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

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2020 AND 2019

(Expressed in Canadian Dollars)

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Unaudited Interim Condensed Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at December 31, 2020 and March 31, 2020

	December 31, 2020	March 31, 2020
ASSETS		
CURRENT		
Cash and cash equivalents	$ 11,429,928	$ 1,963,492
Cash held in escrow (Note 3)	-	1,804,290
Sales tax receivable	209,890	20,874
Marketable securities (Note 4)	1,766,000	-
Prepaid expenses and deposits	476,636	-
Inventory	13,855	-
Prepaid financing cost (Note 3)	-	178,843
TOTAL CURRENT ASSETS	13,896,309	3,967,499
NON-CURRENT ASSETS		
Property and equipment (Note 5)	57,351	-
Right of use asset (Note 6)	112,564	-
TOTAL ASSETS	$ 14,066,224	$ 3,967,499
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 471,778	$ 890,677
Lease liability – current portion (Note 7)	30,318	-
Short-term loans payable	86,768	86,768
Subscription receipts (Note 3)	-	3,608,580
TOTAL CURRENT LIABILITIES	588,864	4,586,025
NON-CURRENT LIABILITIES		
Lease liability (Note 7)	86,251	-
Other liabilities (Note 13)	-	525,769
TOTAL NON-CURRENT LIABILITIES	86,251	525,769
TOTAL LIABILITIES	675,115	5,111,794
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 8(a))	19,379,880	4,016,634
Shares to be issued (Note 8(a(iv)) & 3)	62,500	1,849,535
Warrants (Note 8(e))	1,406,927	260,972
Contributed surplus	2,525,200	1,848,632
Deficit	(9,983,398)	(9,120,068)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	13,391,109	(1,144,295)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	$ 14,066,224	$ 3,967,499

PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 10)
SUBSEQUENT EVENTS (Note 15)

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Unaudited Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in Canadian Dollars)
For the three and nine months ended December 31, 2020 and 2019

	Three months ended December 31 2020	Three months ended December 31 2019	Nine months ended December 31 2020	Nine months ended December 31 2019
REVENUE	$ 15,088	$ -	$ 15,088	$ -
COST OF SALES	11,154	-	11,154	-
GROSS PROFIT	3,934	-	3,934	-
OPERATING EXPENSES				
General and administrative (note 14)	452,656	8,955	1,707,245	18,955
Share based payments	482,427	-	1,395,288	-
Interest expense	2,364	-	3,998	-
Research and development	975	-	14,998	-
	(938,422)	(8,955)	(3,121,529)	(18,955)
LOSS BEFORE OTHER ITEMS	(934,488)	(8,955)	(3,117,595)	(18,955)
OTHER ITEMS				
Gain on sale of marketable securities (Note 4)	-	-	585,162	-
Gain on sale of subsidiary (Note 13)	-	-	843,411	-
Unrealized change in fair value of marketable securities (note 4)	1,100,999	-	815,999	-
Interest income	6,977	-	9,693	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 173,488	$ (8,955)	$ (863,330)	$ (18,955)
INCOME (LOSS) PER SHARE – Basic and diluted (Note 8(d))	$ 0.00	$ (0.01)	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 8(d))	232,939,828	851,335	182,646,314	851,335

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)
For the nine months ended December 31, 2020 and 2019

	Common Shares #	Common Shares $	Shares to be Issued $	Warrants $	Contributed Surplus $	Deficit $	Shareholders' (Deficiency) $
Balance, March 31, 2019	**851,335**	**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	**851,335**	**4,016,634**	**-**	**260,972**	**1,848,632**	**(8,813,850)**	**(2,687,612)**
Balance, March 31, 2020	**851,335**	**4,016,634**	**1,849,535**	**260,972**	**1,848,632**	**(9,120,068)**	**(1,144,295)**
Shares issued on amalgamations (Note 3)	193,004,469	5,260,314	(1,849,535)	193,730	-	-	3,604,509
Shares issued per consulting agreement	4,052,631	295,789	-	-	-	-	295,789
Warrants issued per consulting agreements	-	-	-	388,331	-	-	388,331
Units issued on closing of private placements	30,362,605	2,715,330	-	2,294,500	-	-	5,009,830
Share issue costs	-	(536,277)	-	126,970	-	-	(409,307)
Exercise of warrants	28,659,174	7,553,490	62,500	(1,857,576)	-	-	5,758,414
Exercise of stock options	666,666	74,600	-	-	(34,600)	-	40,000
Share based payments	-	-	-	-	711,168	-	711,168
Net loss and comprehensive loss	-	-	-	-	-	(863,330)	(863,330)
Balance, December 31, 2020	**257,596,880**	**19,379,880**	**62,500**	**1,406,927**	**2,525,200**	**(9,983,398)**	**13,391,109**

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Unaudited Interim Condensed Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the nine months ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	$ (863,330)	$ (18,955)
Items not affecting cash:		
Unrealized change in fair value of marketable securities	(815,999)	-
Amortization and depreciation	16,985	-
Interest	3,998	-
Gain on sale of subsidiary	(843,411)	-
Share based payments	1,395,288	-
Realized gain on sale of marketable securities	(585,162)	-
Movements in working capital:		
Accounts receivable	(189,017)	-
Inventory	(13,855)	-
Prepaid expenses	(476,636)	-
Accounts payable and accrued liabilities	(111,483)	(66,455)
Cash flows (used in) operating activities	(2,482,622)	(85,410)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	735,161	-
Purchase of marketable securities	(250,000)	-
Acquisition of property and equipment	(64,102)	-
Cash held in escrow	1,804,290	(1,001,310)
Cash flows from (used in) investing activities	2,225,349	(1,001,310)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from issue of common shares in subsidiary	174,772	-
Proceeds from issue of common shares and warrants	4,159,830	-
Costs of issuance	(409,307)	-
Exercise of warrants	5,798,414	-
Increase in short term loans	-	85,000
Liability for cash held in escrow	-	1,005,265
Cash flows from financing activities	9,723,709	1,090,265
CHANGE IN CASH	9,466,436	3,545
CASH, BEGINNING OF PERIOD	1,963,492	-
CASH, END OF PERIOD	$ 11,429,828	$ 3,545
SUPPLEMENTAL INFORMATION:		
Shares and warrants issued for services	$ 684,120	$ -
Compensation warrants and shares issued	$ 430,700	$ -
Units issued for marketable securities	$ 850,000	$ -

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

1. NATURE OF OPERATIONS

Red Light Holland Corp. (formerly Added Capital Inc.) ("RLHC" or the "Company") is establishing itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. By doing so, the Company hopes to contribute to the advancement and awareness of Truffles, and promote its potential as a candidate for further research and study. 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. On May 22, 2020 the Canadian Securities Exchange (the "CSE") provided the Company with approval to list its common shares and the Company commenced trading on May 28, 2020 under the ticker symbol "TRIP" (the "CSE Listing").

In March 2020, the outbreak of the novel strain of corona virus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These unaudited interim condensed 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 interim condensed interim consolidated financial statements should be read in conjunction with the Company's March 31, 2020 audited annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its subsidiaries. These unaudited interim condensed consolidated 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 unaudited interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 26, 2021.

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 RLH Netherlands BV ("RLH NL"), Red Light Holland (Subco 1) Inc. ("Finco") and Red Light Holland (Subco 2) Inc. ("Debtco"). Intercompany accounts and balances are eliminated upon consolidation.

Significant accounting policies

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's March 31, 2020 annual financial statements, except for the adoption of new standards and interpretations as of April 1, 2020 and as follows:

Inventory

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out method and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. The finished goods cost includes an appropriate share of variable and fixed overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. All costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management are included in the carrying value of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefit of the item will occur, and its cost can be measured reliably. The costs of day-to-day maintenance of property and equipment are recognized directly in the statement of operations and comprehensive income (loss).

Depreciation, based on the estimated useful life of the asset, is calculated on the diminishing balance basis using the following annual rates:

Equipment 20% declining balance
Leasehold improvements are depreciated on a straight-line basis over the life of the lease.
Right of use assets are depreciated on a straight-line basis over the life of the lease.
Depreciation methods, useful lives and residual values are reassessed annually when there is an indication that they have changed.

Leases

The lease liability is initially recognized as the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's applicable incremental borrowing rate. The incremental borrowing rate is the rate which the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset. The Company has included the estimated extension of their leases in the lease term in assessing the present value of future lease payments where the exercise of the extension options is reasonably certain. The lease liability is subsequently measured by reducing the carrying amount to reflect lease payments made and to reflect any reassessments or modifications.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Right-of use assets are depreciated in accordance with the Company's accounting policy for plant and equipment.

Revenue Recognition

Revenue is generated from sales to customers of magic truffles, imicrodose packs (a non-synthetic truffle microdosing kit) and merchandise.

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the Company has delivered the product to customers.

All revenue of truffles and imicrodose packs in 2020 were to customers located in the Netherlands.

3. AMALGAMATION TRANSACTIONS

On October 8, 2019, the Company incorporated Finco (under the laws of the province of Ontario), for the purpose of completing a transaction to establish itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. On May 22, 2020, the Company closed the transaction (the "Transaction") with Finco and Debtco, both wholly owned subsidiaries of the Company. The Transaction was effected by way of two triangular amalgamations (the "Amalgamations") among (a) the Company and Debtco, and a wholly-owned subsidiary of the Company, and (b) the Company and Finco another wholly-owned subsidiary of the Company. Concurrent with the Transaction, the Company effected a change of its name to "Red Light Holland Corp." from Added Capital Inc. Prior to completing the Transaction, and during fiscal 2020, the Company was inactive and evaluating business opportunities.

Through the Amalgamations and completion of the Transaction, (i) each shareholder of Finco received one common share of the Company (total 66,022,530 Shares) in exchange for each one Finco Share held, related to the subscription receipt financing (see below) (ii) each shareholder of Debtco received one common share of the Company (total 125,148,606 Shares) in exchange for each one common share in the capital of Debtco (each, a "Debtco Share") held (related to the debt conversion), and (iii) all unexercised compensation warrants (4,816,802 warrants) were adjusted in accordance with their terms such that, each compensation warrant entitles the holder to acquire, upon exercise, one common share of the Company, on the same terms.

Debt restructuring

In January 2020, Red Light Holland completed a debt restructuring transaction (the "Debt Restructuring"), whereby it assigned, to its wholly owned subsidiary, Debtco, an aggregate of $1,577,623 in debt (the "Assigned Debt") owing by Red Light Holland to several third-party creditors. As part of the Debt Restructuring, in January 2020, Debtco completed a debt conversion (the "Debt Conversion"), whereby various debt holders elected to convert an aggregate of $196,563 of the Assigned Debt into Debtco Shares at a conversion price of $0.005 per Debtco Share, and an aggregate of $1,294,292 of the Assigned Debt into Debtco Shares at a conversion price of $0.02 per Debtco Share. In addition, Debtco accepted subscriptions for an aggregate of $14,583 for Debtco Shares at a price of $0.005 per Debtco Share, and an aggregate of $344,096 of for Debtco Shares at a price of $0.02 per Debtco Share. As the amalgamation had not yet taken place as at March 31, 2020, the resulting 125,148,606 common shares from the Debt Conversion and share subscriptions with a carrying value of $1,849,535 were presented as shares to be issued in the consolidated statement of financial position.

Subscription receipt financing

In May 2020, Finco completed a non-brokered private placement of 66,022,530 subscription receipts ("Subscription Receipt") at a price of $0.06 per Subscription Receipt for gross proceeds of $3,961,352. Each Subscription Receipt entitled the holder to one common share in the capital of Finco ("Finco Share"). In connection with the offering, Finco paid to the Finder a cash commission of $273,633, and issued 4,856,935 compensation warrants. Each warrant entitles the holder to acquire one common share of the Company at $0.06 for two years. The compensation warrants were valued at $193,730 using the black scholes options pricing model using the following assumption: Term – 2 years; Volatility – 136%; Interest rate – 0.30%.

Related to the Subscription receipt financing and the debt conversions, the Company also issued 1,833,333 common shares to certain finders as consideration for assisting in arranging the Amalgamations. The shares issued were valued at $0.06 per share based on the issue price of the Subscription Receipts.

In the event the Transaction did not occur or other escrow release conditions were not satisfied or waived the escrowed funds would be returned to the holders of the subscription receipts on a pro rata basis and the subscription receipts would be cancelled without any further action on the part of the holders. A total of 66,022,530 Subscription Receipts were issued for gross proceeds of $3,961,352. Of this total, 3,608,580 had been received by March 31, 2020 and was presented as a subscription receipts liability on the consolidated statement of financial position at March 31, 2020.

Included in prepaid financing costs of $178,843 on the consolidated statement of financial position as at March 31, 2020 are estimated Finder's Fees totaling $125,843 representing the portion of the fees that was earned by the Finders as at March 31, 2020.

The Escrow Release Conditions were met subsequent to March 31, 2020.

(Expressed in Canadian Dollars)

4. MARKETABLE SECURITIES

December 31, 2020	Number of Shares	Cost	Unrealized Gain	Fair Value
PharmaDrug Inc. – common shares	12,000,000	510,000	450,000	960,000
PharmaDrug Inc. - warrants	12,000,000	390,000	316,000	706,000
Lucid Psycheceuticals Inc. - shares	1,000,000	50,000	50,000	100,000

In May 2020, Finco issued 2,500,000 subscription receipts to Revive Therapeutics Ltd. ("Revive") valued at $0.06 each which were then converted into common shares of the Company as part of the Amalgamation. As consideration, the Company received 3,000,000 common shares of Revive with a deemed valued of $150,000.

During the nine months ended December 31, 2020, the Company sold all 3,000,000 shares for gross proceeds of $735,161 which resulted in a realized gain on marketable securities of $585,162.

During the nine months ended December 31, 2020, the Company recognized a change in the unrealized gain of $528,000 as a result of reversal of the unrealized gain on the sale of the Revive shares.

In July 2020 the Company made a cash investment by purchasing 2,666,667 units of PharmaDrug (the "PharmaDrug Subscription Units") at a price of $0.075 per unit for gross proceeds of $200,000. Each PharmaDrug Subscription Unit consisted of (i) one PharmaDrug Share, and (ii) one Class B PharmaDrug Warrant. The Company received an additional 9,333,333 shares in accordance with the Securities Exchange Agreement (see note 8).

The fair value of the PharmaDrug warrants was estimated upon initial recognition using the Black-Scholes option pricing model using the following assumptions: term – 4 years; expected volatility – 146%, expected interest rate – 0.31%. The fair value of these warrants as at December 31, 2020 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 3.5 years; expected volatility – 146%, expected interest rate – 0.31%.

In November 2020, the Company acquired 1,000,000 shares of Lucid Psycheceuticals Inc. at a cost of $50,000.

5. PROPERTY AND EQUIPMENT

	Equipment	Leasehold improvements	Vehicle	Total
Cost				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Additions	16,123	28,845	19,134	64,102
Balance, December 31, 2020	$ 16,123	$ 28,845	$ 19,134	$ 64,102
Accumulated Depreciation				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Additions	1,240	2,641	2,870	6,751
Balance, December 31, 2020	$ 1,240	$ 2,641	$ 2,870	$ 6,751
Carrying amount				
As at December 31, 2020	$ 14,883	$ 26,204	$ 16,264	$ 57,351

(Expressed in Canadian Dollars)

6. RIGHT OF USE ASSET

		Total
Balance, March 31, 2020	$	-
Additions - leases		122,798
Depreciation		(10,234)
Balance, December 31, 2020	$	112,564

Leases are depreciated over their term.

7. LEASE LIABILITIES

Balance, March 31, 2020	$	-
Additions		122,798
Interest expense		3,998
Lease payments		(10,227)
Balance, December 31, 2020	$	116,569

Allocated as:		**December 31, 2020**
Current	$	30,318
Long term		86,251
Balance	$	116,569

On August 1, 2020, the Company entered into a 60-month lease agreement to rent two spaces. The lease commenced on August 1, 2020 for a period of five years until July 31, 2025. The Company has the option to renew this lease for three more renewal periods of five years each, allowing the Company to potentially lease the space until July 31, 2040. Under the lease, the Company is required to pay a monthly rent of 1,630 EUR ($2,527), increasing at 2% per year. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in Canada. Effective interest rate is 10%.

During the nine months ended December 31, 2020, the Company recognized an expense of $7,208 with respect to rent not subject to a lease agreement.

(Expressed in Canadian Dollars)

8. 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
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 statements reflect the post-consolidation common shares.

Details of shares issued and outstanding are as follows:

	Shares	Amount
March 31, 2020 and 2019	**851,335**	**$ 4,016,634**
Shares issued on Horizontal amalgamation of subsidiaries (note 3)	193,004,469	5,260,314
Shares issued for private placements (i)	26,120,181	4,309,830
Valuation of warrants issued on private placements (i) (ii)	-	(2,294,500)
Share issue costs – cash (i)	-	(409,307)
Share issue costs - broker warrants (i)	-	(126,970)
Shares issued as per the Share Exchange Agreement (ii)	4,242,424	700,000
Shares issued for services (iii)	4,052,631	295,789
Shares issued on exercise of warrants (iv)	28,659,174	7,553,490
Shares issued on exercise of options (iv)	666,666	74,600
Balance December 31, 2020	**257,596,880**	**$ 19,379,880**

(i) On June 8, 2020, the Company closed the first tranche of a brokered private placement (the "First Tranche") of Units for gross proceeds of approximately $3,000,000 with one institutional lead investor. Pursuant to the First Tranche, the Company issued a total of 18,181,818 Units at a price of $0.165 per Unit, with each Unit consisting of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.26 at any time until June 8, 2024, subject to an accelerated expiry option. The Warrants were valued at $1,374,000 using the Black-Scholes option pricing model using the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.48%.

In connection with the First Tranche, the Company paid to the agent a cash fee of $210,000 and issued 1,272,727 compensation warrants, with each compensation warrant entitling the holder to purchase one Unit at a price of $0.165 per Unit, for a period of 48 months following the issuance date. The compensation warrants were valued at $99,440 using the black scholes option pricing model with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.48%.

On June 16, 2020, the Company closed the second tranche of the brokered private placement (the "Second Tranche") of units, for gross proceeds of $830,529. Pursuant to the Second Tranche, the Company issued a total of 5,033,515 units at a price of $0.165 per unit, with each unit consisting of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.26 at any time until June 16, 2024, subject to an accelerated expiry option. The Warrants were valued at $380,400 using the Black-Scholes option pricing model using the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.48%.

In connection with the Second Tranche, the Company paid the agent a cash fee of $58,137 and issued 352,346 compensation options, with each compensation option entitling the holder to purchase one unit at a price of $0.165 per unit for a period of 48 months following the date of issuance. The compensation warrants were valued at $27,530 using the black scholes option pricing model with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.48%.

8. CAPITAL STOCK - CONTINUED

On July 16, 2020, the Company closed the final tranche of a private placement. In this tranche, 2,904,848 units were issued for gross proceeds of $479,300. The Warrants were valued at $219,500 using the Black-Scholes option pricing model using the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.48%.

(ii) On July 14, 2020, the Company entered into a securities exchange agreement with PharmaDrug Inc. (“PharmaDrug”) (the "Securities Exchange Agreement"). Under the terms of the Securities Exchange Agreement, PharmaDrug agreed to issue 9,333,333 units to the Company (the "PharmaDrug SEAUnits") at deemed price of $0.075 per unit, in consideration for the issuance by the Company of 4,242,424 RLH Units (as defined below) at a deemed price of $0.165 per unit to PharmaDrug. Each PharmaDrug SEA Unit consists of (i) one common share of PharmaDrug (a "PharmaDrug Share"), (ii) 0.9 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.13 for a period of 48 months (each whole warrant, a "Class A PharmaDrug Warrant"), and (iii) 0.1 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.08 for a period of 48 months (each whole warrant, a "Class B PharmaDrug Warrant"). Each RLH Unit will consist of one common share in the capital of the Company (an "RLH Share") and one common share purchase warrant (a "RLH Warrant") of the Company. Each RLH Warrant entitles the holder to purchase one additional RLH Share at an exercise price of $0.26 at any time for a period of 48 months, subject to an accelerated expiry option. If, following the date that is four months and one day following the date hereof, the volume weighted average trading price of the RLH Shares on the Canadian Securities Exchange (the "CSE") for any 10 consecutive trading days equals or exceeds $0.50, the Company may, upon providing written notice to the holders of RLH Warrants, accelerate the expiry date of the RLH Warrants to the date that is 30 days following the date of such written notice.

(iii) On May 27, 2020, the Company issued 3,000,000 shares to a consultant for services. On the date of issue, the shares had a fair value of $0.06, based on the value of the subscription receipt financing. On December 3, 2020, the Company issued 1,052,631 shares to a consultant for services. On the date of issue, the share had a fair value of $0.11.

(iv) During the nine months ended December 31, 2020, 28,659,174 warrants were exercised for proceeds of $5,695,914. The warrants had a value of $1,857,576. During the nine months ended December 31, 2020, 666,666 options were exercised for proceeds of $40,000. The options had a value of $34,600. As at December 31, 2020, $62,500 was received for the exercise of warrants and options but the shares had not yet been issued and are therefore classified as shares to be issued.

(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 22,910,164 common shares. During the years ended March 31, 2020 and 2019, $nil was recorded as share-based compensation.

All stock options expired unexercised in the year ended March 31, 2020 as a result of the resignation of the holders as directors and officer of the Company. No options were outstanding or exercisable as at March 31, 2020.

On May 27, 2020, the Company issued 9,450,000 options to certain directors, officers, and consultants of the Company. The options are exercisable at an exercise price of $0.06 per common share. 2,500,000 options expire five years from the date of issuance. 6,950,000 options expire three years from the date of issuance. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. In addition, a consultant was issued 3,000,000 common shares. The options were valued at $502,700 using the Black-Scholes option pricing model using the following assumptions: Term – 3-5 years; Volatility – 172% - 174%; Interest rate – 0.30%.

In June 2020, the Company issued to consultants 1,000,000 stock options (500,000 on June 10, 2020 and 500,000 on June 24). 500,000 Options are exercisable at an exercise price of $0.15 per common share, and 500,000 are exercisable at $0.105. The options expire three years from the date of issuance. The options were valued at $110,195 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172% - 174%; Interest rate – 0.30%.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK - CONTINUED

On July 16, 2020, the Company issued 150,000 stock options to a consultant. The stock options are exercisable at an exercise price of $0.085 per common share and expire three years from the date of issuance. The options were valued at $35,000 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On December 1, 2020, the Company issued 200,000 stock options to a consultant. The stock options are exercisable at an exercise price of $0.10 per common share and expire three years from the date of issuance. The options were valued at $17,285 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On December 8, 2020, the Company issued 1,500,000 stock options to a consultant. 750,000 of the stock options are exercisable at an exercise price of $0.15 per common share, and 750,000 of the stock options are exercisable at $0.20 per share. All options expire one year from the date of issuance. The options were valued at $160,765 using the Black-Scholes option pricing model using the following assumptions: Term – 1 year; Volatility – 172%; Interest rate – 0.30%.

The following table reflects the continuity of options for the nine months ended December 31, 2020:

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
May 27, 2025	$0.06	-	2,500,000	-	-	2,500,000
May 27, 2023	$0.06	-	6,950,000	(666,666)	-	6,283,334
June 10, 2023	$0.15	-	500,000	-	-	500,000
June 24, 2023	$0.105	-	500,000	-	-	500,000
July 16, 2023	$0.085	-	150,000	-	-	150,000
December 1, 2023	$0.10	-	200,000	-	-	200,000
December 8, 2021	$0.15	-	750,000	-	-	750,000
December 8, 2021	$0.20	-	750,000	-	-	750,000
		-	12,300,000	(666,666)	-	11,633,334

The following table reflects the continuity of options for the year ended March 31, 2020:

		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 three and nine months ended December 31, 2020 and the year ended March 31, 2020.

(d) *Loss per share data*

The effect of outstanding common share purchase options and warrants on the net loss for the nine months ended December 31, 2020 presented is not reflected as to do so would be anti-dilutive.

(Expressed in Canadian Dollars)

8. CAPITAL STOCK - CONTINUED

(e) *Warrants:*

	Warrants #	Amount $
Balance, March 31, 2019	333,000	312,952
Expiry of warrants	(113,000)	(51,980)
Balance, March 31, 2020	220,000	260,972
Issued in connection with subscription receipt financing (note 3)	4,856,935	193,730
Issued in connection with private placements (note 8(a))	27,745,254	2,100,870
Issued in connection with the Share Exchange Agreement (note 8(a)(ii))	4,242,424	320,600
Issued in connection with consulting agreements (i)	8,650,000	388,331
Exercised	(28,659,174)	(1,857,576)
Balance, December 31, 2020	17,055,439	1,406,927

(i) On May 27, 2020 8,650,000 warrants were issued to certain consultants of the Company. The warrants are exercisable at an exercise price of $0.06 per common share and expire three years from the date of issuance. The warrants vest 1/3 immediately, 1/3 in six months, and 1/3 in one year. The Warrants were valued at $448,557 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.29%.

As at December 31, 2020, 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	1.27
December 20, 2021	$0.06	112,500	1.30
February 7, 2022	$0.06	443,430	1.48
February 8, 2022	$0.06	35,000	1.49
February 10, 2022	$0.06	8,500	1.49
March 13, 2022	$0.06	230,149	1.61
May 27, 2023	$0.06	3,900,000	3.22
June 8, 2024	$0.165	1,272,727	4.61
June 16, 2024	$0.26	3,333,515	4.64
June 16, 2024	$0.165	352,346	4.64
July 16, 2024	$0.26	4,242,424	4.75
July 16, 2024	$0.26	2,904,848	4.75
		17,055,439	4.16

(Expressed in Canadian Dollars)

9. 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, 2020	March 31, 2020
Short-term loans payable	$ 86,768	$ 86,768
Subscription receipts	-	3,608,580
Shareholders' deficiency comprised of:		
Share capital	19,379,880	4,016,634
Shares to be issued	62,500	1,849,535
Warrants	1,406,927	260,972
Contributed surplus	2,525,200	1,848,632
Deficit	(9,858,398)	(9,120,068)
	$ 13,602,877	$ 2,551,053

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

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

The Company's capital management objectives, policies and processes have generally remained unchanged during the three and nine months ended December 31, 2020.

10. 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.

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $244,000 which are due within one year.

11. 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.

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company has no interest-bearing loans.

11. 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 Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the Euro, being the local currency in the Netherlands where the Company's subsidiary RLH NL operates.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than Canadian dollar. As at December 31, 2020, the Company does not have a material risk as 98% of its assets and liabilities are denominated in the Canadian dollar.

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 Company has loans outstanding of $86,768 (March 31, 2020 - $86,768).

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

12. 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:

Compensation to key management personnel
Compensation paid or payable during the three and nine months ended December 31, 2020 and 2019 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the nine months ended December 31, 2020, the Company was charged $150,000 in fees by the CEO for CEO management fees.

b) During the nine months ended December 31, 2020, the Company was charged $32,000 in fees by the CFO for management fees.

c) During the nine months ended December 31, 2020, the Company was charged $70,000 in fee by the President for management fees.

d) On May 27, 2020, the Company issued 3,700,000 stock options to directors and officers of the Company, with an estimated value of $334,167 (see note 8(b)).

Equity Transactions
Shares issued during the nine months ended December 31, 2020 and the year ended March 31, 2020 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the year ended March 31, 2020, the Company settled debt of $464,115 to related parties through the issuance of 32,408,850 shares (2019 - $nil) (see note 3).

b) During the year ended March 31, 2020, the Company issued $46,667 worth of shares to related parties through the issuance of 2,333,333 common shares in the DebtCo financing in January 2020 (see note 3).

c) During the year ended March 31, 2020, the Company issued $200,000 worth of subscription receipts to related parties through the issuance of 3,333,333 subscription receipts through the FinCo financing (see note 3).

(Expressed in Canadian Dollars)

13. SALE OF SUBSIDIARY

On September 1, 2020, the Company sold 100% of the common shares of the capital of Northern Securities Inc. ("NSI") for consideration of $1. All the liabilities associated with NSI have been removed from the Company's accounts including those Statute-barred Claims, as per below.

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 were required to be reflected on the Company's Statement of Financial Position as a result of the current interpretation of IFRS, but they were 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 was intended solely to comply with the requirements of IFRS, the Company in no way acknowledged any of the Statute-barred Claims.

14. GENERAL AND ADMINISTRATIVE

	Three months ended December 31		Nine months ended December 30	
	2020	2019	2020	2019
Consulting	$ 33,636	$ -	$ 154,512	$ -
Legal, audit and other professional fees	17,369	8,955	371,863	18,955
Management fees	94,174	-	245,174	-
Business development	20,529	-	178,371	-
Office and general	149,713	-	192,609	-
Regulatory	5,982	-	20,087	-
Shareholder communication	117,982	-	527,644	-
Amortization and depreciation	13,271	-	16,985	-
	$ 452,656	$ 8,955	$ 1,707,245	$ 18,955

15. SUBSEQUENT EVENTS

On January 28, 2021, the Company closed its previously announced bought deal short form prospectus offering, including the exercise in full of the underwriter's over-allotment option. In connection with the offering, the Company issued 38,334,100 units of the Company at a price of $0.255 per unit, for aggregate gross proceeds of $9,775,195.

Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.38, for a period of 42 months following the closing of the Offering. In the event that the volume weighted average trading price of the common shares exceeds $0.89 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the warrants, accelerate the expiry date of the warrants to the date that is 30 days following the date of such written notice.

In consideration for their services in connection with the offering, the Company paid to the Underwriter a cash fee equal to $677,934 and issued to the Underwriter 2,661,762 compensation options. Each compensation option may be exercised to acquire one unit at $0.255 for a period of 42 months following the closing of the offering. Each unit underlying the compensation options have the same terms as those issued under the offering.

15. SUBSEQUENT EVENTS (CONTINUED)

On February 24 2021, The Company closed a bought deal short form prospectus offering, including the exercise in full of the underwriter's over-allotment option. In connection with the offering, the Company issued 26,450,000 units of the Company at a price of $0.44 per unit, for aggregate gross proceeds of $11,638,000.

Each Unit is comprised of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.70, for a period of 36 months following the closing of the offering. In the event that the volume weighted average trading price of the common shares exceeds $1.52 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the warrants, accelerate the expiry date of the warrants to the date that is 30 days following the date of such written notice.

In consideration for their services in connection with the offering, the Company paid to the Underwriter a cash fee equal to $794,070 and issued to the Underwriter 1,804,705 compensation options. Each compensation option may be exercised to acquire one nit at $0.44 for a period of 36 months following the closing of the offering. Each unit underlying the compensation options have the same terms as those issued under the offering.