

RED LIGHT HOLLAND CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2024 AND 2023**

(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, 2024 and March 31, 2024

| | September 30, 2024 | March 31, 2024 |
|---|-----------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 12,023,788 | \$ 14,172,324 |
| Restricted cash (Note 12) | 762,500 | 200,000 |
| Accounts receivable (Note 17) | 995,253 | 524,410 |
| Sales tax receivable (Note 22) | 805,729 | 515,197 |
| Prepaid expenses and deposits (Note 14(a)) | 458,494 | 778,901 |
| Inventory (Note 5) | 874,057 | 874,265 |
| TOTAL CURRENT ASSETS | 15,919,821 | 17,065,097 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment (Note 6) | 5,604,541 | 5,267,580 |
| Marketable securities – long term (Note 4) | 1,023,141 | 1,023,141 |
| Right of use asset (Note 10) | 405,005 | 394,405 |
| Intangible assets (Note 7) | 38,357 | 54,641 |
| Goodwill (Note 8) | 279,096 | 279,096 |
| TOTAL ASSETS | \$ 23,269,961 | \$ 24,083,960 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 17) | \$ 1,413,138 | \$ 1,682,036 |
| Loans and advances (Note 12) | 1,105,059 | 905,059 |
| Convertible debenture (Note 9) | 345,494 | 391,173 |
| Income tax payable | 44,063 | 2,236 |
| Derivative liability (Note 9) | 9,971 | 9,971 |
| Lease liability – current portion (Note 11) | 196,183 | 128,790 |
| TOTAL CURRENT LIABILITIES | 3,113,907 | 3,119,265 |
| NON-CURRENT LIABILITIES | | |
| Lease liability (Note 11) | 235,257 | 291,084 |
| Deferred tax liability (Note 20) | 380,754 | 411,309 |
| TOTAL NON-CURRENT LIABILITIES | 616,011 | 702,393 |
| TOTAL LIABILITIES | 3,729,918 | 3,821,658 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 14(a)) | 43,093,021 | 42,439,190 |
| Shares to be issued (Note 14(a)) | 17,002 | 32,694 |
| Equity portion of convertible debenture (Note 9) | 147,527 | 113,614 |
| Warrants (Note 14(f)) | 11,017,314 | 10,697,260 |
| Contributed surplus | 5,216,060 | 4,927,822 |
| Non-controlling interest (Note 13) | 211,428 | 192,107 |
| Accumulated other comprehensive (loss) income | (15,368) | 17,086 |
| Accumulated deficit | (40,146,941) | (38,157,471) |
| TOTAL SHAREHOLDERS' EQUITY | 19,540,043 | 20,262,302 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 23,269,961 | \$ 24,083,960 |
| NATURE OF OPERATIONS (Note 1) | | |
| PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 16) | | |
| SUBSEQUENT EVENTS (Note 22) | | |

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, 2024 and 2023

| | Three months ended September 30, | | Six months ended September 30, | |
|--|-------------------------------------|----------------|-----------------------------------|----------------|
| | 2024 | 2023 | 2024 | 2023 |
| REVENUE (Note 15) | \$ 1,367,739 | \$ 983,324 | \$ 2,926,518 | \$ 2,185,002 |
| COST OF SALES (Note 5) | 815,808 | 538,656 | 1,749,914 | 1,217,237 |
| GROSS PROFIT | 551,931 | 444,668 | 1,176,604 | 967,765 |
| OPERATING EXPENSES | | | | |
| General and administrative (Note 18 and 19) | 1,434,309 | 1,450,068 | 2,954,786 | 3,005,505 |
| Share based payments (Note 14(b)) | - | 154,370 | 733,905 | 1,066,309 |
| Interest expense | 46,246 | 60,329 | 82,118 | 106,804 |
| Research | 13,989 | 16,062 | 24,912 | 46,086 |
| | 1,494,544 | 1,680,829 | 3,795,721 | 4,224,704 |
| LOSS BEFORE OTHER ITEMS AND TAXES | (942,613) | (1,236,161) | (2,619,117) | (3,256,939) |
| OTHER ITEMS | | | | |
| Reversal of provision for sales taxes | 163,249 | - | 163,249 | - |
| Unrealized loss in fair value of marketable securities (Note 4) | - | (1,534) | - | (37,026) |
| Gain on termination of contract (Note 17) | - | - | 161,924 | - |
| Contract termination fee (Note 17) | - | - | (171,883) | - |
| Realized gain on sale of property, plant and equipment | - | - | - | 13,138 |
| Foreign exchange (loss) gain | (2,432) | (3,693) | (9,004) | 1,973 |
| Change in fair value of equity portion of convertible debenture | - | (35,955) | - | - |
| Change in fair value of derivative liability (Note 9) | - | 13,641 | - | 27,368 |
| Change in fair value of call option | - | - | - | (28,110) |
| Change in fair value of convertible debenture | - | - | 113,615 | - |
| Interest income | 179,731 | 136,551 | 316,403 | 264,242 |
| NET LOSS BEFORE TAXES | (602,065) | (1,127,151) | (2,044,813) | (3,015,354) |
| Recovery of income taxes (Note 20) | 11,610 | 18,933 | 3,980 | 29,768 |
| NET LOSS | (590,455) | (1,108,218) | (2,040,833) | (2,985,586) |
| NET LOSS ATTRIBUTABLE TO: | | | | |
| Shareholders of Red Light Holland Corp. | (566,195) | (1,066,946) | (1,989,470) | (2,942,976) |
| Non-controlling Interests (Note 13) | (24,260) | (41,272) | (51,363) | (42,610) |
| NET LOSS | (590,455) | (1,108,218) | (2,040,833) | (2,985,586) |
| Foreign currency translation | (32,454) | (22,176) | (32,454) | (69,103) |
| COMPREHENSIVE LOSS | \$ (622,909) | \$ (1,130,394) | \$ (2,073,287) | \$ (3,054,689) |
| LOSS PER SHARE – Basic and diluted (Note 14(d)) | \$ (0.00) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 14(d)) | 399,766,656 | 395,166,917 | 398,838,789 | 394,060,705 |

Directors on November 29, 2024

"Todd Shapiro"
CEO & Director

"Binyomin Posen"
Director

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, 2024 and 2023

| | 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, 2024 | 393,785,080 | 42,439,190 | 32,694 | 113,614 | 10,697,260 | 4,927,822 | 192,107 | 17,086 | (38,157,471) | 20,262,302 |
| Shares issued on previously vested RSUs | 2,151,288 | 21,359 | (21,359) | - | - | - | - | - | - | - |
| Shares to be issued on vested RSUs | - | 190,000 | 5,667 | - | - | (195,667) | - | - | - | - |
| Shares issued on conversion of debentures (Note 9) | 1,666,666 | 100,000 | - | - | - | - | - | - | - | 100,000 |
| Shares and warrants issued in connection with convertible debentures (Note 9) | 2,375,000 | 92,472 | - | 33,913 | 320,054 | - | - | - | - | 446,439 |
| Share based compensation | 957,853 | 250,000 | - | - | - | 483,905 | - | - | - | 733,905 |
| Acquisition of non-controlling interest (Note 13) | - | - | - | - | - | - | 70,684 | - | - | 70,684 |
| Net loss and comprehensive loss | - | - | - | - | - | - | (51,363) | (32,454) | (1,989,470) | (2,073,287) |
| Balance, September 30, 2024 | 400,935,887 | 43,093,021 | 17,002 | 147,527 | 11,017,314 | 5,216,060 | 211,428 | (15,368) | (40,146,941) | 19,540,043 |
| 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 14(e)) | 3,159,305 | 301,166 | (69,455) | - | - | (231,711) | - | - | - | - |
| Exercise of warrants (Note 14(f)) | 200,000 | 22,371 | - | - | (10,371) | - | - | - | - | 12,000 |
| Exercise of stock options (Note 14(b)) | 1,500,000 | 167,783 | - | - | - | (77,783) | - | - | - | 90,000 |
| Shares issued for contingent consideration | 1,543,208 | 150,000 | - | - | - | - | - | - | - | 150,000 |
| Shares and warrants issued on conversion of debentures (Note 9) | 952,380 | 15,979 | - | (22,371) | 6,392 | - | - | - | - | - |
| Shares purchased and cancelled under normal course issuer bid (Note 14) | (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) | 25,591,190 |

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, 2024 and 2023

| | 2024 | 2023 |
|---|----------------------|----------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (2,040,833) | \$ (2,985,586) |
| Items not affecting cash: | | |
| Amortization and depreciation (Note 6, 7, 9 and 10) | 439,207 | 339,440 |
| Share based payments (Note 14) | 733,905 | 1,066,309 |
| Unrealized change in fair value of marketable securities (Note 4) | - | 37,026 |
| Change in fair value of convertible debenture (Note 9) | (113,614) | - |
| Change in fair value of derivative liability (Note 9) | - | (27,368) |
| Change in fair value of call option | - | 28,110 |
| Gain on termination of contract (Note 17) | (161,924) | - |
| Gain on sale of property, plant and equipment | - | (13,043) |
| Interest and accretion | 77,135 | 106,157 |
| Deferred tax gains (Note 20) | (30,555) | (40,315) |
| Movements in working capital: | | |
| Accounts receivable | (495,904) | 80,388 |
| Sales tax receivable | (290,532) | (187,109) |
| Income tax receivable | 41,827 | 53,962 |
| Inventory | 208 | (171,437) |
| Prepaid expenses and deposits | 320,407 | (21,038) |
| Accounts payable and accrued liabilities | (11,231) | 38,534 |
| Cash flows used in operating activities | (1,531,903) | (1,695,970) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Proceeds from sale of property, plant and equipment | - | 19,593 |
| Acquisition of property, plant and equipment (Note 6) | (453,404) | (387,521) |
| Cash flows used in investing activities | (453,404) | (367,928) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Exercise of warrants | - | 12,000 |
| Exercise of options | - | 90,000 |
| Proceeds from convertible debentures | 358,826 | - |
| Shares purchased under normal issuer course bid (note 14) | - | (15,260) |
| Loan proceeds | 200,000 | - |
| Lease payments (Note 11) | (123,356) | (110,686) |
| Cash flows from (used in) financing activities | 435,470 | (23,946) |
| Effect of changes in foreign currency rates on cash | (36,199) | (35,130) |
| CHANGE IN CASH AND CASH EQUIVALENTS | (1,586,036) | (2,122,974) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 14,372,324 | 18,486,644 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 12,786,288 | \$ 16,363,670 |
| SUPPLEMENTAL INFORMATION: | | |
| Shares issued for contingent consideration | \$ - | \$ 150,000 |
| Share based payments | 250,000 | - |
| Shares issued on conversion of debentures | 100,000 | - |

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, 2024 and 2023

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, 2024 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 consolidated financial statements were authorized for issuance by the Company's Board of Directors on November 29, 2024.

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 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 | 2024 Percentage Ownership | 2023 Percentage Ownership |
|--|---------------------------------|----------------------------|----------------------------------|----------------------------------|
| Red Light Holland (Subco 1) Inc. | Canada | CAD | 100% | 100% |
| Red Light Holland (Subco 2) Inc. | Canada | CAD | 100% | 100% |
| 4316747 Nova Scotia Limited ("Happy Caps") | Canada | CAD | 100% | 80% |
| Acadian Exotic Mushrooms Ltd. ("AEM") | Canada | CAD | 51% | 51% |
| Red Light Acquisition Inc. | United States | USD | 100% | 100% |
| Radix Motion Inc. | United States | USD | 100% | 100% |
| RLH Netherlands BV | Netherlands | EUR | 100% | 100% |
| RLH Farms BV | Netherlands | EUR | 100% | 100% |
| SR Wholesale B.V. | Netherlands | EUR | 100% | 100% |
| Wellness World Oss BV (Note 22) | Netherlands | EUR | 100% | 100% |
| Wellness World Utrecht BV | Netherlands | EUR | 100% | 100% |
| Minichamp BV | Netherlands | EUR | 100% | 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. MATERIAL ACCOUNTING POLICIES

(a) Critical accounting judgements, estimates and assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, 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 statement for the year ended March 31, 2024.

(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, 2024 annual consolidated financial statements, except for the adoption of new standards and interpretations as of April 1, 2024.

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, 2024 and 2023

4. MARKETABLE SECURITIES

| | Number of Securities | Cost | Value |
|---------------------------------------|-------------------------|----------------|------------------|
| PharmaDrug Inc. – warrants (level 2) | 1,714,286 | 392,596 | - |
| Elevate Farms Inc. – shares (level 3) | 45,976 | 299,996 | 1,023,141 |
| Balance, September 30, 2024 | | 692,592 | 1,023,141 |
| Current Portion | | | - |
| Long-Term Portion | | | 1,023,141 |
| Total | | | 1,023,141 |
| PharmaDrug Inc. – warrants (level 2) | 1,714,286 | 392,596 | - |
| Elevate Farms Inc. – shares (level 3) | 45,976 | 299,996 | 1,023,141 |
| Balance, March 31, 2024 | | 692,592 | 1,023,141 |
| Current Portion | | | - |
| Long-Term Portion | | | 1,023,141 |
| Total | | | 1,023,141 |

Effective October 24, 2023, the PharmaDrug Inc. common shares were consolidated on the basis of seven pre-consolidated common shares into one post-consolidated common share. The number of PharmaDrug Inc. common shares and warrants have been updated in the above table in accordance with the terms of the consolidation.

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 fair value of Elevate's shares have been estimated based on the value at which a recent financing was done by the investee company.

During the three and six months ended September 30, 2024, the Company bought nil shares and sold nil shares of PharmaDrug Inc. During the year ended March 31, 2024, the Company sold 214,285 shares, its remaining position, of PharmaDrug Inc. for proceeds of \$10,544 resulting in a realized loss on sale of marketable securities of \$1,242.

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|-------------|-------------|---------------------|---------------------|
| At March 31, 2024 | \$ - | \$ - | \$ 1,023,141 | \$ 1,023,141 |
| Proceeds from disposal | - | - | - | - |
| Realized loss on sale of securities | - | - | - | - |
| Revaluation to fair market value | - | - | - | - |
| At September 30, 2024 | \$ - | \$ - | \$ 1,023,141 | \$ 1,023,141 |
| 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 |

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, 2024 and 2023

4. MARKETABLE SECURITIES (continued)

For the three and six months ended September 30, 2024, the unrealized change in fair value of marketable securities amounted to a gain of \$nil and \$nil (2023 – a loss of \$1,534 and \$37,026), which is recorded in the consolidated statement of net loss and comprehensive loss.

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, 2024 and 2023:

| | Level 1 | Level 2 | Level 3 | |
|-----------------------------------|---------------------|--|--|--------------|
| | Quoted market price | Valuation technique - observable market inputs | Valuation technique - non-observable market inputs | Total |
| Investments, at fair value | | | | |
| September 30, 2024 | \$ - | \$ - | \$ 1,023,141 | \$ 1,023,141 |
| March 31, 2024 | \$ - | \$ - | \$ 1,023,141 | \$ 1,023,141 |

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, 2024 | Valuation-technique / unobservable input | % of Investments | Sensitivity to changes in significant unobservable inputs |
|---------------------------|----------------------------------|--|------------------|---|
| Unlisted private equities | \$ 1,023,141 | Recent financing activity | 100.0 | Additional recent financing activity |

| Description | Fair value at March 31, 2024 | Valuation-technique / unobservable input | % of Investments | Sensitivity to changes in significant unobservable inputs |
|---------------------------|------------------------------|--|------------------|---|
| Unlisted private equities | \$ 1,023,141 | Recent financing activity | 100.0 | Additional recent financing activity |

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, 2024 and 2023

4. MARKETABLE SECURITIES (continued)

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 +/- \$255,785 change in the total fair value of the investments (March 31, 2024 - \$255,785).

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.

5. INVENTORY

| | Sep 30, 2024 | Mar 31, 2024 |
|------------------|---------------------|-------------------|
| Raw materials | \$ 7,920 | \$ 14,400 |
| Packaging | 119,886 | 100,099 |
| Finished Goods | 746,251 | 759,766 |
| Inventory | \$ 874,057 | \$ 874,265 |

For the three and six months ended September 30, 2024, inventory recognized as an expense amounted to \$815,808, and \$1,749,914 (2023 - \$538,656 and \$1,217,237), which is included in cost of sales in the consolidated statements of loss and comprehensive loss.

6. PROPERTY, PLANT AND EQUIPMENT

| | Land | Buildings | Equipment | Vehicle | Total |
|------------------------------------|------------------|------------------|------------------|----------------|------------------|
| Cost | \$ | \$ | \$ | \$ | \$ |
| Balance, March 31, 2023 | 1,567,635 | 2,965,986 | 585,072 | 54,751 | 5,173,444 |
| Additions | - | 103,912 | 591,130 | - | 695,042 |
| Disposal | - | - | (13,254) | (32,656) | (45,910) |
| Foreign currency adjustment | - | - | 6,478 | 386 | 6,864 |
| Balance, March 31, 2024 | 1,567,635 | 3,069,898 | 1,169,426 | 22,481 | 5,829,440 |
| Additions | 374,454 | 22,277 | 56,673 | - | 453,404 |
| Disposal | - | - | - | - | - |
| Foreign currency adjustment | - | - | 6,842 | 547 | 7,389 |
| Balance, September 30, 2024 | 1,942,089 | 3,092,175 | 1,232,941 | 23,028 | 6,290,233 |

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Land | Buildings | Equipment | Vehicle | Total |
|------------------------------------|------------------|------------------|----------------|---------------|------------------|
| Accumulated Depreciation | \$ | \$ | \$ | \$ | \$ |
| Balance, March 31, 2023 | - | 170,295 | 162,764 | 34,245 | 367,304 |
| Disposal | - | - | (5,383) | (26,106) | (31,489) |
| Depreciation | - | 98,625 | 117,956 | 4,155 | 220,736 |
| Foreign currency adjustment | - | - | 4,736 | 573 | 5,309 |
| Balance, March 31, 2024 | - | 268,920 | 280,073 | 12,867 | 561,860 |
| Depreciation | - | 46,692 | 71,634 | 2,118 | 120,444 |
| Foreign currency adjustment | - | - | 3,062 | 326 | 3,388 |
| Balance, September 30, 2024 | - | 315,612 | 354,769 | 15,311 | 685,692 |
| Carrying amount | | | | | |
| Balance, March 31, 2024 | 1,567,635 | 2,800,978 | 889,353 | 9,614 | 5,267,580 |
| Balance, September 30, 2024 | 1,942,089 | 2,776,563 | 878,172 | 7,717 | 5,604,541 |

For the three and six months ended September 30, 2024, depreciation expense related to property, plant and equipment amounted to \$61,069 and \$120,444 (2023 - \$52,666 and \$105,066), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

As at September 30, 2024, buildings with a value of \$603,605 and equipment with a value of \$317,680 (March 31, 2024 – buildings with a value of \$581,329, and equipment with a value of \$280,995) are under construction and not available for use and, as a result, no depreciation has been recorded against these assets.

7. INTANGIBLE ASSETS

| | License | Trade name | Customer relationships | Total |
|------------------------------------|----------------|----------------|------------------------|------------------|
| Cost | \$ | \$ | \$ | \$ |
| Balance, March 31, 2023 | - | 130,269 | 762,926 | 893,195 |
| Addition | 1,250,000 | - | - | 1,250,000 |
| Impairment charge | (1,006,944) | - | - | (1,006,944) |
| Foreign currency adjustment | - | - | (6,011) | (6,011) |
| Balance, March 31, 2024 | 243,056 | 130,269 | 756,915 | 1,130,240 |
| Addition | - | - | - | - |
| Impairment charge | - | - | - | - |
| Foreign currency adjustment | - | - | - | - |
| Balance, September 30, 2024 | 243,056 | 130,269 | 756,915 | 1,130,240 |
| Accumulated Amortization | | | | |
| Balance, March 31, 2023 | - | 43,060 | 510,783 | 553,843 |
| Amortization | 243,056 | 32,568 | 250,715 | 526,339 |
| Foreign currency adjustment | - | - | (4,583) | (4,583) |
| Balance, March 31, 2024 | 243,056 | 75,628 | 756,915 | 1,075,599 |
| Amortization | - | 16,284 | - | 16,284 |
| Foreign currency adjustment | - | - | - | - |
| Balance, September 30, 2024 | 243,056 | 91,912 | 756,915 | 1,091,883 |
| Carrying amount | | | | |
| Balance, March 31, 2024 | - | 54,641 | - | 54,641 |
| Balance, September 30, 2024 | - | 38,357 | - | 38,357 |

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7. INTANGIBLE ASSETS (continued)

For the three and six months ended September 30, 2024, amortization expense related to intangible assets amounted to \$8,142 and \$16,284 (2023 - \$70,663 and \$141,463), which are included in general and administrative expenses in the consolidated statement of loss and comprehensive loss. During the year ended March 31, 2024, the license was determined to be impaired given the projected sales did not support its recoverability.

8. GOODWILL

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

| | \$ |
|---|----------------|
| Balance, March 31, 2023 | 1,314,534 |
| Impairment loss | (1,032,151) |
| Foreign currency adjustment | (3,287) |
| Balance, March 31, 2024 and September 30, 2024 | 279,096 |

9. 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 ¼ 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 14(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.

On April 8, 2024, the Company closed an extension of the March 2021 convertible debentures that matured on March 31, 2024, per the March 2023 Debt Settlement Agreement, with the holder agreeing to increase their investment in the Company. The April 2024 Offering of April 2024 Debenture Units were for aggregate gross proceeds of \$750,000, at a price of \$1,000 per April 2024 Debenture Unit. Each April 2024 Debenture Unit consisted of: (i) a \$1,000 principal secured convertible debenture; and (ii) 16,666.67 Common Share purchase warrants exercisable per April 2024 Debenture Unit. The principal of the debenture may be converted into Common Shares at a conversion price of \$0.06 per common share.

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9. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES (continued)

Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.10 per Common Share for a period of 24 months from the date of issuance. The debentures will mature on April 8, 2026, and do not bear interest. The Company also agreed to issue to the holder 2,375,000 April 2024 settlement units. Each April 2024 Settlement Unit comprised of (i) one Common Share; and (ii) one Warrant, at a deemed price of \$0.05 per April 2024 Settlement Unit, as an extension fee to the holder who had agreed to settle their March 2021 Note that matured on March 31, 2024 as part of their subscription in the April 2024 Offering, and for agreeing to reduce the interest rate on the debenture to zero. The Company used the net proceeds from the Offering, after settling the March 2021 Note, for the ongoing development of the Company's business model and for general working capital purposes. The Common Shares issued as part of the April 2024 Settlement Units and all warrants issued pursuant to the April 2024 Offering (including securities into which they may be converted or exercised) are subject to a statutory hold period of four months and one day from the date of issuance thereof in accordance with applicable securities law.

The Company was required to post a 75% security deposit of \$562,500 which is being held in trust. This amount is shown as restricted cash on the balance sheet.

As a result of the fixed conversion price on the April 2024 Debenture Units, the "fixed-for-fixed" condition was met resulting in the conversion feature being accounted for as an equity instrument. In addition, the convertible debenture host debt instrument has been accounted for at amortized cost.

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 \$147,527 as at September 30, 2024 (March 31, 2024 - \$113,614).

| | Convertible debenture | Conversion feature | Total |
|--|--------------------------|-----------------------|----------------|
| Balance, March 31, 2023 | 257,695 | 113,614 | 371,309 |
| Interest accretion | 217,499 | - | 217,499 |
| Share and warrants issued on conversion of debenture | (84,021) | - | (84,021) |
| Balance, March 31, 2024 | 391,173 | 113,614 | 504,787 |
| Interest accretion | 57,762 | - | 57,762 |
| Modification of convertible debenture | 188,602 | 56,610 | 245,212 |
| Deferred financing cost | (412,526) | - | (412,526) |
| Deferred financing cost amortization | 197,786 | - | 197,786 |
| Shares issued on conversion of debenture | (77,303) | (22,697) | (100,000) |
| Balance, September 30, 2024 | 345,494 | 147,527 | 493,021 |

During the six months ended September 30, 2024, the Company issued 1,666,666 common shares as a conversion of debentures with a value of \$100,000.

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10. RIGHT OF USE ASSET

| | \$ |
|------------------------------------|----------------|
| Balance, March 31, 2023 | 581,932 |
| Depreciation | (184,133) |
| Foreign currency adjustment | (3,394) |
| Balance, March 31, 2024 | 394,405 |
| Additions | 107,113 |
| Depreciation | (104,693) |
| Foreign currency adjustment | 8,180 |
| Balance, September 30, 2024 | 405,005 |

For the three and six months ended September 30, 2024, depreciation expense related to right of use assets amounted to \$58,350 and \$104,693 (2023 - \$46,416 and 92,911), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

11. LEASE LIABILITIES

| | \$ |
|------------------------------------|----------------|
| Balance, March 31, 2023 | 602,437 |
| Interest expense | 41,118 |
| Lease payments | (220,133) |
| Foreign currency adjustment | (3,548) |
| Balance, March 31, 2024 | 419,874 |
| Additions | 107,113 |
| Interest expense | 19,373 |
| Lease payments | (123,356) |
| Foreign currency adjustment | 8,436 |
| Balance, September 30, 2024 | 431,440 |

| Allocated as: | Sep 30, 2024 | Mar 31, 2024 |
|----------------------|---------------------|---------------------|
| Current | 196,183 | 128,790 |
| Long term | 235,257 | 291,084 |
| Balance | 431,440 | 419,874 |

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. Upon the expiration of the lease on the aforementioned date, the Company decided not to renew the lease arrangement and has agreed to a month-by-month extension until a new location can be determined.

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. Upon the expiration of the lease on the aforementioned date, the Company decided not to renew the lease arrangement as production was relocated to a third-party facility.

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.

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11. LEASE LIABILITIES (continued)

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.

On June 1, 2024, the Company assumed a leased premise consisting of an office and an associated lease liability fair value of \$107,113. The lease term for the premise is until May 31, 2025. The total lease payments of \$6000 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada.

For the three and six months ended September 30, 2024, interest and accretion expense related to lease liabilities amounted to \$10,099 and \$19,373 (2023 - \$10,425 and \$21,725), which are included in interest expense in the consolidated statements of loss and comprehensive loss.

As at September 30, 2024, future minimum annual lease payments for premises and equipment are as follows:

| | \$ |
|-----------------------------|----------------|
| 2025 | 196,183 |
| 2026 | 114,590 |
| 2027 | 120,667 |
| Total lease payments | 431,440 |

12. LOANS AND ADVANCES

The Company has total recorded loans in the amount of \$1,105,059. A loan in the amount of \$905,059 is unsecured, non-interest bearing with no specific terms of repayment. \$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.

An additional loan in the amount of \$200,000 was received on June 7, 2024 and matures June 7, 2025. This loan requires interest only payments, has an interest rate of 7.2% and is secured by a guaranteed investment certificate of \$200,000. This amount is included under restricted cash on the balance sheet.

These are both advances owing by the minority interest holders of AEM to Red Light Holland Corp.

13. NON-CONTROLLING INTEREST

| | Happy Caps \$ | AEM \$ | Total \$ |
|---|------------------|----------------|----------------|
| Balance, March 31, 2023 | (20,942) | 299,559 | 278,617 |
| Net loss attributable to non-controlling interest | (49,742) | (36,768) | (86,510) |
| Balance, March 31, 2024 | (70,684) | 262,791 | 192,107 |
| Net loss attributable to non-controlling interest | - | (51,363) | (51,363) |
| Acquisition of non-controlling interest | 70,684 | - | 70,684 |
| Balance, September 30, 2024 | - | 211,428 | 211,428 |

On April 2, 2024, the Company completed a transaction to acquire the remaining 20% of 4316747 Nova Scotia Limited ("Happy Caps") for consideration of \$1.

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14. 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, 2023 | 387,892,187 | 41,786,685 |
| Shares issued for contingent consideration | 1,543,208 | 150,000 |
| Shares issued on conversion of debentures (Note 9) | 952,380 | 100,000 |
| Shares issued on exercise of RSUs (Note 14(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 |
| Shares purchased through normal course issuer bid (viii) (ix) | (1,462,000) | (88,815) |
| Balance, March 31, 2024 | 393,785,080 | 42,439,190 |
| Shares issued on conversion of debentures (Note 9) | 1,666,666 | 100,000 |
| Shares issued as financing costs (Note 9) | 2,375,000 | 92,472 |
| Shares issued on exercise of RSUs (Note 14(e)) | 2,151,288 | 211,359 |
| Shares issued for compensation (Note 14(x)) | 957,853 | 250,000 |
| Balance, September 30, 2024 | 400,935,887 | 43,093,021 |

- (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.
- (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 year ended March 31, 2024, 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 year ended March 31, 2024, 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 year ended March 31, 2024, 1,462,000 shares with an acquired value of \$88,815 were repurchased and cancelled through a normal course issuer bid.

14. CAPITAL STOCK (continued)

- (ix) 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.
- (x) On May 17, 2024, the Company issued 957,853 common shares with aggregate consideration of \$250,000 to Minority Shareholders of AEM as a bonus.

(b) *Stock options*

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%.

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%.

On October 30, 2023, the Company issued 2,050,000 stock options to officers and consultants exercisable at \$0.055 per share and expire five years from the date of issuance. The options vest in tranches equal to 1/3 of the grant on each six-month anniversary of the grant date. The options were valued at \$86,184 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 4.34%.

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14. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the six months ended September 30, 2024 and year ended March 31, 2024:

| | Options # | Amount \$ | Weighted Average Exercise Price \$ |
|------------------------------------|-------------------|------------------|---|
| Balance, March 31, 2023 | 15,766,667 | 3,551,945 | 0.11 |
| Exercised | (1,500,000) | (77,783) | 0.06 |
| Expired | (4,700,000) | - | 0.09 |
| Cancelled | (1,200,000) | - | 0.10 |
| Granted | 20,185,000 | 1,443,468 | 0.10 |
| Balance, March 31, 2024 | 28,551,667 | 4,917,630 | 0.11 |
| Exercised | - | - | - |
| Expired | - | - | - |
| Cancelled | (1,500,000) | - | 0.16 |
| Granted | - | - | - |
| Balance, September 30, 2024 | 27,051,667 | 4,917,630 | 0.10 |

As at September 30, 2024, the weighted average remaining life of the outstanding stock options was 2.7 years (March 31, 2024 – 3.1 years). Of the outstanding options, 20,885,000 (March 31, 2024 – 16,218,334) were fully vested, exercisable, and had a weighted average remaining useful life of 2.4 years (March 31, 2024 – 2.3 years).

The following table reflects the continuity of options for the six months ended September 30, 2024:

| Expiry Date | Exercise Price | Opening Balance | Number of Options | | | | Closing Balance |
|--------------|----------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|
| | | | Options Granted | Options Exercised | Options Expired | Options Cancelled | |
| May 27, 2025 | \$0.06 | 1,666,667 | - | - | - | - | 1,666,667 |
| Nov 2, 2024 | \$0.185 | 1,000,000 | - | - | (1,000,000) | - | - |
| Mar 7, 2025 | \$0.12 | 6,600,000 | - | - | (500,000) | - | 6,100,000 |
| May 10, 2024 | \$0.09 | 300,000 | - | - | - | - | 300,000 |
| Jun 29, 2027 | \$0.075 | 400,000 | - | - | - | - | 400,000 |
| Apr 24, 2026 | \$0.10 | - | - | - | - | - | - |
| Apr 24, 2028 | \$0.10 | 16,535,000 | - | - | - | - | 16,535,000 |
| Oct 30, 2028 | \$0.055 | 2,050,000 | - | - | - | - | 2,050,000 |
| | | 28,551,667 | - | - | (1,500,000) | - | 27,051,667 |

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14. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the year ended March 31, 2024:

| Expiry Date | Exercise Price | Opening Balance | Options Granted | Number of Options | | | Closing Balance |
|--------------|----------------|-------------------|-------------------|--------------------|--------------------|--------------------|-------------------|
| | | | | Options Exercised | Options Expired | Options Forfeited | |
| 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 | - | (400,000) | - | 16,535,000 |
| Oct 30, 2028 | \$0.055 | - | 2,050,000 | - | - | - | 2,050,000 |
| | | 15,766,667 | 20,185,000 | (1,500,000) | (4,700,000) | (1,200,000) | 28,551,667 |

For the three and six months ended September 30, 2024, \$nil and \$49,422 has been recorded as share based payments (2023 - \$154,370 and \$1,066,309) 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 years ended September 30, 2024 and 2023.

(d) *Loss per share data*

The effect of outstanding common share purchase options, RSUs, warrants and convertible debentures on the net loss for the three and six months ended September 30, 2024 and 2023 presented is not reflected as to do so would be anti-dilutive.

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

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

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14. CAPITAL STOCK (continued)

For the six months ended September 30, 2024 there were no options granted to officers, directors or consultants.

For the year ended March 31, 2024

| 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 |
| | 5,975,000 | | | | 597,500 |

| | # | \$ |
|-----------------------------------|------------------|----------------|
| Balance, March 31, 2023 | 300,516 | - |
| Granted | 5,975,000 | 597,500 |
| Vested | (2,408,849) | (237,377) |
| Balance March 31, 2024 | 3,866,667 | 360,123 |
| Granted | - | - |
| Vested | (1,966,667) | (216,983) |
| Balance September 30, 2024 | 1,900,000 | 143,140 |

As at September 30, 2024, nil RSU's (March 31, 2024 – 384,621) valued at \$nil (March 31, 2024 - \$32,693) remained vested but unexercised and held as shares to be issued.

(f) *Warrants:*

| | Warrants # | Amount \$ | Weighted Average Exercise Price \$ |
|------------------------------------|-----------------------|----------------------|---|
| Balance, March 31, 2023 | 78,020,641 | 10,701,239 | 0.46 |
| Issued (Note 9) | 238,095 | 6,392 | 0.16 |
| Exercised | (200,000) | (10,371) | 0.06 |
| Expired | (29,354,705) | - | - |
| Balance, March 31, 2024 | 48,704,031 | 10,697,260 | 0.35 |
| Issued (Note 9) | 14,875,000 | 320,054 | 0.02 |
| Expired | (47,413,422) | - | - |
| Balance, September 30, 2024 | 16,165,609 | 11,017,314 | 0.10 |

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14. CAPITAL STOCK (continued)

As at September 30, 2024, warrants outstanding were as follows:

| Expiry Date | Exercise Price | Warrants Outstanding and Exercisable | |
|----------------|----------------|--------------------------------------|--|
| | | Number of Warrants | Average Remaining Contractual Life (Years) |
| March 31, 2025 | \$0.16 | 1,290,609 | 0.50 |
| April 8, 2026 | \$0.10 | 14,875,000 | 1.52 |
| | | 16,165,609 | 1.44 |

As at March 31, 2024, warrants outstanding were as follows:

| Expiry Date | Exercise Price | Warrants Outstanding and Exercisable | |
|----------------|----------------|--------------------------------------|--|
| | | Number of Warrants | Average Remaining Contractual Life (Years) |
| June 8, 2024 | \$0.26 | 1,272,727 | 0.19 |
| June 16, 2024 | \$0.26 | 1,579,346 | 0.21 |
| July 16, 2024 | \$0.26 | 5,541,060 | 0.29 |
| July 28, 2024 | \$0.38 | 37,983,600 | 0.33 |
| July 28, 2024 | \$0.26 | 1,036,689 | 0.33 |
| March 31, 2025 | \$0.16 | 1,290,609 | 1.00 |
| | | 48,704,031 | 0.33 |

15. REVENUE

| | Three months ended September 30, | | Six months ended September 30, | |
|--------------------------|-------------------------------------|-------------------|-----------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Wholesale product sales | \$ 575,554 | \$ 501,614 | \$ 1,443,420 | \$ 1,176,003 |
| Wholesale mushroom sales | 144,792 | 168,696 | 305,748 | 401,331 |
| Mushroom grow kit sales | 582,184 | 212,316 | 1,037,385 | 425,319 |
| Retail sales | 65,209 | 100,698 | 139,798 | 176,483 |
| Other | - | - | 167 | 5,866 |
| | \$ 1,367,739 | \$ 983,324 | \$ 2,926,518 | \$ 2,185,002 |

16. 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 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.

17. 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 \$102,314.

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 convertible debentures 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, 2024, the Company has \$2,022,038 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 \$202,204.

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.

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at September 30, 2024:

| Liabilities and obligations | Total contractual payments | Payments due by period | | |
|--|----------------------------|------------------------|-------------------|-------------|
| | | < 1 year | 1-3 years | 4-5 years |
| Accounts payable and accrued liabilities | \$ 1,413,138 | \$ 1,413,138 | \$ - | \$ - |
| Loans and advances | 1,105,059 | 1,105,059 | - | - |
| Lease liability | 460,451 | 216,333 | 244,118 | - |
| Convertible debenture | 549,999 | 549,999 | - | - |
| | \$ 3,528,647 | \$ 3,284,529 | \$ 244,118 | \$ - |

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

| | September 30, 2024 | March 31, 2024 |
|---------------------------------|---------------------|---------------------|
| Accounts payable | \$ 711,345 | \$ 921,350 |
| Professional fee accruals | 227,651 | 322,000 |
| Consulting and payroll accruals | 119,877 | 145,564 |
| Other accruals | 354,265 | 293,122 |
| | \$ 1,413,138 | \$ 1,682,036 |

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, 2024, the Company estimated expected credit losses to be \$19,174 (March 31, 2024 - \$18,718).

Accounts receivable aging is as follows:

| | September 30, 2024 | March 31, 2024 |
|-----------------------------------|--------------------|-------------------|
| Current | \$ 868,131 | \$ 422,813 |
| 30 to 60 Days Overdue | 16,843 | 26,068 |
| 60 to 90 Days Overdue | 16,899 | 5,644 |
| Over 90 Days Overdue | 112,554 | 88,603 |
| Less: Allowance for credit losses | (19,174) | (18,718) |
| | \$ 995,253 | \$ 524,410 |

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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.

On April 17, 2024, the Company and MISTERCAP entered into the Amended MISTERCAP IP Agreement, pursuant to which the parties have agreed to pivot the direction for its line of MISTERCAP'S mushroom grow kits towards retail and distribution channels. The Amended MISTERCAP IP Agreement removed all guaranteed payments payable to MISTERCAP, including monthly marketing fees, such that the consideration from the Company to MISTERCAP would be in the sole form of royalty payments, being 15% for all sales under MISTERCAP'S, except for sales that originate from the MISTERCAP'S website which would be subject to a 20% royalty fee. Other terms in the Amended MISTERCAP IP Agreement included: (i) the extension of the original MISTERCAP IP Agreement to a term of 5 years, (ii) the Company paying MISTERCAP a one-time catch-up payment in the amount of US\$175,000 owed by the Company, of which US\$87,500 had been paid and with the balance due within 45 days April 17, 2024, (iii) the removal of a marketing account; and (iv) the removal of the issuance of Common Shares as part of any consideration payable by the Company. With the Amended MISTERCAP IP Agreement in place, the Company would be able to allocate its resources more efficiently, focusing on the development of retail and distribution channels for MISTERCAP'S.

During the six months ended September 30, 2024, the Company recognized a gain on termination of contract of \$161,924 and a contract termination fee of \$171,883 related to the Amended MISTERCAP IP Agreement.

Summary of transactions as follows:

| | September 30, 2024 |
|--------------------------------------|-------------------------------|
| Derecognition of accounts payable | \$ 186,984 |
| Derecognition of accounts receivable | (25,060) |
| Gain on termination of contract | 161,924 |
| Contract termination fee | 171,883 |
| Net expense recognized | \$ 9,959 |

18. RELATED PARTY TRANSACTIONS

During the three and six months ended September 30, 2024 and 2023, 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, | |
|-----------------|---|-------------------|---|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Salary | \$ 125,000 | \$ 172,500 | \$ 314,506 | \$ 531,250 |
| Consulting fees | 175,044 | 61,717 | 168,323 | 144,165 |
| Car allowances | 3,300 | 3,300 | 6,600 | 6,600 |
| Other | - | 9,000 | 6,000 | 17,200 |
| | \$ 303,344 | \$ 246,517 | \$ 495,429 | \$ 699,215 |

As at September 30, 2024, \$99,535 (March 31, 2024 - \$58,322) was due to related parties and included in accounts payable and accrued liabilities.

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18. RELATED PARTY TRANSACTIONS (continued)

Equity Transactions

Share based payments issued during the three and six months ended September 30, 2024 and 2023 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 valued at \$495,000 (Note 14).
- b) The Company issued the following stock options to directors and officers of the Company (see note 14(b)).

| Option Grant Date | Options Granted # | Option Value \$ |
|-------------------|----------------------|--------------------|
| April 24, 2023 | 13,550,000 | 1,025,083 |
| October 30, 2023 | 600,000 | 25,225 |

19. GENERAL AND ADMINISTRATIVE

| | Three months ended September 30, | | Six months ended September 30, | |
|--|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Advertising and promotions | \$ 61,700 | \$ 71,175 | \$ 112,169 | \$ 115,820 |
| Amortization and depreciation | 231,540 | 169,745 | 439,207 | 339,440 |
| Consulting and management fees | 217,692 | 202,469 | 388,390 | 415,802 |
| Investor and public relations | 8,000 | 5,563 | 12,475 | 12,810 |
| Legal, audit and other professional fees | 290,659 | 226,116 | 647,044 | 367,132 |
| Office and general | 232,790 | 311,250 | 530,855 | 679,712 |
| Payroll | 354,167 | 451,354 | 773,951 | 1,040,824 |
| Regulatory | 37,761 | 12,396 | 50,695 | 33,965 |
| | \$ 1,434,309 | \$ 1,450,068 | \$ 2,954,786 | \$ 3,005,505 |

20. INCOME TAXES

| | Three months ended September 30, | | Six months ended September 30, | |
|--------------------------------|-------------------------------------|--------------------|-----------------------------------|--------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Current tax expense (recovery) | \$ 3,825 | \$ (1,274) | \$ 26,575 | \$ 10,547 |
| Deferred tax recovery | (15,435) | (17,659) | (30,555) | (40,315) |
| Total income tax recovery | \$ (11,610) | \$ (18,933) | \$ (3,980) | \$ (29,768) |

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21. 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).

The following tables present financial information by segment for the three and six months ended September 30, 2024 and 2023 and as at September 30, 2024 and March 31, 2024:

| Revenue for the period ended | Three months ended Sep 30, | | Six months ended Sep 30, | |
|------------------------------|----------------------------|-------------------|--------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Netherlands | \$ 785,162 | \$ 720,346 | \$ 1,831,299 | \$ 1,502,641 |
| Canada | 582,412 | 262,978 | 1,095,054 | 677,201 |
| USA | 165 | - | 165 | 5,160 |
| | \$ 1,367,739 | \$ 983,324 | \$ 2,926,518 | \$ 2,185,002 |

| Comprehensive loss for the period ended | Three months ended Sep 30, | | Six months ended Sep 30, | |
|---|----------------------------|---------------------|--------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Canada | \$ 630,824 | \$ 1,023,066 | \$ 2,142,286 | \$ 2,749,924 |
| USA | 788 | 103,382 | 20,228 | 240,203 |
| Netherlands | (8,703) | 3,946 | (89,227) | 64,562 |
| | \$ 622,909 | \$ 1,130,394 | \$ 2,073,287 | \$ 3,054,689 |

| Total assets as at | September 30, | March 31, |
|--------------------|----------------------|----------------------|
| | 2024 | 2024 |
| Canada | \$ 20,699,188 | \$ 21,500,004 |
| Netherlands | 2,491,753 | 2,504,543 |
| USA | 79,020 | 79,413 |
| | \$ 23,269,961 | \$ 24,083,960 |

| Total liabilities as at | September 30, | March 31, |
|-------------------------|---------------------|---------------------|
| | 2024 | 2024 |
| Canada | \$ 3,181,183 | \$ 2,987,364 |
| Netherlands | 547,794 | 679,513 |
| USA | 941 | 154,781 |
| | \$ 3,729,918 | \$ 3,821,658 |

22. SUBSEQUENT EVENTS

On October 2, 2024, the Company completed the sale of its Oss retail store located in the Netherlands. The purchase price was €25,000 which included all lease obligations and inventory.

On November 19, 2024, the Company received a sales tax refund in the amount of \$868,960 including interest. The sales tax provision previously booked was reversed during the three and six months ended September 30, 2024.

On November 26, 2024, the Company announced that it has entered into a strategic partnership with Irvine Labs Inc. ("Irvine Labs"), an FDA-compliant and DEA-registered facility in California. This collaboration aims to advance Red Light Holland's microdosing research and development ("R&D") work-to-date, while enabling future cost-efficient manufacturing aimed at global distribution of their psilocybin products.

On November 28, 2024, Ann Barnes resigned as director and audit committee member of the Company.