 | - |
| Granted | 5,975,000 | 597,500 |
| Vested | (2,342,183) | (231,710) |
| Balance September 30, 2023 | 3,933,333 | 365,790 |

During the six months ended September 30, 2023, 3,159,305 RSU's were exercised into common shares of which 2,175,000 RSU's vested in the current period and the remaining 984,305 RSU's were vested as at March 31, 2023 and held as shares to be issued.

As at September 30, 2023, 317,955 RSU's (March 31, 2023 – 1,135,077 RSU's) valued at \$27,027 (March 31, 2023 - \$96,482) remained vested but unexercised and held as shares to be issued.

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16. CAPITAL STOCK (continued)

(f) *Warrants:*

| | Warrants # | Amount \$ | Weighted Average Exercise Price \$ |
|-----------------------------|---------------|--------------|---|
| Balance, March 31, 2022 | 76,968,127 | 10,701,239 | 0.47 |
| Issued | 1,052,514 | - | - |
| Balance, March 31, 2023 | 78,020,641 | 10,701,239 | 0.46 |
| Issued | 238,095 | 6,392 | 0.16 |
| Exercised | (200,000) | (10,371) | 0.06 |
| Expired | (1,100,000) | - | - |
| Balance, September 30, 2023 | 76,958,736 | 10,697,260 | 0.47 |

As at September 30, 2023, warrants outstanding were as follows:

| Warrants Outstanding and Exercisable | | | |
|---|-----------------------|---------------------------|---|
| Expiry Date | Exercise Price | Number of Warrants | Average Remaining Contractual Life (Years) |
| February 24, 2024 | \$0.70 | 26,450,000 | 0.40 |
| February 24, 2024 | \$0.44 | 1,804,705 | 0.40 |
| June 8, 2024 | \$0.26 | 1,272,727 | 0.69 |
| June 16, 2024 | \$0.26 | 1,579,346 | 0.71 |
| July 16, 2024 | \$0.26 | 5,541,060 | 0.79 |
| July 28, 2024 | \$0.38 | 37,983,600 | 0.83 |
| July 28, 2024 | \$0.26 | 1,036,689 | 0.83 |
| March 31, 2025 | \$0.16 | 1,290,609 | 1.50 |
| | | 76,958,736 | 0.67 |

As at March 31, 2023, warrants outstanding were as follows:

| Warrants Outstanding and Exercisable | | | |
|---|-----------------------|---------------------------|---|
| Expiry Date | Exercise Price | Number of Warrants | Average Remaining Contractual Life (Years) |
| May 27, 2023 | \$0.06 | 1,300,000 | 0.16 |
| February 24, 2024 | \$0.70 | 26,450,000 | 0.90 |
| February 24, 2024 | \$0.44 | 1,804,705 | 0.90 |
| June 8, 2024 | \$0.26 | 1,272,727 | 1.19 |
| June 16, 2024 | \$0.26 | 1,579,346 | 1.21 |
| July 16, 2024 | \$0.26 | 5,541,060 | 1.29 |
| July 28, 2024 | \$0.38 | 37,983,600 | 1.33 |
| July 28, 2024 | \$0.26 | 1,036,689 | 1.33 |
| March 31, 2025 | - | 1,052,514 | 2.00 |
| | | 78,020,641 | 1.16 |

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17. REVENUE

| | Three months ended September 30, | | Six months ended September 30, | |
|--------------------------|-------------------------------------|---------|-----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Wholesale product sales | 501,614 | 451,432 | 1,176,003 | 1,008,469 |
| Wholesale mushroom sales | 168,696 | 152,622 | 401,331 | 280,851 |
| Mushroom grow kit sales | 212,316 | 76,224 | 425,319 | 175,928 |
| Retail sales | 100,698 | 56,150 | 176,483 | 56,150 |
| Other | - | - | 5,866 | 116 |
| | 983,324 | 736,428 | 2,185,002 | 1,521,514 |

18. CAPITAL MANAGEMENT

The Company considers share capital and equity reserves as capital. The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times. The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) raising capital through the issuance of securities, and (ii) financing capital expenditures through leases.

19. PROVISIONS, COMMITMENTS AND CONTINGENCIES

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these condensed interim consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial assets and financial liabilities

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest rate, currency or credit risks arising from its financial instruments. The fair values of the Company's financial assets and financial liabilities approximate their carrying amounts due to their imminent or short-term maturity.

Other price risk

The Company is exposed to price risk through its investments in publicly traded and private marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by \$87,374.

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The fair value measurement of convertible debentures is impacted by market interest rates. As a result, the Company is exposed to interest rate movements, which impact the fair value of the Company's outstanding promissory note.

Foreign exchange risk

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

The Company's functional and reporting currency is the Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH NL, RL Farms, SR Wholesale, Minichamp and Wellness World operate.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than the Canadian dollar. As at September 30, 2023, the Company has \$2,579,113 of net assets and liabilities that are denominated in currencies other than Canadian dollar. A 10% change in the value of net assets and liabilities that are denominated in currencies other than the Canadian dollar as a result in changes in foreign exchange rates would change the Company's net loss by \$257,911.

Liquidity risk

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company manages liquidity risk by reviewing the amount of cash available to ensure that it can meet its current obligations.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at September 30, 2023:

| Liabilities and obligations | Total contractual payments | Payments due by period | | |
|--|----------------------------|------------------------|-----------|-----------|
| | | < 1 year | 1-3 years | 4-5 years |
| Accounts payable and accrued liabilities | 1,330,867 | 1,330,867 | - | - |
| Loans and advances | 905,059 | 905,059 | - | - |
| Lease liability | 576,834 | 183,853 | 274,384 | 118,597 |
| Convertible debenture | 391,173 | 391,173 | - | - |
| | 3,203,933 | 2,810,952 | 274,384 | 118,597 |

The following table shows the breakdown of the Company's accounts payable and accrued liabilities:

| | September 30, 2023 | March 31, 2023 |
|---------------------------------|--------------------|----------------|
| Accounts payable | \$ 773,057 | \$ 623,504 |
| Professional fee accruals | 166,228 | 282,122 |
| Consulting and payroll accruals | 87,140 | 75,791 |
| Other accruals | 304,442 | 310,916 |
| | \$ 1,330,867 | \$ 1,292,333 |

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents, marketable securities, accounts receivable, and sales tax receivable.

The Company has trade accounts receivable from customers, and sales tax receivable. The Company's credit risk arises from the possibility that a counterpart which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. These specific customers may be affected by economic factors and government and legal factors which may impact accounts receivable. Credit risk for accounts receivable is assessed on a case-by-case basis and a provision is recorded where required. As of September 30, 2023, the Company estimated expected credit losses to be \$51,926 (March 31, 2023 - \$49,123).

Accounts receivable aging is as follows:

| | September 30, 2023 | March 31, 2023 |
|-----------------------|-------------------------------|---------------------------|
| Current | \$ 254,530 | \$ 378,109 |
| 30 to 60 Days Overdue | 77,381 | 128,088 |
| 60 to 90 Days Overdue | 29,686 | 2,831 |
| Over 90 Days Overdue | 76,161 | 9,118 |
| | \$ 437,758 | \$ 518,146 |

The Company's credit risk is primarily attributable to accounts receivable and sales tax receivable. The Company has no significant concentration of credit risk arising from operations. Cash and marketable securities are held with reputable financial institutions and cash held with a law firm, from which management believes the risk of loss to be remote.

21. RELATED PARTY TRANSACTIONS

During the three and six months ended September 30, 2023 and 2022, compensation, paid or payable, to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|-----------------|---|----------------|---|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Salary | 172,500 | 167,500 | 531,250 | 251,667 |
| Consulting fees | 61,717 | 88,011 | 144,165 | 244,094 |
| Car allowances | 3,300 | 3,300 | 6,600 | 6,600 |
| Other | 9,000 | 6,600 | 17,200 | 253,950 |
| | 246,517 | 265,411 | 699,215 | 756,311 |

During the six months ended September 30, 2022, payments relating to the tax impact of certain executive management personnel electing to receive vested RSUs on a net of tax basis, resulting in the expense and remittance of related tax withholdings in the amount of \$240,750, were included in general and administrative expenditures in the condensed interim consolidated statement of loss and comprehensive loss and recorded in other in the above table.

As at September 30, 2023, \$54,280 (March 31, 2023 - \$17,937) was due to related parties and included in accounts payable and accrued liabilities.

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21. RELATED PARTY TRANSACTIONS (continued)

Equity Transactions

Shares issued during the six months ended September 30, 2023 and 2022 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

- a) On April 24, 2023, the Company issued 4,950,000 RSU's to directors of the Company (Note 16).
- b) The Company issued the following stock options to directors and officers of the Company (see note 16(b)).

| Option Grant Date | Options Granted # | Option Value \$ |
|-------------------|----------------------|--------------------|
| April 24, 2023 | 13,550,000 | 1,025,083 |

22. GENERAL AND ADMINISTRATIVE

| | Three months ended September 30, | | Six months ended September 30, | |
|--|-------------------------------------|-----------|-----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Advertising and promotions | 71,175 | 46,774 | 115,820 | 108,444 |
| Amortization and depreciation | 169,745 | 144,185 | 339,440 | 287,435 |
| Consulting and management fees | 202,469 | 228,578 | 415,802 | 540,551 |
| Investor and public relations | 5,563 | 9,795 | 12,810 | 26,100 |
| Legal, audit and other professional fees | 226,116 | 250,811 | 367,132 | 302,924 |
| Office and general | 311,250 | 272,594 | 679,712 | 487,371 |
| Payroll | 451,354 | 346,557 | 1,040,824 | 787,789 |
| Regulatory | 12,396 | 6,659 | 33,965 | 14,000 |
| | 1,450,068 | 1,305,953 | 3,005,505 | 2,554,614 |

23. INCOME TAXES

| | Three months ended September 30, | | Six months ended September 30, | |
|--------------------------------|-------------------------------------|----------|-----------------------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Current tax (recovery) expense | (1,274) | 122 | 10,547 | 16,150 |
| Deferred tax recovery | (17,659) | (32,696) | (40,315) | (103,479) |
| Total income tax recovery | (18,933) | (32,574) | (29,768) | (87,329) |

24. SEGMENT INFORMATION

The Company's results are reported by geographical business units that operate in different countries. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. These segments reflect how the Company manages its business and how management classifies operations for planning and measuring performance.

The CODM considered RLH Netherlands BV, SR, RLH Farms, Minichamp and Wellness World as one operating segment (all reside in Netherland), Red Light Holland (Subco 1) Inc., Red Light Holland (Subco 2) Inc. AEM and Happy Caps as one operating segment (all reside in Canada), Radix and Red Light Acquisitions Inc. as one operating segment (both reside in the United States).

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three and six months ended September 30, 2023 and 2022

24. SEGMENT INFORMATION (continued)

The following tables present financial information by segment for the three and six months ended September 30, 2023 and 2022 and as at September 30, 2023 and March 31, 2023:

| Revenue for the period ended | Three months ended Sep 30, | | Six months ended Sep 30, | |
|------------------------------|----------------------------|------------|--------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Netherlands | \$ 720,346 | \$ 507,582 | \$ 1,502,641 | \$ 1,064,619 |
| Canada | 262,978 | 228,846 | 677,201 | 456,895 |
| USA | - | - | 5,160 | - |
| | \$ 983,324 | \$ 736,428 | \$ 2,185,002 | \$ 1,521,514 |

| Comprehensive loss for the period ended | Three months ended Sep 30, | | Six months ended Sep 30, | |
|---|----------------------------|--------------|--------------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Canada | \$ 1,023,066 | \$ 1,170,043 | \$ 2,749,924 | \$ 2,662,530 |
| USA | 103,382 | 58,362 | 240,203 | 127,701 |
| Netherlands | 3,946 | 75,981 | 64,562 | 80,926 |
| | \$ 1,130,394 | \$ 1,304,386 | \$ 3,054,689 | \$ 2,871,157 |

| Total assets as at | September 30, | March 31, |
|--------------------|---------------|---------------|
| | 2023 | 2023 |
| Canada | \$ 24,839,404 | \$ 26,490,488 |
| Netherlands | 3,274,760 | 3,525,412 |
| USA | 81,563 | 127,383 |
| | \$ 28,195,727 | \$ 30,143,283 |

| Total liabilities as at | September 30, | March 31, |
|-------------------------|---------------|--------------|
| | 2023 | 2023 |
| Canada | \$ 2,827,327 | \$ 2,813,545 |
| Netherlands | 777,210 | 857,711 |
| USA | - | 129,197 |
| | \$ 3,604,537 | \$ 3,800,453 |