RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in Canadian Dollars)
(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

These unaudited condensed interim consolidated financial statements have been restated due to an error in the presentation in the cash flow statement whereby the cash held in escrow was included in cash at the end of the periods presented.

These unaudited condensed interim consolidated financial statements have also been updated to reflect subsequent events to May 19, 2020 including a name change, a share consolidation and other items included in the subsequent events note. Other than the changes as stated above, the restated condensed interim consolidated financial statements do not contain any other material changes or amendments.

Signed: ***"Michael Lerner"***		Signed: **"Balu Gopalakrishnan"**
Chief Executive Officer		Chief Financial Officer

Toronto, Ontario
May 19, 2020

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Condensed Consolidated Interim Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)
As at

	December 31, 2019	March 31, 2019
ASSETS		
CURRENT		
Cash	$ 3,545	$ -
Cash held in escrow (Note 4)	1,001,310	
TOTAL CURRENT ASSETS	1,004,855	-
TOTAL ASSETS	$ 1,004,855	$ -
LIABILITIES		
CURRENT		
Short-term loans payable (Notes 3 and 9)	$ 1,127,251	$ 1,042,251
Accounts payable and accrued liabilities (Note 9)	1,034,182	1,100,637
Liability for cash held in escrow (Note 4)	1,005,265	-
TOTAL CURRENT LIABILITIES	3,166,698	2,142,888
NON CURRENT LIABILITIES		
Other liabilities (Note 10)		
TOTAL NON CURRENT LIABILITIES	525,769	525,769
TOTAL LIABILITIES	3,692,467	2,668,657
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 5(a))	4,016,634	4,016,634
Warrants (Note 5(f))	260,972	312,952
Contributed surplus	1,848,632	1,796,652
Deficit	(8,813,850)	(8,794,895)
TOTAL SHAREHOLDERS' DEFICIENCY	(2,687,612)	(2,668,658)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	$ 1,004,855	$ -

GOING CONCERN (Note 1)
PROVISIONS AND CONTINGENCIES (Note 7)

APPROVED BY THE BOARD

"Michael Lerner"

Director

"Balu Gopalakrishnan"

Director

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)
For the three months and nine months ended December 31, 2019 and 2018

	Three months ended		Nine months ended	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
REVENUES				
Financial advisory	$ -	$ -	$ -	$ 9,779
Other	-	84	-	1,065
TOTAL REVENUES	-	84	-	10,844
OPERATING EXPENSES				
General and administrative (Note 9)	8,955	57,624	18,955	184,102
TOTAL OPERATING EXPENSES	8,955	57,624	18,955	184,102
(Loss) before the undernoted	(8,955)	(57,540)	(18,955)	(173,258)
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ (8,955)	$ (57,540)	$ (18,955)	$ (173,258)
LOSS PER SHARE – Basic and diluted (Note 5 (e))	$ (0.01)	$ (0.06)	$ (0.02)	$ (0.20)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted	851,396	851,396	851,396	851,396

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

(Expressed in Canadian Dollars)

	Common Shares #	Common Shares $	Warrants $	Contributed Surplus $	Deficit $	Shareholders' (Deficiency) $
Balance, March 31, 2018	**851,396**	**4,016,634**	**312,952**	**1,796,652**	**(8,614,854)**	**(2,488,616)**
Net (loss) and comprehensive (loss)	-	-	-	-	(173,258)	(173,258)
Balance, December 31, 2018	**851,396**	**4,016,634**	**312,952**	**1,796,652**	**(8,788,112)**	**(2,661,874)**
Balance, March 31, 2019	**851,396**	**4,016,634**	**312,952**	**1,796,652**	**(8,794,895)**	**(2,668,657)**
Expiry of warrants	-	-	(51,980)	51,980	-	-
Net (loss) and comprehensive (loss)	-	-	-	-	(18,955)	(18,955)
Balance, December 31, 2019	**851,396**	**4,016,634**	**260,972**	**1,848,632**	**(8,813,850)**	**(2,687,612)**

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Condensed Consolidated Interim Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)
For the nine months ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	$ (18,955)	$ (173,258)
Movements in working capital:		
Securities owned	-	18,000
Accounts payable and accrued liabilities	(66,455)	119,453
Cash flows (used in) from operating activities	(85,410)	(35,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash held in escrow	(1,001,310)	-
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repayment of short-term loans	-	(18,610)
Liability for cash held in escrow	1,005,265	
Increase in short term loans	85,000	53,155
Cash flows from (used in) financing activities	1,090,265	34,545
CHANGE IN CASH	3,545	(1,260)
CASH, BEGINNING OF PERIOD	-	1,286
CASH, END OF PERIOD	$ 3,545	$ 26

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Red Light Holland Corp. (formerly Added Capital Inc.) ("RLHC" or the "Company") ceased revenue producing merchant banking activities during 2019 and is currently evaluating potential future opportunities. Prior to December 31, 2012, the Company carried on a traditional brokerage and investment banking business through Northern Securities Inc. ("NSI"), which was a member firm of the Investment Industry Regulatory Organization of Canada ("IIROC"). 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.

Going concern

These consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Certain matters existing as at December 31, 2019, including a working capital deficiency, substantial loans, and NSI's discontinued operations represent material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern.

As at December 31, 2019, the Company's working capital deficiency is $2,161,843, which includes substantial loans that have not been repaid (Note 3).

NSI assigned its client accounts to other brokerage firms pursuant to a consent order, agreed upon with IIROC, issued by an IIROC Hearing Panel on December 14, 2012. On March 19, 2013, NSI and IIROC entered into a settlement agreement which provided for the suspension of NSI as an IIROC member. The suspension from IIROC and assignment of client accounts to other brokerage firms resulted in NSI's business being recorded as discontinued.

The Company is no longer an IIROC member as its membership was terminated with the consent of IIROC and the Company. However, until 2019, the Company continued to have the ability to carry on the following businesses: corporate finance, mergers and acquisition advisory, and research.

The Company is in the process of restructuring its debt. Despite the restructuring items that have taken place, the Company continues to have a need for further restructuring, profit from operations or additional financing. There is no assurance that these items will take place or be available to the Company. Management has considered expectations for future profitability and believes that the Company will continue in operation for the foreseeable future and will be able to restructure or satisfy its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these financial statements on a going concern basis. If the going concern assumption was not appropriate for these financial statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net income and the statement of financial position classifications used. Such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim financial statements, including comparative periods, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), including IAS 34, Interim Financial Reporting.

These financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. These financial statements are presented on a historical cost basis unless an item is reported at fair value, and is presented on an accrual basis, except for cash flow information.

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 19, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with its principal subsidiaries being NSI, Red Light Holland Financing Inc. and Red Light Holland Debt Inc. Intercompany accounts and balances are eliminated upon consolidation.

Cash and cash equivalents

The Company considers all highly liquid debt instruments with an original maturity date of three months or less to be cash equivalents. As at December 31, 2019 the Company has $3,545 in cash and $1,001,310 of cash held in escrow (note 4). As at December 31, 201, the Company did not have any cash equivalents.

Financial instruments – recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of operations.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations. The Company’s securities owned are classified as financial assets at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, short-term loans payable, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in the consolidated statements of operations.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of operations.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) Securities trading transactions

Securities transactions, commissions and related clearing expenses are recorded on a trade date basis when the services are performed.

(b) Financial advisory fees

Financial advisory fees consist of management and advisory fees. Revenue from mergers and acquisitions and other corporate finance activities are recorded when the underlying transaction is substantially completed and collection of funds is reasonable assured under the engagement terms and the related revenue is reasonably determinable. Management and advisory fees are recognized on an accrual basis.

(c) Interest income

Interest income is recorded when earned.

(d) Broker warrants

Broker warrants received by the Company in respect of underwriting activities are initially measured at fair value using the Black-Scholes model. Broker warrants are classified as fair value through profit and loss and subsequent changes in fair value are recorded as revenue.

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in the same statement in which the related item is recognized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the reporting date, and any adjustments to tax payable in respect to previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realized or the liabilities settled, based on tax rates and enacted and substantively enacted law by the reporting date.

Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and related to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expenditures expected to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

Loss per share

Basic loss per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding. Diluted loss per share is calculated by assuming that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Significant judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Valuation of financial instruments

The financial instruments of the Company are measured at fair value or amortized cost. Fair value is determined on the basis of closing market prices on the reporting date from independent sources, if available. If there is no available market price, fair value is determined using the Black-Scholes model. The inputs to the Black-Scholes model are derived from observable market data where possible, but where observable data is not available, judgment is required to establish fair value. There is inherent uncertainty and imprecision in estimating the factors that can affect fair value when observable data is not available.

(b) Income and other taxes

Accruals for tax liabilities require management to make estimates and judgments with respect to the ultimate outcome of tax filings and assessments. Actual results could vary from these estimates. Deferred tax assets are recognized to the extent that the Company believes it is probable that the assets can be recovered. Deferred tax assets and liabilities are recorded using substantively enacted future tax rates. Accordingly, the actual income and other tax liabilities and deferred tax assets may differ significantly from that estimated and recorded.

(c) Provisions and contingencies

Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management's best estimates of timing, and quantum of future outflows. See Note 8.

(d) Going concern

For further information regarding going concern refer to Note 1.

Accounting policy adoptions and changes

IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and replaced IAS 17, "Leases". IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard became effective for annual periods beginning on or after January 1, 2019. This standard had no impact as the Company does not have any leases.

3. SHORT-TERM LOANS PAYABLE

As at December 31, 2019, the Company has an unsecured term loan outstanding in the amount of $85,000 (March 31, 2019 – $Nil) owing from shareholders. These loans are not interest bearing and have no current repayment date.

As at December 31, 2019, the Company has an unsecured term loan outstanding in the amount of $200,000 (March 31, 2019 – $200,000) owing to an arm's length lender. The loan bore interest at a rate of 12%, matured on March 31, 2013, and is unsecured. The lender agreed to waive all historical and future interest on the loan. During the year ended March 31, 2018 an additional $78,868 was advanced to the Company which was repaid by way of an advance from Alboini, a director and officer at the time of the advance. There is no current repayment date on the loan.

As at December 31, 2019, the Company had unsecured loans outstanding with a former director of the Company in the amount of $400,000 and an unsecured demand loan outstanding in the amount of $100,000 with a former director of the Company (March 31, 2019 – $400,000 and $100,000, respectively) (Note 9). The demand loan became payable in full on June 12, 2013. The lender agreed to waive all historic and future interest on the loans. There is no current repayment date on the loans.

The Company had unsecured loans outstanding in the amount of $342,251 as at December 31, 2019 (March 31, 2019 – $322,999) owing to Alboini and Stature Inc. ("Stature"), a company wholly-owned by Alboini. Alboini and Stature agreed to waive all historic and future interest on the loans. There is no current repayment date on the loans.

(Expressed in Canadian Dollars)

4. LIABILITY FOR CASH HELD IN ESCROW

On October 8, 2019, the Company incorporated Red Light Holland Financing Inc. ("RLH") (under the laws of the province of Ontario), a wholly owned subsidiary of the Company, for the purpose of completing a transaction (the "Transaction") to which RLH would be the resulting issuer ("Resulting Issuer"). Funds held in escrow relate to the $702,878 of restricted funds and $298,432 of non-restricted funds of RLH raised through subscription receipt financings (tranche 1 closed December 20, 2019, tranche 2 and 3 subsequent to the end of the quarter (note 11)). On December 20, 2019, 13,041,166 subscription receipts were issued for proceeds of $782,470. Each subscription receipt entitles the holder to receive, without payment of additional consideration or further action on the part of the holder, one common share in the capital of the Transaction. Upon completion of the Transaction, each common share of RLH shall be exchanged for one Resulting Issuer common share. In the event the Transaction does not occur or other escrow release conditions are not satisfied or waived the escrowed funds shall be returned to the holders of the subscription receipts on a pro rata basis and the subscription receipts will be cancelled without any further action on the part of the holders.

5. 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	
851,396 common shares (note 11)	$4,068,614

Share capital activity for the nine months ended December 31, 2019, is summarized as follows:

	Common Shares \#	Amount $
Balance, March 31, 2019 and December 31, 2019	851,396	4,016,634

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 85,139 common shares. During the nine months ended December 31, 2019, $Nil was recorded as share-based compensation..

All stock options expired unexercised in the nine months ended December 31, 2019 as a result of the resignation of the holders as directors and officer of the Company. No options were outstanding or exercisable as at December 31, 2019.

The following table reflects the continuity of options for the nine months ended December 31, 2019:

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
November 11, 2019	$1.00	12,500	-	-	12,500	-
August 24, 2021	$1.00	15,000	-	-	15,000	-
		27,500	-	-	27,500	-

(Expressed in Canadian Dollars)

5. CAPITAL STOCK (CONTINUED)

The following table reflects the continuity of options for the year ended March 31, 2019:

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
November 11, 2019	$1.00	12,500	-	-	-	12,500
August 24, 2021	$1.00	15,000	-	-	-	15,000
		27,500	-	-	-	27,500

(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 nine months ended December 31, 2019 and the year ended March 31, 2019.

(d) *Financings*

The Company did not issue shares in fiscal 2020 or 2019.

(e) *Loss per share data*

The weighted average number of common shares outstanding, used in computing basic and diluted loss per common share for the periods ended December 31, 2019 and 2018 were:

December 31, 2019	851,396
December 31, 2018	851,396

The effect of outstanding common share purchase options and warrants on the net loss for the periods presented is not reflected as to do so would be anti-dilutive.

(f) *Warrants:*

	Warrants #	Amount $
Balance, March 31, 2019	333,000	312,952
Expiry of warrants	(113,000)	(51,980)
Balance, December 31, 2019	220,000	260,972

As at December 31, 2019, warrants outstanding were as follows:

		Warrants Outstanding and Exercisable	
Expiry Date	**Exercise Price**	**Number of Warrants**	**Average Remaining Contractual Life (Years)**
December 12, 2021	$1.00	220,000	2.2

(Expressed in Canadian Dollars)

6. CAPITAL MANAGEMENT

The Company requires capital to fund existing and future operations and meet regulatory capital requirements. The Company's policy is to maintain adequate levels of capital at all times.

The Company's capital structure includes the following:

	December 31, 2019	March 31, 2019
Short-term loans payable	$ 1,127,251	$ 1,042,251
Shareholders' deficiency comprised		
Share capital	4,016,634	4,016,634
Warrants	260,972	312,952
Contributed surplus	1,848,632	1,796,652
Deficit	(8,813,850)	(8,794,895)
	($1,560,361)	($1,626,406)

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

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors who seek to participate in investment opportunities; and (iv) raising capital through the issuance of securities.

The Company's capital management objectives, policies and processes have generally remained unchanged during the periods ended December 31, 2019 and 2018.

7. PROVISIONS 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.

8. 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.

Market risk
Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. The Company is exposed to market risk as a result of its principal trading in equity securities and fixed income securities. Securities held for trading are valued at market and as such, changes in market value affect earnings (losses) as they occur. The Company mitigates its market risk exposure through controls to limit concentration levels. As at December 31, 2019, the Company does not hold equity securities.

(Expressed in Canadian Dollars)

8. RISK MANAGEMENT (CONTINUED)

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments and fixed income securities held by the Company. The Company holds minimal fixed income securities and does not hedge its exposure to interest rates since the risk is very low. As at December 31, 2019, the Company no longer has interest-bearing loans.

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.

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 generates cash flow primarily from its commission and fee-based businesses as well as its investments.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. There is no guarantee that the Company will be able to continue to meet its current obligations. See Note 1.

The Company has loans outstanding of $1,127,251 as at December 31, 2019 (March 31, 2019 - $1,042,251).

9. RELATED PARTY TRANSACTIONS

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

a) During the nine months ended December 31, 2019, Alboini and Stature provided net loan advances of $Nil to the Company (nine months ended December 31, 2018 – net loan advances of $35,545 to the Company), resulting in a balance of $342,251 owing to them as at December 31, 2019 (March 31, 2019 - $322,999). During the year ended March 31, 2014, Alboini and Stature waived all historical and future interest on their total loans to the Company. There is no current repayment date on the loans.

b) As at December 31, 2019, the Company had $500,000 (March 31, 2019 - $500,000) in loans payable to an arm's length lender. These amounts are unsecured, non-interest bearing and due on demand. The loan was assigned from a former director of the Company. See Note 3.

c) Accounts payable and accrued liabilities includes $166,312 in fees due to former officers and current and former directors as at December 31, 2019 (March 31, 2019 - $166,312). These amounts are unsecured, non-interest bearing and due on demand.

Compensation to key management personnel

Compensation paid or payable during the nine months ended December 31, 2019 and 2018 to persons and corporation in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

	2019	2018
Fees and benefits	$ -	$ 132,750
Total	$ -	$ 132,750

10. OTHER LIABILITIES

During the year ended March 31, 2017, the Company transferred $525,769 of accounts payable (the "Statute-barred Claims") to non-current liabilities on the basis that any claims in respect of the Statute-barred Claims were statute barred under the Limitations Act (Ontario). The Statute-barred Claims related to expenses billed by and third party liabilities incurred by NSI which is no longer active. However, for accounting purposes under IFRS, a debt can only be removed from the Company's Statement of Financial Position when it is extinguished, meaning only when the contract is discharged or canceled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation but it does not formally extinguish the debt for accounting purposes. It is the position of management of the Company that the Statute-barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-barred Claims are required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention or obligation to pay these Statute-barred Claims and the creditors cannot enforce payment of the Statute-barred Claims. While inclusion of these items is intended solely to comply with the requirements of IFRS, the Company in no way acknowledges any of the Statute-barred Claims.

11. SUBSEQUENT EVENTS

In January 2020, the Company's wholly owned subsidiary, Red Light Holland Debt Inc., completed a debt conversion transaction where an aggregate of $196,562 of debt was converted at a price of $0.005 per common share and an aggregate of $1,294,262 was converted at a price of $0.02 per common share. Concurrently, the wholly owned subsidiary closed two separate private placements. Gross proceeds of $14,583 at a price of $0.005 per common share and $344,096 at a price of $0.02 per common share were received.

Effective February 13, 2020, the Company consolidated its issued and outstanding common shares on the basis of one (new) post consolidation common share for each 20 (old) pre-consolidation common shares (the "Consolidation"). The Consolidation was approved at the Company's annual and special meeting of shareholders held on May 8, 2019. The consolidated financial statement reflect the post-consolidation common shares.

On February 7 and 27, 2020, the Company's wholly owned subsidiary, RLH, closed a second and third tranche of the subscription receipt financing (note 4). The private placement offering of subscription receipts (each, a "Subscription Receipt") was completed at a price of $0.06 per Subscription Receipt for gross proceeds of approximately $3,611,352 (the "Financing"). The net proceeds of the Financing will be used for operational expansion, business development and working capital purposes.

Each Subscription Receipt entitles the holder thereof to receive, upon satisfaction of the Escrow Release Conditions (as defined below) on or before the Escrow Release Deadline (as defined below), and without payment of additional consideration, one common share of Finco (an "Underlying Share"). If the Escrow Release Conditions are satisfied on or before the Escrow Release Deadline, then each Underlying Share will be exchanged for one common share in the capital of the Company (an "RLHC Share").

The gross proceeds of the Financing, less (i) 50% of the Finder's Fee (as defined below) and the expenses of First Republic Capital Corporation (the "Finder") incurred in connection with the Financing, which were paid to the Finder; and (iii) 50% of the gross proceeds, which were paid to the Company (the gross proceeds net of such deductions, the "Escrowed Proceeds") were delivered to and held by an escrow agent (the "Escrow Agent"). The Escrowed Proceeds, together with all interest and other income earned thereon, are referred to herein as the "Escrowed Funds". The remaining 50% of the Finder's Fee will be released from escrow to the Finder from the Escrowed Funds and the balance of the Escrowed Funds will be released from escrow to the Company upon satisfaction of certain escrow release conditions (the "Escrow Release Conditions") on or before 5:00 pm on June 17, 2020 (the "Escrow Release Deadline"). In the event that (i) the Escrow Release

Conditions are not satisfied on or before the Escrow Release Deadline, or (ii) if prior to such time, the Company advises the Finder or announces to the public that it does not intend to satisfy the Escrow Release Conditions, the Escrow Agent will return to holders of Subscription Receipts an amount equal to gross proceeds of the Financing and their pro rata portion of any interest earned thereon. The Company will be responsible and liable to the holders of Subscription Receipts for any shortfall between the gross proceeds raised and the Escrowed Funds.

11. SUBSEQUENT EVENTS (CONTINUED)

The Finder received a cash commission equal to 8.0% of the aggregate gross proceeds from the Financing (the "Finder's Fee"). Finco also issued to the Finder that number of compensation options (the "Compensation Options") equal to 8.0% of the aggregate number of Subscription Receipts sold pursuant to the Financing. Each Compensation Option entitles the holder thereof to acquire one common share of Finco at an exercise price of $0.06 for a period of 24 months. If the Escrow Release Conditions have not been satisfied on or prior to the Escrow Deadline, then the Finder's Fee will be reduced to the amount paid on the closing date and the Compensation Options will thereafter be cancelled and be of no further value or effect.

On April 27, 2020, in anticipation of the closing of two three-cornered amalgamations (the "Amalgamations") to be completed by and among the Company and certain of its wholly-owned subsidiaries, including Red Light Holland Financing Inc. ("Finco") and Red Light Holland Debt Inc. ("Debtco"), the Company has effected a change of its name to "Red Light Holland Corp." The Amalgamations, which remain subject to the satisfaction of certain conditions and receipt of all applicable regulatory and other approvals, is expected to result in a reverse takeover of the Company by the shareholders of Finco and Debtco.