

**RED LIGHT HOLLAND CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2024 AND 2023**

**(Expressed in Canadian Dollars)**

## **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 condensed interim consolidated 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 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 unaudited condensed interim consolidated financial statements in accordance with the 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 December 31, 2024 and March 31, 2024**

	As at December 31, 2024	As at March 31, 2024
	\$	\$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	12,528,156	14,172,324
Restricted cash (Notes 9 and 12)	762,500	200,000
Accounts receivable (Note 18)	347,826	524,410
Sales tax receivable	-	515,197
Prepaid expenses and deposits	429,269	778,901
Inventories (Note 5)	906,603	874,265
<b>Total Current Assets</b>	<b>14,974,354</b>	<b>17,065,097</b>
<b>Non-Current Assets</b>		
Property, plant and equipment (Note 6)	5,578,876	5,267,580
Marketable securities (Note 4)	1,023,141	1,023,141
Right-of-use asset (Note 10)	301,900	394,405
Intangible assets (Note 7)	30,216	54,641
Goodwill (Note 8)	279,096	279,096
<b>Total Assets</b>	<b>22,187,583</b>	<b>24,083,960</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 18)	1,244,182	1,682,036
Loans and advances (Note 12)	1,105,059	905,059
Convertible debenture (Note 9)	482,650	391,173
Income tax payable	38,828	2,236
Derivative liability (Note 9)	9,971	9,971
Lease liability – current portion (Note 11)	147,388	128,790
<b>Total Current Liabilities</b>	<b>3,028,078</b>	<b>3,119,265</b>
<b>Non-Current Liabilities</b>		
Lease liability (Note 11)	174,281	291,084
Deferred tax liability (Note 21)	365,032	411,309
<b>Total Non-Current Liabilities</b>	<b>539,313</b>	<b>702,393</b>
<b>Total Liabilities</b>	<b>3,567,391</b>	<b>3,821,658</b>
<b>Shareholders' Equity</b>		
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(e))	11,017,314	10,697,260
Contributed surplus (Notes 14(b) and (d))	5,194,500	4,927,822
Non-controlling interest (Note 13)	165,051	192,107
Accumulated other comprehensive (loss) income	(14,812)	17,086
Accumulated deficit	(40,999,411)	(38,157,471)
<b>Total Shareholders' Equity</b>	<b>18,620,192</b>	<b>20,262,302</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>22,187,583</b>	<b>24,083,960</b>

Nature of operations (Note 1)  
Provisions, commitments and contingencies (Note 17)  
Subsequent events (Note 23)

Approved on behalf of the Board of Directors:

"Brad Lamb"  
Chairman & Director

"Todd Shapiro"  
CEO & Director

**Red Light Holland Corp.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive loss (Unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the Three and Nine Months ended December 31, 2024 and 2023**

	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
<b>Revenue</b> (Note 15)	<b>1,168,453</b>	1,291,070	<b>4,094,971</b>	3,476,072
<b>Cost of Sales</b>	<b>753,674</b>	744,671	<b>2,503,588</b>	1,961,908
<b>Gross Profit</b>	<b>414,779</b>	546,399	<b>1,591,383</b>	1,514,164
<b>Operating Expenses</b>				
General and administrative (Notes 19 and 20)	1,423,444	1,713,185	4,378,230	4,718,690
Share-based payments (Notes 14(b) & (d) and 19)	(21,560)	155,827	712,345	1,222,136
Interest expense	42,985	71,893	125,103	178,697
Research	(123)	2,159	24,789	48,245
	<b>1,444,746</b>	1,943,064	<b>5,240,467</b>	6,167,768
<b>Loss Before Other Items and Taxes</b>	<b>(1,029,967)</b>	(1,396,665)	<b>(3,649,084)</b>	(4,653,604)
<b>Other Items</b>				
Reversal of provision for sales taxes	-	-	163,249	-
Unrealized gains (loss) in FV of marketable securities (Note 4)	-	4,159	-	(32,867)
Gain on termination of contract (Note 18)	-	-	161,924	-
Contract termination fee (Note 18)	-	-	(171,883)	-
Realized gain on sale of property, plant and equipment	4,167	-	4,167	13,138
Gain on leases decommission	4,284	-	4,284	-
Foreign exchange gains (loss)	2,104	(2,719)	(6,900)	(746)
Change in fair value of derivative liability (Note 9)	-	11,037	-	38,405
Change in fair value of call option	-	-	-	(28,110)
Change in fair value of convertible debenture	-	-	113,615	-
Interest income	99,875	135,689	416,278	399,931
<b>Net Loss Before Taxes</b>	<b>(919,537)</b>	(1,248,499)	<b>(2,964,350)</b>	(4,263,853)
Recovery of income taxes (Note 21)	20,690	28,932	24,670	58,700
<b>Net Loss</b>	<b>(898,847)</b>	(1,219,567)	<b>(2,939,680)</b>	(4,205,153)
<b>Net Loss Attributable to:</b>				
Shareholders of Red Light Holland Corp.	(852,470)	(1,193,397)	(2,841,940)	(4,136,373)
Non-controlling Interest (Note 13)	(46,377)	(26,170)	(97,740)	(68,780)
<b>Net Loss</b>	<b>(898,847)</b>	(1,219,567)	<b>(2,939,680)</b>	(4,205,153)
Foreign currency translation	556	49,398	(31,898)	(19,705)
<b>Comprehensive Loss</b>	<b>(898,291)</b>	(1,170,169)	<b>(2,971,578)</b>	(4,224,858)
<b>Net Loss per Share – Basic and Diluted</b> (Note 14(f))	<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.01)
<b>Weighted Average Number of Outstanding Shares</b>				
- Basic and Diluted (Note 14(f))	<b>400,935,887</b>	394,404,102	<b>399,540,364</b>	394,175,587

The accompanying notes are an integral part of these unaudited 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 Nine Months ended December 31, 2024 and 2023**

	Common Shares	Common Shares	Shares to be Issued	Equity Portion of Convertible Debenture	Warrants	Contributed Surplus	Non- controlling Interest	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Shareholders' Equity
	#	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, March 31, 2024</b>	<b>393,785,080</b>	<b>42,439,190</b>	<b>32,694</b>	<b>113,614</b>	<b>10,697,260</b>	<b>4,927,822</b>	<b>192,107</b>	<b>17,086</b>	<b>(38,157,471)</b>	<b>20,262,302</b>
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 payments (Notes 14(a),(b) & (d))	957,853	250,000	-	-	-	462,345	-	-	-	712,345
Acquisition of non-controlling interest (Note 13)	-	-	-	-	-	-	70,684	-	-	70,684
Net loss and comprehensive loss	-	-	-	-	-	-	(97,740)	(31,898)	(2,841,940)	(2,971,578)
<b>Balance, December 31, 2024</b>	<b>400,935,887</b>	<b>43,093,021</b>	<b>17,002</b>	<b>147,527</b>	<b>11,017,314</b>	<b>5,194,500</b>	<b>165,051</b>	<b>(14,812)</b>	<b>(40,999,411)</b>	<b>18,620,192</b>
<b>Balance, March 31, 2023</b>	<b>387,892,187</b>	<b>41,786,685</b>	<b>96,482</b>	<b>135,985</b>	<b>10,701,239</b>	<b>3,829,428</b>	<b>278,617</b>	<b>44,584</b>	<b>(30,530,190)</b>	<b>26,342,830</b>
Exercise of RSUs (Note 14(d))	3,159,305	301,166	(69,455)	-	-	(231,711)	-	-	-	-
Exercise of warrants (Note 14(e))	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	100,000	-	(22,371)	6,392	-	-	-	-	84,021
Shares purchased and cancelled under normal course issuer bid (Note 14(a))	(1,262,000)	(77,510)	-	-	-	-	-	-	-	(77,510)
Share-based payments (Notes 14(b) & (d))	-	-	-	-	-	1,222,136	-	-	-	1,222,136
Net loss and comprehensive loss	-	-	-	-	-	-	(68,780)	(19,705)	(4,136,373)	(4,224,858)
<b>Balance, December 31, 2023</b>	<b>393,985,080</b>	<b>42,450,495</b>	<b>27,027</b>	<b>113,614</b>	<b>10,697,260</b>	<b>4,742,070</b>	<b>209,837</b>	<b>24,879</b>	<b>(34,666,563)</b>	<b>23,598,619</b>

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

**Red Light Holland Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows (Unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the Nine Months ended December 31, 2024 and 2023**

	2024	2023
	\$	\$
<b><u>Cash Flows from Operating Activities</u></b>		
Net loss for the period	(2,939,680)	(4,205,153)
Items not affecting cash:		
Amortization and depreciation (Notes 6, 7, 9 and 10)	667,350	510,743
Share-based payments (Notes 14(a),(b) and (d))	712,345	1,222,136
Unrealized change in fair value of marketable securities (Note 4)	-	32,867
Change in fair value of convertible debenture (Note 9)	(113,614)	-
Change in fair value of derivative liability (Note 9)	-	(38,405)
Change in fair value of call option	-	28,110
Gain on termination of contract (Note 18)	(161,924)	-
Gain on sale of property, plant and equipment	(4,167)	(13,043)
Gain on lease commission	(5,165)	-
Interest and accretion	117,027	177,911
Deferred tax gains (Note 21)	(46,277)	(56,742)
	<b>(1,774,105)</b>	<b>(2,341,576)</b>
Movements in working capital:		
Accounts receivable	176,584	(11,358)
Sales tax receivable	566,578	(180,232)
Income tax receivable	36,592	45,914
Prepaid expenses and deposits	349,632	(39,208)
Inventories	(32,338)	(202,126)
Accounts payable and accrued liabilities	(256,627)	261,806
<b>Cash Flows used in Operating Activities</b>	<b>(933,684)</b>	<b>(2,466,780)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Proceeds from sale of property, plant and equipment	5,819	19,593
Acquisition of property, plant and equipment (Note 6)	(491,958)	(466,355)
<b>Cash Flows used in Investing Activities</b>	<b>(486,139)</b>	<b>(446,762)</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from exercise of warrants	-	12,000
Proceeds from exercise of options	-	90,000
Proceeds from convertible debentures	358,826	-
Shares purchased under normal issuer course bid (Note 14(a))	-	(77,510)
Loan proceeds	200,000	-
Lease payments (Note 11)	(186,728)	(166,647)
<b>Cash Flows provided by (used in) Financing Activities</b>	<b>372,098</b>	<b>(142,157)</b>
Effect of changes in foreign currency rates on cash	(33,943)	(12,014)
<b>Change in cash and cash equivalents</b>	<b>(1,081,668)</b>	<b>(3,067,713)</b>
Cash and cash equivalents, beginning of period	14,372,324	18,486,644
<b>Cash and cash equivalents, end of period</b>	<b>13,290,656</b>	<b>15,418,931</b>
<b>Supplemental Information:</b>		
Shares issued for contingent consideration	-	150,000
Share-based payments issued as bonus (Note 14(a))	250,000	-
Shares issued on conversion of debentures (Note 9)	100,000	-

The accompanying notes are an integral part of these unaudited 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 Nine Months ended December 31, 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 the Company’s registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, M5C 2V9, Canada. The Company’s common shares are listed on the Canadian Securities Exchange (the “CSE”) under the ticker symbol “TRIP”, on the Frankfurt Stock Exchange under the symbol “4YX”, and on the OTCQB Venture Market under the symbol “TRUFF”.

**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 audited consolidated financial statements for the year ended March 31, 2024.

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 reviewed, approved, and authorized for issuance by the Board of Directors (the “Board”) of the Company on February 25, 2025.

*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.

These condensed interim consolidated financial statements include the accounts of the Company and the following list of subsidiaries:

<b>Name of Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Functional Currency</b>	<b>2024 Percentage Ownership</b>	<b>2023 Percentage Ownership</b>
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. (“Red Light Acquisition”)	United States	USD	100%	100%
Radix Motion Inc. (“Radix”)	United States	USD	100%	100%
RLH Netherlands B.V. (“RLH Netherlands”)	Netherlands	EUR	100%	100%
RLH Farms B.V. (“RLH Farms”)	Netherlands	EUR	100%	100%
SR Wholesale B.V. (“SR Wholesale”)	Netherlands	EUR	100%	100%
Wellness World Oss B.V. <sup>1</sup>	Netherlands	EUR	100%	100%
Wellness World Utrecht B.V. (“Wellness World”)	Netherlands	EUR	100%	100%
MiniChamp B.V. (“MiniChamp”)	Netherlands	EUR	100%	100%

*Functional Currency*

These condensed interim consolidated financial statements are presented in Canadian dollars (“\$” or “CAD”), except as otherwise noted, which is the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates.

<sup>1</sup> On October 2, 2024, the Company completed the sale of certain inventories and assets of Wellness World Oss B.V., its retail store located in the Netherlands. The purchase price was €25,000 which included all lease obligations and inventories.

**Red Light Holland Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the Three and Nine Months ended December 31, 2024 and 2023**

**3. Material Accounting Policies**

**(a) Critical Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, 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 judgments and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimates are revised. Significant judgments, estimates and assumptions within these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2024, unless otherwise noted.

**(b) Accounting Policies**

The accounting policies applied in the preparation of these condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited consolidated financial statements for the year ended March 31, 2024, except for the adoption of new standards, amendments, and interpretations as of April 1, 2024, as noted below.

*Adoption of New Accounting Standards*

The Company adopted the following amendments, effective April 1, 2024. The changes were made in accordance with the applicable transitional provisions. The Company had assessed that there was no material impact upon the adoption of the amendments on its condensed interim consolidated financial statements:

*Amendments to IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) and IAS 7 – Statements of Cash Flows (“IAS 7”)*

In May 2023, the IASB issued disclosure-only amendments to IFRS 7 and IAS 7. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as on its liquidity risk and risk management.

**4. Marketable Securities**

	Number of Securities	Cost	Fair Value
	#	\$	\$
PharmaDrug Inc. – common shares (Level 1) <sup>2</sup>	214,285	62,995	11,786
PharmaDrug Inc. - warrants (Level 2) <sup>2</sup>	1,714,286	392,596	845
Elevate Farms Inc. – shares (Level 3)	45,976	299,996	865,268
<b>Balance, December 31, 2023</b>		<b>755,587</b>	<b>877,899</b>
	#	\$	\$
Elevate Farms Inc. – shares (Level 3)	45,976	299,996	1,023,141
<b>Balance, December 31, 2024</b>		<b>299,996</b>	<b>1,023,141</b>

As at December 31, 2024, the Company no longer held any securities of PharmaDrug Inc. (“PharmaDrug”). For the three and nine months ended December 31, 2023, the unrealized change in fair value of marketable securities amounted to a gain of \$4,159 and a loss of \$32,867, respectively, which are recorded in the condensed interim consolidated statements of loss and comprehensive loss.

<sup>2</sup> Effective October 24, 2023, the common shares of PharmaDrug were consolidated on the basis of seven pre-consolidated common shares into one post-consolidated common share. The number of PharmaDrug common shares and warrants have been adjusted in the above table to reflect the terms of the consolidation.



**Red Light Holland Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the Three and Nine Months ended December 31, 2024 and 2023**

**4. Marketable Securities (continued)**

Based on management's intention and ability, the investment in Elevate Farms Inc. ("Elevate") has been classified as non-current. Elevate is not a publicly-traded company. As such, its fair value was classified as Level 3 within the fair value hierarchy as required by IFRS 9 – Financial Instruments. The fair value of Elevate's common shares has been estimated based on the value at which a recent financing was closed by the investee company.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at March 31, 2024	-	-	1,023,141	<b>1,023,141</b>
Revaluation to fair market value	-	-	-	-
<b>As at December 31, 2024</b>	<b>-</b>	<b>-</b>	<b>1,023,141</b>	<b>1,023,141</b>
	\$	\$	\$	\$
As at March 31, 2023	18,750	26,748	865,268	910,766
Revaluation to fair market value	(6,964)	(25,903)	-	(32,867)
As at December 31, 2023	11,786	845	865,268	877,899

**5. Inventories**

	December 31, 2024	March 31, 2024
	\$	\$
Raw materials	11,450	14,400
Packaging materials	122,328	100,099
Finished Goods	772,825	759,766
	<b>906,603</b>	<b>874,265</b>

For the three and nine months ended December 31, 2024, inventories recognized as sales-related expenses amounted to \$753,674 and \$2,503,588, respectively (2023 – \$744,671 and \$1,961,908, respectively), which is included in cost of sales in the condensed interim consolidated statements of loss and comprehensive loss.

**6. Property, Plant and Equipment**

	Land	Buildings	Equipment	Vehicle	Total
	\$	\$	\$	\$	\$
<u>Cost at</u>					
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	375,854	20,877	95,227	-	491,958
Disposal	-	-	(3,526)	-	(3,526)
Foreign currency adjustment	-	-	6,651	547	7,198
<b>Balance, December 31, 2024</b>	<b>1,943,489</b>	<b>3,090,775</b>	<b>1,267,778</b>	<b>23,028</b>	<b>6,325,070</b>
	\$	\$	\$	\$	\$
<u>Accumulated Depreciation</u>					
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
Disposal	-	-	(1,874)	-	(1,874)
Depreciation	-	73,828	105,441	3,186	182,455
Foreign currency adjustment	-	-	3,417	336	3,753
<b>Balance, December 31, 2024</b>	<b>-</b>	<b>342,748</b>	<b>387,057</b>	<b>16,389</b>	<b>746,194</b>

**Red Light Holland Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements (Unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the Three and Nine Months ended December 31, 2024 and 2023**

**6. Property, Plant and Equipment (continued)**

	Land	Buildings	Equipment	Vehicle	Total
	\$	\$	\$	\$	\$
<u>Net Book Value</u>					
March 31, 2024	1,567,635	2,800,978	889,353	9,614	5,267,580
<b>December 31, 2024</b>	<b>1,943,489</b>	<b>2,748,027</b>	<b>880,721</b>	<b>6,639</b>	<b>5,578,876</b>

For the three and nine months ended December 31, 2024, depreciation expense related to property, plant and equipment amounted to \$62,011 and \$182,455, respectively (2023 – \$53,791 and \$158,857, respectively), which are included in general and administrative (“G&A”) expenses (see Note 20) in the condensed interim consolidated statements of loss and comprehensive loss.

As at December 31, 2024, buildings with a value of \$603,605 and equipment with a value of \$375,854 (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. As a result, no depreciation has been recorded against these assets.

**7. Intangible Assets**

	License	Trade Name	Customer Relationship	Total
	\$	\$	\$	\$
<u>Cost at</u>				
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	-	-	-	-
<b>Balance, December 31, 2024</b>	<b>243,056</b>	<b>130,269</b>	<b>756,915</b>	<b>1,130,240</b>
	\$	\$	\$	\$
<u>Accumulated Depreciation</u>				
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	-	24,425	-	24,425
Foreign currency adjustment	-	-	-	-
<b>Balance, December 31, 2024</b>	<b>243,056</b>	<b>100,053</b>	<b>756,915</b>	<b>1,100,024</b>
	\$	\$	\$	\$
<u>Net Book Value</u>				
March 31, 2024	-	54,641	-	54,641
<b>December 31, 2024</b>	<b>-</b>	<b>30,216</b>	<b>-</b>	<b>30,216</b>

For the three and nine months ended December 31, 2024, amortization expense related to intangible assets amounted to \$8,141 and \$24,425, respectively (2023 – \$70,937 and \$212,400, respectively), which are included in G&A expenses (see Note 20) in the condensed interim 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.

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**8. Goodwill**

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

	December 31, 2024	March 31, 2024
	\$	\$
Balance, beginning of period / year	279,096	1,314,534
Impairment loss	-	(1,023,821)
Foreign currency adjustment	-	(11,617)
<b>Balance, end of period / year</b>	<b>279,096</b>	<b>279,096</b>

**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 (the "March 2023 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 (each a "Unit") 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(e)). 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.

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, 2025, and do not bear interest.

The Company also agreed to issue to the holder 2,375,000 April 2024 settlement units (each a "April 2024 Settlement Unit"). 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.

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**9. Convertible Debenture and Derivative Liabilities (continued)**

The Company was required to post a 75% security deposit of \$562,500 which is being held in trust. This amount is classified as restricted cash on the condensed interim consolidated statements of financial position.

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 December 31, 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	90,939	-	90,939
Modification of convertible debenture	188,602	56,610	245,212
Deferred financing cost	(412,526)	-	(412,526)
Deferred financing cost amortization	301,765	-	301,765
Shares issued on conversion of debenture	(77,303)	(22,697)	(100,000)
<b>Balance, December 31, 2024</b>	<b>482,650</b>	<b>147,527</b>	<b>630,177</b>

During the nine months ended December 31, 2024, the Company issued 1,666,666 common shares as a conversion of debentures with a value of \$100,000.

**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
Addition	107,113
Depreciation	(158,705)
Derecognition of lease decommission	(47,794)
Foreign currency adjustment	6,881
<b>Balance, December 31, 2024</b>	<b>301,900</b>

For the three and nine months ended December 31, 2024, depreciation expense related to right-of-use assets amounted to \$54,012 and \$158,705, respectively (2023 – \$46,575 and \$139,86, respectively), which are included in G&A expenses (see Note 20) in the condensed interim consolidated statements of loss and comprehensive loss.

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. As a result of the sale, right-of-use assets valued at \$47,794 pertaining to the lease of the retail store in Oss were derecognized.

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**11. Lease Liabilities**

	December 31, 2024	March 31, 2024
	\$	\$
Balance, beginning of period / year	419,874	602,437
Additions	107,113	-
Interest expense	26,088	41,118
Lease payments	(186,728)	(220,133)
Leases decommission	(52,959)	-
Foreign currency adjustment	8,281	(3,548)
<b>Balance, end of period / year</b>	<b>321,669</b>	<b>419,874</b>
	\$	\$
Current Portion	147,388	128,790
Long-Term Portion	174,281	291,084
<b>Balance, end of period / year</b>	<b>321,669</b>	<b>419,874</b>

On April 1, 2022, the Company entered into a new lease for SR Wholesale 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 (comprised of the two retail stores in Oss and Utrecht, Netherlands), 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 2, 2024, the Company completed the sale of its Oss retail store. As a result of the sale, leases valued at \$52,959 to the lease of the retail store in Oss were derecognized.

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 \$6,000 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada.

For the three and nine months ended December 31, 2024, interest and accretion expense related to lease liabilities amounted to \$6,715 and \$26,088, respectively (2023 – \$9,585 and \$31,310, respectively), which are included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss.

As at December 31, 2024, future minimum annual lease payments for premises and equipment are as follows:

	\$
2025	147,387
2026	99,900
2027	74,382
<b>Total Lease Payments</b>	<b>321,669</b>

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**12. Loans and Advances**

As of December 31, 2024, the Company had total recorded loans in the amount of \$1,105,059 (March 31, 2024 – \$905,059), comprised of:

- A loan in the amount of \$905,059 which 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 balance of \$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, bears an interest rate of 7.2% and is secured by a guaranteed investment certificate of \$200,000. This amount is classified as restricted cash on the condensed interim consolidated statements of financial position.

These are both advances owed to 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	-	(97,740)	(97,740)
Acquisition of non-controlling interest	70,684	-	70,684
<b>Balance, December 31, 2024</b>	<b>-</b>	<b>165,051</b>	<b>165,051</b>

On April 2, 2024, the Company acquired the remaining 20% interest in Happy Caps for consideration of \$1.

**14. Capital Stock**

*(a) Share Capital*

The Company is authorized to issue an unlimited number of common shares without par value, and 2,000,000 voting, convertible, redeemable, preference shares.

Details of shares issued and outstanding for the nine months ended December 31, 2024 and 2023 are as follows:

	Common shares	Amount
	#	\$
<b>Balance, March 31, 2023</b>	<b>387,892,187</b>	<b>41,786,685</b>
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(d))	3,159,305	301,166
Shares issued on exercise of warrants <sup>(i)</sup>	200,000	22,371
Shares issued on exercise of options <sup>(ii)</sup>	1,500,000	167,783
Shares purchased through normal course issuer bid <sup>(iii), (iv)</sup>	(1,262,000)	(77,510)
<b>Balance, December 31, 2023</b>	<b>393,985,080</b>	<b>42,450,495</b>
	<b>#</b>	<b>\$</b>
<b>Balance, March 31, 2024</b>	<b>393,785,080</b>	<b>42,439,190</b>
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(d))	2,151,288	211,359
Shares issued for compensation <sup>(v)</sup>	957,853	250,000
<b>Balance, December 31, 2024</b>	<b>400,935,887</b>	<b>43,093,021</b>

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**14. Capital Stock (continued)**

*(a) Share Capital (continued)*

- (i) During the nine months ended December 31, 2023, 200,000 warrants were exercised for proceeds of \$12,000. The warrants had a recorded value of \$10,371. Upon exercise of these warrants, the recorded values were reallocated from contributed surplus to share capital.
- (ii) During the nine months ended December 31, 2023, 1,500,000 options were exercised for proceeds of \$90,000. The options had a recorded value of \$77,783. Upon exercise of these options, the recorded values were reallocated from contributed surplus to share capital.
- (iii) On June 27, 2023, the Board of the Company authorized the repurchase under a normal course issuer bid (the "NCIB") of up to 19,762,354 common shares in the capital of the Company from time to time over 12 months, through the facilities of the CSE 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 commenced 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.
- (iv) During the nine months ended December 31, 2023, 1,462,000 common shares with an acquired value of \$88,815 were repurchased and cancelled through the NCIB.
- (v) On May 17, 2024, the Company issued 957,853 common shares with aggregate consideration of \$250,000 to the Minority Shareholders of AEM as a bonus.

*(b) Stock Options*

On April 24, 2023, the Company granted 14,800,000 stock options to directors, officers and consultants. These options are exercisable at \$0.10 per share and expire five years from the date of issuance. 1/3 of the options vested 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 ("Black-Scholes") based on the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

On April 24, 2023, the Company granted 1,200,000 stock options to various consultants. These options are exercisable at \$0.10 per share and expire three years from the date of issuance. 1/6 of the options vested upon each three-month anniversary of the grant date. The options were valued at \$76,119 using Black-Scholes based on 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 granted 2,135,000 stock options to employees and consultants. These options are exercisable at \$0.10 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 Black-Scholes based on the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

On October 30, 2023, the Company granted 2,050,000 stock options to officers and consultants. These options are 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 Black-Scholes based on the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 4.34%.

The following summarizes the options activity for the nine months ended December 31, 2024 and 2023:

	Number of 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	(4,100,000)	-	0.09
Cancelled	(1,200,000)	-	0.10
Granted	20,185,000	1,443,468	0.10
<b>Balance, December 31, 2023</b>	<b>29,151,667</b>	<b>4,917,630</b>	<b>0.11</b>

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**14. Capital Stock (continued)**

*(b) Stock Options (continued)*

	Number of Options	Amount	Weighted- Average Exercise Price
	#	\$	\$
Balance, March 31, 2024	28,951,667	4,917,630	0.11
Cancelled	(6,000,000)	-	0.16
<b>Balance, December 31, 2024</b>	<b>22,951,667</b>	<b>4,917,630</b>	<b>0.10</b>

The following table reflects the continuity of options for the nine months ended December 31, 2024:

Date of Expiry	Ex. Price	Opening	Granted	Exercised	Expired	Cancelled	Closing
	\$	#	#	#	#	#	#
Nov 2, 2024	\$0.185	1,000,000	-	-	-	(1,000,000)	-
Mar 7, 2025	\$0.12	6,600,000	-	-	-	(1,500,000)	5,100,000
May 10, 2025	\$0.09	300,000	-	-	-	-	300,000
May 27, 2025	\$0.06	1,666,667	-	-	-	-	1,666,667
Jun 29, 2027	\$0.075	400,000	-	-	-	-	400,000
Apr 24, 2028	\$0.10	16,935,000	-	-	-	(3,500,000)	13,435,000
Oct 30, 2028	\$0.055	2,050,000	-	-	-	-	2,050,000
		<b>28,951,667</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,000,000)</b>	<b>22,951,667</b>

As at December 31, 2024, the weighted average remaining life of the outstanding stock options was 2.4 years (March 31, 2024 – 3.1 years). Of the outstanding options, 18,635,000 (March 31, 2024 – 16,218,334) were fully vested, exercisable, and had a weighted average remaining useful life of 2.17 years (March 31, 2024 – 2.3 years).

For the three and nine months ended December 31, 2024, \$28,440 and \$77,862, respectively, has been recorded as share-based payments (2023 – \$155,827 and \$1,222,136, respectively) in the condensed interim consolidated statements of loss and comprehensive loss.

*(c) Employee Share Purchase Plans*

On September 25, 2006, 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 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. There were no purchases under the ESPP during the nine months ended December 31, 2024, and the previous reporting period.

*(d) Restricted Share Units (“RSUs”)*

Pursuant to the RSU Plan, RSUs were granted to officers, directors and consultants during the year ended March 31, 2024, as follows:

Position	Grant Date	Number of RSUs Granted	Vesting Terms	Fair Market Value	Total Value
		#	#	\$	\$
Director	Apr 24, 2023	2,700,000	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	270,000
Director	Apr 24, 2023	1,500,000	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	150,000
Director	Apr 24, 2023	750,000	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	75,000
Consultant	Apr 24, 2023	1,000,000	1/2 grant; 1/4 1yr; 1/4 2yr	0.10	100,000
Consultant	Apr 24, 2023	25,000	Upon grant	0.10	2,500
		<b>5,975,000</b>			<b>597,500</b>

For the nine months ended December 31, 2024, no new RSUs were granted to officers, directors, or consultants.



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**14. Capital Stock (continued)**

*(d) Restricted Share Units ("RSUs") (continued)*

The following summarizes the RSUs activity for the nine months ended December 31, 2024 and 2023:

	Number of RSUs	Amount
	#	\$
Balance, March 31, 2023	300,516	-
Granted	5,975,000	597,500
Vested	(2,408,849)	(237,377)
<b>Balance, December 31, 2023</b>	<b>3,866,667</b>	<b>360,123</b>
Balance, March 31, 2024	3,866,667	360,123
Vested	(1,966,667)	(216,983)
Forfeited	(500,000)	(50,000)
<b>Balance, December 31, 2024</b>	<b>1,400,000</b>	<b>93,140</b>

*(e) Warrants*

The following summarizes the options activity for the nine months ended December 31, 2024 and 2023:

	Number of 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	(1,100,000)	-	-
<b>Balance, December 31, 2023</b>	<b>76,958,736</b>	<b>10,697,260</b>	<b>0.47</b>
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)	-	-
<b>Balance, December 31, 2024</b>	<b>16,165,609</b>	<b>11,017,314</b>	<b>0.10</b>

The following table summarizes information of warrants outstanding as at December 31, 2024:

Date of expiry	Number of Warrants outstanding	Exercise price	Weighted- Average Remaining Life
	#	\$	Years
March 31, 2025	1,290,609	0.16	0.25
April 8, 2026	14,875,000	0.10	1.27
	<b>16,165,609</b>		<b>1.19</b>

*(f) 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 nine months ended December 31, 2024 and 2023 presented is not reflected as to do so would be anti-dilutive.

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**15. Revenue**

Revenue recorded during the three and nine months ended December 31, 2024 and 2023 were as follows:

	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Wholesale product sales	668,962	499,347	2,112,382	1,675,350
Wholesale mushroom sales	120,420	238,194	426,168	639,525
Mushroom grow kit sales	318,161	476,754	1,355,546	902,073
Retail sales	60,910	76,775	200,875	253,258
Other	-	-	-	5,866
	<b>1,168,453</b>	<b>1,291,070</b>	<b>4,094,971</b>	<b>3,476,072</b>

**16. 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 considers its capital to be shareholders' equity, which is comprised of share capital, reserves, accumulated other comprehensive loss, and accumulated deficit. 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 it 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 expenditure through leases.

**17. 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.

**18. Financial Instruments and Risk Management**

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

*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 approximately \$102,300.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates and are carried at amortized costs. As at December 31, 2024, the Company had no hedging agreements in place with respect to floating interest rates. 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.

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**18. Financial Instruments and Risk Management (continued)**

*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 CAD. Foreign exchange risk arises from transactions denominated in currencies other than the CAD. The Company's primary foreign exchange exposure is the Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH Netherlands, RLH 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 December 31, 2024, the Company has \$1,864,238 (March 31, 2024 – \$2,084,154) of net assets and liabilities that are denominated in currencies other than CAD. A 10% change in the value of net assets and liabilities that are denominated in currencies other than CAD as a result in changes in foreign exchange rates would change the Company's net loss by approximately \$186,400 (March 31, 2024 – +/- by approximately \$208,400).

*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 summarizes the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2024:

	Total Contractual Payments	Payments Due by Period		
		< 1 Year	1-3 Years	4-5 Years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,244,182	1,244,182	-	-
Loans and advances	1,105,059	1,105,059	-	-
Lease liability	341,334	164,323	177,011	-
Convertible debenture	750,000	750,000	-	-
	<b>3,440,575</b>	<b>3,263,564</b>	<b>177,011</b>	<b>-</b>

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

	December 31, 2024	March 31, 2024
	\$	\$
Accounts payable	383,442	921,350
Sales tax payable	51,381	-
Professional fee accruals	365,660	322,000
Consulting and payroll accruals	124,860	145,564
Other accruals	318,839	293,122
	<b>1,244,182</b>	<b>1,682,036</b>

*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, and accounts receivable.

The Company has trade accounts receivable from customers. 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 December 31, 2024, the Company estimated expected credit losses to be \$19,148 (March 31, 2024 – \$18,718).

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**18. Financial Instruments and Risk Management (continued)**

*Credit Risk (continued)*

Accounts receivable aging are as follows:

	<b>December 31, 2024</b>	March 31, 2024
	<b>\$</b>	<b>\$</b>
Current	<b>249,425</b>	422,813
30 to 60 Days Overdue	<b>19,751</b>	26,068
60 to 90 Days Overdue	<b>14,100</b>	5,644
Over 90 Days Overdue	<b>83,698</b>	88,603
Less: Allowance for credit losses	<b>(19,148)</b>	(18,718)
	<b>347,826</b>	524,410

The Company's credit risk is primarily attributable to accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents, and marketable securities are held with reputable financial institutions and additional cash held in trust with the Company's legal counsel, from which management believes the risk of loss to be remote.

*MISTERCAP Amendment*

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 USD \$175,000 owed by the Company, of which USD \$87,500 had been paid and with the balance due within 45 days from 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.

During the nine months ended December 31, 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.

A summary of the transaction under the Amended MISTERCAP IP Agreement is as follows:

	<b>December 31, 2024</b>
	<b>\$</b>
Derecognition of accounts payable	<b>186,984</b>
Derecognition of accounts receivable	<b>(25,060)</b>
Gain on termination of contract	<b>161,924</b>
Contract termination fee	<b>171,883</b>
<b>Net Expense Recognized</b>	<b>(9,959)</b>

*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 rates, 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.

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**18. Financial Instruments and Risk Management (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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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).
- 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.

Of the Company's investments reported on the consolidated statements of financial position as at December 31, 2024, Level 2 financial instruments include warrants of a publicly-listed issuer, and Level 3 financial instruments are measured at fair value utilizing non-observable market inputs based on specific company information and general market conditions. Net changes in unrealized gains (loss) are recognized in profit and 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 as at December 31, 2024 and March 31, 2024 were:

<b>Description</b>	<b>Fair value</b>	<b>Valuation-technique / unobservable input</b>	<b>% of Investments</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
Unlisted private equities	\$1,023,141	Recent financing activity	100%	Additional recent financing activity

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 an approximate change of \$255,800 change in the total fair value of the investments as of December 31, 2024 (March 31, 2024 – change of \$255,800). 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.

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**19. Related Party Transactions and Balances**

*Remuneration to Key Management Personnel and Directors*

During the three and nine months ended December 31, 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 December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salary	132,392	185,000	446,898	716,250
Consulting fees	126,499	172,957	394,822	317,122
Car allowances	4,800	4,800	14,400	11,400
Others	-	9,000	6,000	26,200
	<b>263,691</b>	<b>371,757</b>	<b>862,120</b>	<b>1,070,972</b>

As at December 31, 2024, \$106,911 (March 31, 2024 – \$58,322) was due to related parties and included in accounts payable and accrued liabilities.

*Equity Transactions*

Share-based payments issued during the nine months ended December 31, 2023, to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, are as follows:

- On April 24, 2023, the Company granted 4,950,000 RSUs to certain directors valued at \$495,000 (see Note 14(d)).
- On April 24, 2023, the Company also granted 13,550,000 stock options to certain directors and officers valued at \$1,025,083 (see Note 14(b)); and
- On October 30, 2023, the Company granted 600,000 stock options to certain directors and officers valued at \$25,225 (see Note 14(b)).

**20. General and Administrative Expenses**

The Company's G&A expenses for the three and nine months ended December 31, 2024 and 2023 were comprised of the following:

	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Advertising and promotions	72,225	142,912	184,394	258,732
Amortization and depreciation	228,143	171,303	667,350	510,743
Consulting and management fees	173,447	204,340	561,837	620,142
Insurance	47,486	61,128	150,574	186,587
Investor and public relations	-	4,774	12,475	17,584
Legal, audit and other professional fees	208,258	125,680	855,302	492,812
Office and general	154,264	172,846	445,633	550,147
Payroll	378,402	444,319	1,152,353	1,485,143
Regulatory	34,228	15,781	84,923	49,746
Selling	126,991	370,102	263,389	547,054
	<b>1,423,444</b>	<b>1,713,185</b>	<b>4,378,230</b>	<b>4,718,690</b>

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**21. Income Taxes**

	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Current tax expense (recovery)	(4,968)	(12,505)	21,607	(1,958)
Deferred tax recovery	(15,722)	(16,427)	(46,277)	(56,742)
<b>Total income tax recovery</b>	<b>(20,690)</b>	<b>(28,932)</b>	<b>(24,670)</b>	<b>(58,700)</b>

**22. 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, SR Wholesale, 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 Acquisition as one operating segment (both reside in the United States).

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

<i>Revenue for the period ended</i>	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Netherlands	980,367	739,633	2,811,666	2,242,274
Canada	187,095	551,437	1,282,149	1,228,638
United States	991	-	1,156	5,160
	<b>1,168,453</b>	<b>1,291,070</b>	<b>4,094,971</b>	<b>3,476,072</b>

<i>Comprehensive loss for the period ended</i>	Three Months ended December 31,		Nine Months ended December 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Canada	876,506	1,018,799	3,018,792	3,768,723
United States	22,493	4,153	42,721	68,715
Netherlands	(708)	147,217	(89,935)	387,420
	<b>(898,291)</b>	<b>(1,170,169)</b>	<b>(2,971,578)</b>	<b>(4,224,858)</b>

<i>Total assets as at</i>	December 31,	March 31,
	2024	2024
	\$	\$
Canada	19,853,711	21,500,004
Netherlands	2,274,691	2,504,543
United States	59,181	79,413
	<b>22,187,583</b>	<b>24,083,960</b>

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**22. Segment Information (continued)**

<i>Total liabilities as at</i>	<b>December 31, 2024</b>	March 31, 2024
	<b>\$</b>	<b>\$</b>
Canada	<b>3,151,743</b>	2,987,364
Netherlands	<b>415,648</b>	679,513
United States	-	154,781
	<b>3,567,391</b>	3,821,658

**23. Subsequent Events**

On January 21, 2025, the Company granted 9,200,000 stock options to certain directors, officers and consultants, which are exercisable at a price of \$0.05 per share until January 21, 2030. 1/3 of the stock options vested immediately upon grant, 1/3 on January 21, 2026 and the remainder vest on January 21, 2027. The Company also granted 5,750,000 RSUs to certain directors, officers, employees, and consultants of the Company. 1/3 of the RSUs vested immediately, 1/3 will vest on January 21, 2026, and the remainder vest on January 21, 2027.

On the same day, the Company also issued 1,000,000 common shares to a consultant as compensation for services provided.