RED LIGHT HOLLAND CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Red Light Holland Corp.:

Opinion

We have audited the consolidated financial statements of Red Light Holland Corp. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements of the Company for the year ended March 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on July 27, 2020.

Other Information

Management is responsible for the other information. The other information comprises Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

MNP SENCRL, srl [1]

Montréal, Québec

July 29, 2021

[1] FCPA auditor, FCA, public accountancy permit No. A122514

RED LIGHT HOLLAND CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at March 31, 2021 and March 31, 2020

	March 31, 2021	March 31, 2020
ASSETS		
CURRENT		
Cash and cash equivalents	$ 31,185,487	$ 1,963,492
Cash held in escrow (Note 4)	-	1,804,290
Accounts receivable	186,057	-
Sales tax receivable	346,450	20,874
Marketable securities (Note 6)	1,595,571	-
Prepaid expenses and deposits	122,888	-
Finished goods inventory	438,495	-
Prepaid financing cost (Note 4)	-	178,843
TOTAL CURRENT ASSETS	33,874,948	3,967,499
NON-CURRENT ASSETS		
Property and equipment (Note 7)	121,942	-
Right of use asset (Note 11)	149,749	-
Intangible assets (Note 8)	1,203,887	-
Goodwill (Note 8)	944,570	-
TOTAL ASSETS	$ 36,295,096	$ 3,967,499
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 15)	$ 1,072,392	$ 890,677
Lease liability – current portion (Note 12)	52,146	-
Short-term loans payable	-	86,768
Subscription receipts (Note 4)	-	3,608,580
TOTAL CURRENT LIABILITIES	1,124,538	4,586,025
NON-CURRENT LIABILITIES		
Lease liability (Note 12)	100,465	-
Convertible debenture (Note 10)	713,886	-
Deferred tax liability	301,156	-
Other liabilities (Note 16)	-	525,769
TOTAL NON-CURRENT LIABILITIES	1,115,507	525,769
TOTAL LIABILITIES	2,240,045	5,111,794
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 11(a))	31,221,429	4,016,634
Shares to be issued (Note 4)	-	1,849,535
Warrants (Note 11(e))	11,016,132	260,972
Contributed surplus	2,598,334	1,848,632
Accumulated other comprehensive income	(15,948)	-
Accumulated Deficit	(10,764,896)	(9,120,068)
TOTAL SHAREHOLDERS' EQUITY (DEFICIT)	34,055,051	(1,144,295)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	$ 36,295,096	$ 3,967,499

PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 13)
SUBSEQUENT EVENTS (Note 22)

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended March 31, 2021 and 2020

	2021	2020
REVENUE	$ 110,956	$ -
COST OF SALES	91,607	-
GROSS PROFIT	19,349	-
OPERATING EXPENSES		
General and administrative (note 17)	3,068,241	325,173
Share based payments	1,582,623	-
Interest expense	10,724	-
Research and development	14,998	-
	(4,676,586)	(325,173)
LOSS BEFORE OTHER ITEMS	(4,657,237)	(325,173)
OTHER ITEMS		
Realized gain on sale of marketable securities (Note 6)	1,272,825	-
Gain on disposition of subsidiary (Note 16)	843,411	-
Unrealized change in fair value of marketable securities (note 6)	837,836	-
Foreign exchange gain	8,214	-
Change in fair value of convertible debenture	33,081	-
Interest income	17,042	-
Net loss	(1,644,828)	-
Foreign currency translation	(15,948)	-
NET LOSS AND COMPREHENSIVE LOSS	$ (1,660,776)	$ (325,173)
LOSS PER SHARE – Basic and diluted (Note 11(d))	$ (0.01)	$ (0.38)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 11(d))	209,068,128	851,335

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)
For the years ended March 31, 2021 and 2020

	Common Shares #	Common Shares $	Shares to be Issued $	Warrants $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Shareholders' Equity (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	-	-	-
Shares to be issued	-	-	1,849,535	-	-	-	-	1,849,535
Net loss	-	-	-	-	-	-	(325,173)	(325,173)
Balance, March 31, 2020	**851,335**	**4,016,634**	**1,849,535**	**260,972**	**1,848,632**	**-**	**(9,120,068)**	**(1,144,295)**

	Common Shares #	Common Shares $	Shares to be Issued $	Warrants $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Shareholders' Equity (Deficiency) $
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 4)	190,504,469	5,077,681	(1,849,535)	226,363	-	-	-	3,454,509
Shares issued for marketable securities (Note 13(a))	2,500,000	150,000	-	-	-	-	-	150,000
Shares issued per consulting agreement (Note 13(a))	4,052,631	295,789	-	-	-	-	-	295,789
Warrants issued per consulting agreements (Note 13(e))	-	-	-	448,547	-	-	-	448,547
Units issued on closing of private placements (Note 13(a))	90,904,281	15,293,451	-	10,429,574	-	-	-	25,723,025
Share issue costs (Note 13(a))	-	(5,196,399)	-	2,716,130	-	-	-	(2,480,269)
Units issued for marketable securities (Note 13(a))	4,242,424	396,537	-	303,463	-	-	-	700,000
Exercise of warrants (Note 13(e))	38,350,292	10,996,651	-	(3,368,917)	-	-	-	7,627,734
Exercise of stock options	1,483,332	191,085	-	-	(88,585)	-	-	102,500
Share based payments	-	-	-	-	838,287	-	-	838,287
Net loss and comprehensive loss	-	-	-	-	-	(15,948)	(1,644,828)	(1,660,776)
Balance, March 31, 2021	**332,888,764**	**31,221,429**	**-**	**11,016,132**	**2,598,334**	**(15,948)**	**(10,764,896)**	**34,055,051**

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended March 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the year	$ (1,644,828)	$ (325,173)
Items not affecting cash:		
Unrealized change in fair value of marketable securities	(837,836)	-
Amortization and depreciation	35,979	-
Interest and accretion	5,957	-
Gain on sale of subsidiary	(843,411)	-
Share based payments	1,582,623	-
Realized gain on sale of marketable securities	(1,273,370)	-
Foreign exchange loss	(15,948)	
Movements in working capital:		
Accounts receivable	(33,509)	(20,874)
Sales tax receivable	(325,576)	
Inventory	(99,231)	-
Prepaid expenses	(114,786)	-
Accounts payable and accrued liabilities	204,352	107,693
Cash flows (used in) operating activities	(3,359,584)	(238,354)
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	1,715,635	-
Purchase of marketable securities	(350,000)	-
Acquisition of SR Wholesale B.V	(1,299,284)	-
Acquisition of property and equipment	(86,958)	-
Acquisition of intangible assets	(180,941)	-
Cas held in escrow	-	(1,804,290)
Cash flows (used in) investing activities	(201,548)	(1,804,290)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of common shares in subsidiary	1,979,061	358,679
Proceeds from issue of common shares and warrants	23,092,757	3,562,457
Exercise of warrants	7,627,734	-
Exercise of options	102,500	-
Lease payments	(18,925)	85,000
Cash flows from financing activities	32,783,127	4,006,136
CHANGE IN CASH	29,221,995	1,963,492
CASH, BEGINNING OF YEAR	1,963,492	-
CASH, END OF YEAR	$ 31,185,487	$ 1,963,492
SUPPLEMENTAL INFORMATION:		
Units and shares issued for marketable securities	$ 850,000	$ -
Shares to be issued in settlement of debt	$ -	$ 1,490,855
Accrued financing costs	$ -	$ 132,719

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Red Light Holland Corp. ("RLHC" or the "Company") is establishing itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. 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. Please see note 21 for the impact on the Company.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements of Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Reporting Interpretation Committee ("IFRIC") for all periods presented.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 29 , 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"), SR Wholesale BV ("SR") and Red Light Holland (Subco 2) Inc. ("Debtco"). Intercompany accounts and balances are eliminated upon consolidation.

Name of subsidiary	Country of Incorporation	Functional Currency	2021 Percentage Ownership	2020 Percentage Ownership
RLH Netherlands BV	Netherlands	EURO	100%	-
Red Light Holland (Subco 1)	Canada	CAD	100%	100%
Red Light Holland (Subco 2)	Canada	CAD	100%	100%
SR Wholesale BV	Netherlands	EURO	100%	-
Northern Securities Inc.	Canada	CAD	-	100%

Functional and presentation currency

The consolidated financial statements are presented in Canadian ("CAD") dollars, except as otherwise noted, which is the functional currency of the Company and each of the Company's subsidiaries, except for RLH NL and SR for which the Euro is the functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical accounting judgements and estimates

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

These critical judgements and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised.

Areas that require significant judgements and estimates and related assumptions as the basis for determining the stated amounts include, but are not limited to, the following:

Assessment of Cash Generating Units

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The Company applies judgement in assessing the smallest group of assets that comprise a single CGU. The Company has three CGU's being the RLN Netherlands BV (sale of iMicrodose kits), Red Light Holland (Subco 1) (sale of merchandise), and SR wholesale (wholesale of psychedelics and cannabis related products).

Assessment of useful lives of property and equipment, right-of-use assets and intangible assets

Management reviews its estimate of the useful lives of property and equipment and intangible assets annually and accounts for any changes in estimates prospectively. The Company applied judgment in determining the useful lives of trademarks and patient records with less than an indefinite life. In addition, the Company applied judgment in determining the useful lives of the right-of-use assets and leasehold improvements for purposes of assessing the shorter of the useful life or lease term.

Assessment of indicators of impairment

At the end of each reporting period, the Company assesses whether there are any indicators, from external and internal sources of information, that an asset or CGU may be impaired, thereby requiring adjustment to the carrying value.

Goodwill impairment

Goodwill impairment testing requires management to estimate the recoverable amount of the CGU to which goodwill has been allocated. On an annual basis, the Company tests whether goodwill is impaired, based on an estimate of its recoverable amount.

Current and deferred taxes

The Company's provision for income taxes is estimated based on the expected annual effective tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The deferred components of income taxes are estimated based on forecasted movements in temporary differences. Changes to the expected annual effective tax rate and differences between the actual and expected effective tax rate and between actual and forecasted movements in temporary differences will result in adjustments to the Company's provision for income taxes in the period changes are made and/or differences are identified.

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on expected patient visits in future periods, which are internally developed and reviewed by management.

Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

Equity-settled share-based payments

Share-based payments are measured at fair value. Options and warrants are measured using the Black Scholes option pricing model and then Monte Carlo simulation, as applicable, based on estimated fair values of all share-based awards at the date of grant and are expensed to the consolidated statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility, dividend yield and expected life of the option. The Monte Carlo simulation also considers the accelerated share price. Changes in these input assumptions can significantly affect the fair value estimate.

Fair value of convertible debenture

The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its convertible debentures. The fair values are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

Leases

a. Identifying whether a contract includes a lease

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. The Company had to apply judgment on certain factors, including whether the supplier has substantive substitution rights, whether the Company obtains substantially all of the economic benefits and who has the right to direct the use of that asset.

b. Incremental borrowing rate

When the Company recognizes a lease, the future lease payments are discounted using the Company's incremental borrowing rate. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This significant estimate impacts the carrying amount of the lease liabilities and the interest expense recorded on the consolidated statement of loss and comprehensive loss.

c. Estimate of lease term

When the Company recognizes a lease, it assesses the lease term based on the conditions of the lease and determines whether it will extend the lease at the end of the lease contract or exercise an early termination option. In determining the period which the Company has the right to use an underlying asset, management considers the non-cancellable period along with all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. As it is not reasonably certain that the extension or early termination options will be exercised, the Company determined that the term of its leases are the lesser of original lease term or the life of the leased asset. This significant estimate could affect future results if the Company extends the lease or exercises an early termination option.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities including assessing the fair value of any favourable or unfavorable lease terms. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

(b) Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (“foreign currencies”) are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at that date. Exchange gains and losses are recognized on a net basis in the consolidated statement of loss and comprehensive loss for the year. Subsidiaries whose functional currency differs from the reporting currency, are translated to the reporting currency using the current rate method with foreign exchange gains and losses going to comprehensive loss and accumulated other comprehensive loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash held at financial institutions and highly liquid deposits with the ability to be converted into cash within 90 days or less of their acquisition date.

(d) Inventory

Inventories are valued initially at cost and subsequently at the lower of cost and net realizable value. All direct and indirect costs related to inventory are capitalized as they are incurred.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the weighted average cost basis. Products for resale are valued at the lower of cost and net realizable value. The Company reviews inventory for obsolete and slow-moving goods and any such inventory is written down to net realizable value.

(e) Property and equipment

Property and equipment is measured at cost less accumulated depreciation and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing equipment to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated site reclamation and closure costs associated with removing the asset, and, where applicable, borrowing costs.

Upon sale or abandonment of any equipment, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in profit or loss for the period. When the parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The cost of replacing or overhauling a component of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Maintenance and repairs of a routine nature are charged to statement of loss or comprehensive loss as incurred.

(f) Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses. Cost includes the purchase price, any costs directly attributable to bringing the intangible asset to the condition necessary for it to be capable of operating in the manner intended by management and, where applicable, borrowing costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Upon sale or abandonment of any intangible asset, the cost and related accumulated depreciation and impairment losses are written off and any gains or losses thereon are recognized in the statement of loss or comprehensive loss for the period.

Intangible assets acquired separately are measured on initial recognition at fair value, when they have the following attributes: are identifiable, controlled by the Company, and from which future benefits are expected. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there are indications that the intangible asset may be impaired. Intangible assets which are not yet available for use are tested annually for impairment regardless of whether impairment indicators exist. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life (based on expiry of patents) or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization is recognized in the statement of comprehensive loss on a straight-line basis over the estimated useful lives of intangible assets from the date the asset is available for use. A summary of useful lives is as follows:

Non-compete agreement	3 years
Customer relationships	5 years

(g) Depreciation and amortization

Equipment and furniture are recorded initially at cost and subsequently at cost less accumulated deprecation/amortization and accumulated impairment losses (if any). Depreciation and amortization is provided over an asset's expected useful life using the following methods and annual rates:

Furniture and equipment	20% declining balance
Vehicles	20% declining balance
Leasehold improvements	over term of lease
Right-of-use assets	over term of lease

Residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively (if needed).

(h) Convertible debentures

The component parts of the debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option and warrants that will be settled by the exchange of a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt without conversion features and warrants. This amount is recorded as a liability on the amortized cost basis using the effective interest method until extinguished or at the instrument's maturity date. The conversion features classified as equity are determined by deducting the amount of the liability component from the fair value of the instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, conversion features classified as equity will remain in equity until the conversion option is exercised, in which case the balance recognized in equity will be transferred to common shares within equity. When the conversion feature remains unexercised at their maturity date, the balance recognized in equity will be transferred to retained earnings or deficit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company reviews the terms of its convertible debenture to determine whether there are embedded derivatives, including the embedded conversion option, that are required to be separated and accounted for as individual derivative financial instruments or equity components. Convertible debentures that contain a conversion feature where a variable number of shares of the Company being issued when the conversion feature is exercised, is considered as a derivative liability and therefore measured at fair value.

In circumstances where an equity component is identified, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

In circumstances where an equity component is not identified, management has elected to designate the entire hybrid contract as at fair value through profit or loss. The fair value of the debentures was calculated using Black Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the conversion feature and share price volatility.

Transaction costs that relate to the issue of the instruments are expensed in the period.

(i) Share-based payments

Certain officers, directors, and consultants of the Company receive a portion of their remuneration in the form of share options. The fair value of the share options, determined at the date of the grant, is charged to the consolidated statement of loss and comprehensive loss, with an offsetting credit to contributed surplus, over the vesting period. If and when the share options are exercised, the applicable original amounts of contributed surplus are transferred to issued capital.

The fair value of a share-based payment is determined at the date of the grant. The estimated fair value of share options is measured using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and share price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Expected volatility is estimated with reference to the historical volatility of the share price of comparable peer companies.

These estimates involve inherent uncertainties and the application of management's judgement. The costs of share-based payments are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. At each reporting date prior to vesting, the cumulative compensation expense representing the extent to which the vesting period has passed and management's best estimate of the share options that are ultimately expected to vest is computed. The movement in cumulative expense is recognized in the consolidated statement of loss and comprehensive loss with a corresponding entry to contributed surplus.

Share-based payments to non-employees are measured at the fair value of the goods or services received, or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

No expense is recognized for share options that do not ultimately vest. Charges for share options that are forfeited before vesting are reversed from contributed surplus and credited to the consolidated statement of loss and comprehensive loss. For those share options that expire unexercised after vesting, the recorded value remains in contributed surplus.

(j) Issued capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are expensed in the period they are incurred.

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for non-monetary consideration are recorded at their fair value based upon the trading price of the Company's shares on the Canadian Securities Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The proceeds from the issue of units is allocated between common shares and common share purchase warrants as follows: the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model or the Barrier option pricing model (net of broker warrants allocated to each portion) and the residual, if any is allocated to issued capital.

(k) Financial instruments

Financial assets
Initial 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 fair value through profit and loss (“FVPL”) or fair value through other comprehensive income (“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. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

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 statements of financial position with changes in fair value recognized in other income or expense in the statements of income.

Subsequent measurement – Financial assets at amortized cost
Financial assets are measured at amortized cost if both the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest".

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 statements of comprehensive income. 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.

Impairment of financial assets
The Company’s only financial assets subject to impairment are other amounts 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, amounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of 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 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 finance cost in the statements of loss.

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 statements of loss.

Financial assets:	**Classification IFRS 9**
Cash	FVTPL
Marketable securities	FVTPL
Accounts receivable	Amortized cost

Financial liabilities:	**Classification IFRS 9**
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Convertible debenture	FVTPL

(l) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. Events relating to recoverability may include significant unfavorable changes in busines conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Goodwill represents the excess of the purchase price paid for the acquisition of an entity over the fair value of the net tangible and intangible assets acquired. Goodwill is allocated to CGU or group of CGUs which are expected to benefit from the synergies of the combination. Goodwill is not subject to amortization. Goodwill and intangible assets with an indefinite life or not yet available for use are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all, or a portion of, a CGU.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The recoverable amount is determined as the higher of fair value less costs of disposal and the asset's value in use. Fair value is determined with reference to discounted estimated future cash flow analysis or to recent transactions involving dispositions of similar properties. In assessing value in use, the estimated future cash flows are discounted to their present value.

The pre-tax discount rate applied to the estimated future cash flows measured on a value in use basis reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as a charge to the consolidated statement of loss and comprehensive loss. Non-financial assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Where an impairment, other than goodwill impairment, subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation and/or amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the consolidated statement of loss and comprehensive loss. Goodwill impairment losses are not reversed.

(m) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at March 31, 2021 and March 31, 2020.

(o) Income Taxes

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(p) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing the net earnings (loss) of the Company by the basic weighted average number of common shares outstanding during the period.

For purposes of calculating diluted EPS, the proceeds from the potential exercise of dilutive share options and share purchase warrants with exercise prices that are below the average market price of the underlying shares for the reporting period are assumed to be used in purchasing the Company's common shares at their average market price for the period.

Share options and share purchase warrants are included in the calculation of diluted EPS only to the extent that the market price of the common shares exceeds the exercise price of the share options or share purchase warrants except where such inclusion would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition

The Company's revenue is comprised of sales of (i) wholesale of truffles, cannabis seeds and other cannabis products (ii) sales of microdose packs (a non-synthetic truffle microdosing kit) directly to consumers through the Company's network of retail stores and e-commerce platforms in the Netherlands; and (iii) sales of merchandise through the Company's e-commerce platform.

Revenue is recognized at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each sales transaction with a customer, the Company: identifies the agreement with a customer; identifies the performance obligations in the agreement; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Company's revenue-generating activities have a single performance obligation and revenue is recognized at the point in time when control of the product transfers and the Company's obligations have been fulfilled. This generally occurs when the product is shipped or delivered to the customer, depending upon the method of distribution and shipping terms set forth in the customer contract. Revenue is measured as the amount of consideration the Company expects to receive in exchange for the sale of the Company's product. Certain of the Company's customer contracts, may provide the customer with a right of return. These items give rise to variable consideration, which is recognized as a reduction of the transaction price based upon the expected amounts of the product returns and price adjustments at the time revenue for the corresponding product sale is recognized. The Company estimates this variable consideration by taking into account factors such as historical information, current trends, forecasts, provincial and territorial inventory levels, availability of actual results and expectations of demand. The Company recognizes a liability for sales refunds within other current liabilities, and an asset for the value of inventory which is expected to be returned is recognized within prepaid expenses and other assets on the consolidated balance sheets. Sales of products are for cash or otherwise agreed-upon credit terms. The Company's payment terms vary by location and customer; however, the time period between when revenue is recognized and when payment is due is not significant. The Company estimates and reserves for its bad debt exposure based on its experience with past due accounts and collectability, write-off history, the aging of accounts receivable and an analysis of customer data.

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Investments

The Company carries its investments at fair value as financial assets at FVTPL. When a financial instrument is initially recognized, its fair value is generally the value of consideration paid or received. Acquisition costs relating to investments are not included as part of the cost of the investment and are recorded as an expense in the statements of loss and comprehensive loss. Purchases and sales of investments are accounted for on a trade-date basis. Subsequent to initial recognition, for the fair value of an investment quoted on an active market, the fair value is generally the bid price on the principal exchange on which the investment is traded.

In the absence of an active market, the fair value is determined by management using the appropriate valuation methodologies after considering the history and nature of the business, operating results and financial conditions, the general economic, industry and market conditions, capital market and transaction market conditions, contractual rights relating to the investment, public market comparables, private company transactions multiples and, where applicable, other pertinent considerations. The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed. Investments in options and warrants that are not traded on a recognized securities exchange do not have readily available market values. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available, the options and warrants are valued using valuation techniques using inputs from recent financings, trends in comparable publicly traded companies and general market conditions or using discounted cash flow method.

(t) Business combinations

The Company accounts for business combinations using the acquisition method when it has obtained control. The Company measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest, less the net recognized amount (fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. The Company elects on transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

When the initial accounting for a business combination has not been finalized by the end of the reporting period in which the transaction occurs, the Company reports provisional amounts. Provisional amounts are adjusted during the measurement period, which does not exceed one year from the acquisition date. These adjustments, or recognition of additional assets or liabilities, reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(u) New accounting standards

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after April 1, 2020.

Amendments to IFRS 3: Definition of a Business The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the company, but may impact future periods should the Group enter into any business combinations.

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

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

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

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

4. 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 eventually 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 $356,843, 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 $226,363 using the Black Scholes options pricing model using the following assumption: Term – 2 years; Volatility – 172%; share price $0.06, 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.

4. AMALGAMATION TRANSACTIONS (continued)

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.

Upon closing the transaction, subscription receipts previously presented as a liability, were credited to share capital.

5. ACQUISITION OF SR

On March 19, 2021, the Company acquired 100% of SR for consideration with a fair value of $2,171,076 comprised of $1,406,690 (€953,207) in cash plus an unsecured convertible promissory note to be issued for $442,770 (€300,000). SR Wholesale has established a distribution network of over 400 companies that sell its products across Europe. The promissory note, denominated in euros carries an annual interest rate of 5% for 2 years and matures on March 19, 2023. The promissory note is convertible at the option of the holder at any time prior to the maturity date into common shares of the Company, at a price of $0.38 per share. The fair value of the note was calculated at $418,796 using a market interest rate of 8.5%. The recognition of the fair value of the conversion feature was calculated at $334,057 using the Black Scholes option pricing model using the following assumption: risk free rate of 0.69%, volatility of 165% (based on comparable companies), dividend yield of 0%, and a term of 2 years. Refer to Note 10 for subsequent revaluation at March 31, 2021.

Initial cash payment of €900,000 was made on the Closing Date with remaining €53,207 held back as security for working capital adjustments. Accounts payable and accrued liabilities include the €53,207 holdback, which was released subsequent to the year end.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations. Due to the complexity associated with the valuation process and short period of time between the acquisition date and the period end, the identification and measurement of the assets acquired, and liabilities assumed is provisional and subject to adjustment on completion of the valuation process and analysis of resulting tax effects. Management will finalize the accounting for the acquisitions no later than one year from the date of the respective acquisition date and will reflect these adjustments retrospectively as required under IFRS 3. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

The following table summarizes the final purchase price allocation:

Assets Acquired	**$**
Cash	143,003
Accounts receivable	150,663
Deposit	8,036
Property, plant and equipment	45,288
Inventory	336,505
Accounts payable	(206,544)
Right-of-use asset	48,646
Lease liabilities	(48,646)
Deferred tax liability	(301,156)
Intangible assets	1,033,130
Net assets at fair value, as at March 19, 2021	**1,208,925**
Consideration	
Cash	1,406,690
Convertible debenture	746,805
Total Consideration	**2,153,495**
Goodwill	**944,570**

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition.

(Expressed in Canadian Dollars)

5. ACQUISITION OF SR (continued)

As required under IFRS, the Company assessed goodwill for impairment as at March 31, 2021 and concluded that the recoverable value of the SR Wholesale CGU was greater than its carrying value and no impairment loss was recorded.

The intangible assets are comprised of the customer relationships with a fair value of $818,400 and a non-compete agreement with a fair value of $214,730. The fair value of the customer relationships was determined using a discounted cash flow analysis. The key assumptions used in the cash flow projection related to the customer relationships include: (1) a discount rate of 37.5%; (2) revenue growth rate of 20%; (3) customer growth rate of 2.5%; and (4) terminal revenue growth of 2.5% per year The fair value of the non-compete agreement was determined using a discounted cash flow analysis. The key assumptions used in the cash flow projection related to the non-compete include: (1) a discount rate of 35.5%; (2) revenue growth rate of 20%; and (3) revenue impact % rate of 50%.

6. MARKETABLE SECURITIES

March 31, 2021	**Number of Securities**	**Cost**	**Unrealized Gain**	**Fair Value**
PharmaDrug Inc. – common shares	5,088,000	215,139	268,221	483,360
PharmaDrug Inc. - warrants	12,000,000	392,596	519,615	912,211
Lucid Psycheceuticals Inc. - shares	1,000,000	50,000	50,000	100,000
Elevate Farms Inc. - shares	22,988	100,000	-	100,000
Total as at March 31, 2021		757,735	837,836	1,595,571

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 year ended March 31, 2021, 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.

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 $200,000. Each PharmaDrug Subscription Unit consisted of (i) one PharmaDrug Share, and (ii) one Class B PharmaDrug Warrant. The Company entered a share for share agreement and received an additional 9,333,333 shares and warrants of PharmaDrug in accordance with the Securities Exchange Agreement (see note 11) on July 14, 2020, which were valued at $700,000.

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 March 31, 2021 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 3.3 years; expected volatility – 146%, expected interest rate – 0.31%.

During the year ended March 31, 2021, the Company sold 6,912,000 shares of PharmaDrug for proceeds of $979,928, which resulting in a realized gain on sale of marketable securities of $687,663.

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

In February 2021, the Company acquired 22,988 units of Elevate Farms Inc. at a cost of $100,000. Each unit had a price of $4.35 and consisted of one common share and one, each warrant can be exercised for one common shares at $8.70 for a period of two-years from the date of issue.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

	Level 1	Level 2	Level 3	Total
At March 31, 2020	$ -	$ -	$ -	$ -
Additions	660,000	390,000	150,000	1,200,000
Disposals	(442,265)	-	-	(442,265)
Revaluation to fair market value	265,625	522,211	50,000	837,836
At March 31, 2021	$ 483,360	$ 912,211	$ 200,000	$ 1,595,571

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

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

(ii) Inputs other than quoted prices included within Level 1 that are observable for the assetor liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessingcategorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2.

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at March 31, 2021 and 2020:

Investments, at fair value	Level 1 Quoted market price	Level2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total
2020	$ 483,360	$ 912,211	$ 200,000	$ 1,595,571
2019	$ -	$ -	$ -	$ -

Level 2 financial instruments includes warrants of public issuers.

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

Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2. These represents the only type of transfer between Levels during the reporting year.

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

Description	Fair value at March 31, 2021	Valuationtechnique / unobservable input	%of Investments	Sensitivity to changes in significant unobservable inputs(%)
Unlisted private equities	$ **200,000**	Recent financing activity	12.0	Additional recent financing activity

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- $50,000 change in the total fair value of the investments.

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

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

7. PROPERTY AND EQUIPMENT

	Equipment	Leasehold improvements	Vehicle	Total
Cost				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Acquisition of SR	26,272	-	18,616	45,288
Additions	42,636	26,256	17,725	86,617
Balance, March 31, 2021	$ 69,308	$ 26,256	$ 36,342	$ 131,906
Accumulated Depreciation				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Additions	4,691	3,501	1,773	9,964
Balance, March 31, 2021	$ 4,691	$ 3,501	$ 1,773	$ 9,964
Carrying amount				
As at March 31, 2021	$ 64,617	$ 22,755	$ 34,569	$ 121,942

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

A continuity of intangible assets for the years ended March 31, 2021 and 2020 is as follows:

	Virtual Reality technology development	App development	Customer relationships	Non-compete agreement	Total
Cost					
Balance, March 31, 2020	-	-	-	-	-
Acquisition of SR	-	-	811,745	221,385	1,033,130
Additions	40,317	140,623	-	-	180,940
Balance, March 31, 2021	40,317	140,623	811,745	221,385	1,214,070
Accumulated Depreciation					
Balance, March 31, 2020	-	-	-	-	-
Additions	-	-	8,002	2,181	10,183
Balance, March 31, 2021	-	-	8,002	2,181	10,183
Carrying amount					
Balance, March 31, 2020	-	-	-	-	-
Balance, March 31, 2021	40,317	140,623	803,743	219,204	1,203,887

Amortization on intangible assets comments when the asset is available for use.

9. GOODWILL

The movements of the Company's goodwill and intangibles are summarized as follows:

	$
Balance, March 31, 2020	-
Additions – SR Acquisition	643,414
Tax impact	301,156
impairment	-
Balance, March 31, 2021	944,570

As at March 31, 2021, the Company assessed the goodwill recorded through the SR acquisition for impairment. The Company performed a discounted cash flow analysis to determine SR's value in use, which incorporated the following assumptions: (1) discount rate – 35.8%; (2) income tax rate - 25%; (3) terminal growth rate – 2.5%; (4) revenue growth rate – 20%. The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required as at March 31, 2021.

The Company performs goodwill impairment analysis annually by comparing the fair value, based on the discounted future estimated cash flows, of the CGUs related to goodwill to the carrying value of the CGU.

As at March 31, 2021, the Company assessed for impairment on the recoverable amount of goodwill for SR. The Company applied the value in use method, using a five-year discounted future cash flow. The key assumptions used in the discounted cash flow model included various significant unobservable inputs.

The following significant unfavorable inputs, all of which are classified as level 3 on the fair value hierarchy and are subject to volatility and several uncontrollable factors which would significantly affect the present value of the discounted cash flow, were used by management as part of this model:

(Expressed in Canadian Dollars)

9. GOODWILL (continued)

a) Revenue growth rate – represents the ability of the Company to generate revenue

b) Cost of sales percentage – calculated as a percentage of revenue

c) Weighted average cost of capital – calculated as weighted average cost of the Company's cost of equity and cost of debt

The sensitivity analysis prepared by the Company for SR CGU goodwill potential impairment are as follows:

Unobservable inputs	March 31, 2021	Change	Potential impairment
			$
Revenue growth rate	20%	Decrease by 10%	192,069
Cost of sales percentage	65%	Increase by 5%	359,122
WACC	35.8%	Increase by 5%	112,844

10. CONVERTIBLE DEBENTURE

On March 19, 2021, the Company acquired 100% of SR (Note 5) where an unsecured convertible promissory note was issued for $442,770 (€300,000).

Since the number of shares to be issued may vary due to foreign exchange fluctuations, the financial instrument did not meet the "Fixed for Fixed" criteria under IAS 32 – Financial Instruments: Presentation ("IAS 32"). As such, the conversion option was classified as a derivative liability and the Company has elected to classify the entire hybrid financial instrument at fair value through profit and loss ("FVTPL") and is revalued at each reporting date.

Pursuant to the requirements of IAS 1, terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect the classification of the liability, as such, the Company has classified the convertible debenture as long-term liabilities in the consolidated statement of financial position as the maturity date of the convertible debenture is longer than twelve months after March 31, 2021.

As at March 31, 2021, the fair value of the note was calculated at $415,857 using a market interest rate of 8.48%. The fair value of the conversion feature was calculated at $297,999 using the Black Scholes option pricing model using the following assumptions: risk free rate of 0.69%, volatility of 165% (based on comparable companies), dividend yield of 0%, and a term of 1.97 years. As a result of the fair value assessment as at March 31, 2021, the Company recorded a change in fair value of convertible debenture in the amount of $38,997 in the consolidated statements of loss and comprehensive loss.

The movements of the Company's convertible debenture are summarized as follows:

	$
Balance, March 31, 2020	-
Additions – SR Acquisition	752,853
Change in fair value of convertible debenture	(38,997)
Balance, March 31, 2021	713,856

11. RIGHT OF USE ASSET

		Total
Balance, March 31, 2020	$	-
Additions – leases (i)		117,326
Acquired SR – leases (ii)		48,646
Depreciation		(15,830)
Balance, March 31, 2021	$	149,749

(i) Depreciated over the term of the leases, being 5 years.

(ii) Depreciated over 2 years, being the expected term of the lease.

(Expressed in Canadian Dollars)

12. LEASE LIABILITIES

Balance, March 31, 2020	$	-
Additions		117,326
Acquired		48,646
Interest expense		5,957
Lease payments		(18,918)
Balance, March 31, 2021	$	153,011

Allocated as:		**March 31, 2021**
Current	$	52,146
Long term		100,465
Balance	$	153,011

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 Netherlands.

During the year ended March 31, 2021, the Company recognized an expense of $4,620 with respect to rent not subject to a lease agreement.

On March 19, 2021, through the acquisition of SR, the Company assumed a leased premises and the associated lease liability with a fair value of $48,646. The lease term is indefinite with a six-month termination notice period. The Company expects to terminate the lease in 2 years.

From the date of acquisition to December 31, 2020, the total interest expense and payments were $726 and $nil, respectively.

(Expressed in Canadian Dollars)

13. 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
Balance March 31, 2019 and March 31, 2020	**851,335**	**$ 4,016,634**
Shares issued on Horizontal amalgamation of subsidiaries (note 3)	193,004,469	5,227,681
Shares issued for private placements (i)	90,904,281	15,293,451
Share issue costs – cash (i)	-	(2,480,269)
Share issue costs - broker warrants (i)	-	(2,716,130)
Shares issued as per the Share Exchange Agreement (ii)	4,242,424	396,537
Shares issued for services (iii)	4,052,631	295,789
Shares issued on exercise of warrants (iv)	38,350,292	10,996,651
Shares issued on exercise of options (iv)	1,483,332	191,085
Balance March 31, 2021	**332,888,764**	**$ 31,221,429**

(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 $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 $1,200,000 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.44%. The Company allocated the fair value of the shares and warrants based on a relative fair value model. This approach was applied to all financings.

In connection with the First Tranche, the Company paid to the agent a cash fee of $268,500 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 $152,727 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.44%.

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 $322,145 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.35%.

In connection with the Second Tranche, the Company paid the agent a cash fee of $74,437 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 $21,141 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.35%.

13. 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 $188,815 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.29%.

On January 27, 2021, the Company closed a bought deal financing (the "Jan Bought Deal") for gross proceeds of $9,775,195 through the issuance of 38,334,100 units at a price of $0.255 per unit. Each Unit is comprised of one common and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.38, for a period of 42 months. 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, the Company paid to the underwriter a cash fee equal to $819,675 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 Jan Bought Deal.

The Warrants and compensation options were valued at $4,063,415 and $1,730,145, respectively, using a Monte Carlo simulation with the following assumptions: Term – 3.5 years; Volatility – 167%; Interest rate – 0.24%.

On February 24, 2021, the Company closed a bought deal financing (the "Feb Bought Deal") for gross proceeds of $11,638,000 through the issuance of 26,450,000 units at a price of $0.44 per unit. Each Unit is comprised of one common and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.70, for a period of 36 months. 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, the Company paid to the underwriter a cash fee equal to $1,251,287 and issued to the underwriter 1,804,705 compensation options. Each compensation option may be exercised to acquire one unit 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 Feb Bought Deal.

The Warrants and compensation options were valued at $4,655,200 and $812,117, respectively, using a Monte Carlo simulation with the following assumptions: Term – 3.0 years; Volatility – 167%; Interest rate – 0.32%.

(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. The units issued were measured at the price of the units received.

(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 shares had a fair value of $0.11.

13. CAPITAL STOCK (continued)

(iv) During the year ended March 31, 2021, 38,350,292 warrants were exercised for proceeds of $7,627,734. The warrants had a value of $3,368,917. During the year ended March 31, 2021, 1,483,332 options were exercised for proceeds of $102,500. The options had a value of $88,585.

(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. 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 vest 1/3 immediately, 1/3 in six months and 1/3 in one year. 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%.

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 vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options were valued at $11,009 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. 50% of the options vested on issuance, the remaining 50% 6 months 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 vested on the date of grant. 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%.

On December 30, 2020, the Company issued 250,000 stock options to a consultant exercisable at $0.315 per share and 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. The options were valued at $61,170 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On March 8, 2021, the Company issued 200,000 stock options to a consultant exercisable at $0.32 per share and 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. The options were valued at $55,313 using the Black-Scholes option pricing model using the following assumptions: Term – 4 years; Volatility – 172%; Interest rate – 0.30%.

On March 18, 2021, the Company issued 1,000,000 stock options to a consultant exercisable at $0.38 per share and expire three years from the date of issuance. The options were valued at $277,420 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 172%; Interest rate – 0.30%.

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

The following table reflects the continuity of options for year ended March 31, 2021:

	Options #	Amount $
Balance, March 31, 2019	27,500	1,796,652
Expiry of warrants	(27,500)	51,980
Balance, March 31, 2020	-	1,848,632
Granted	13,750,000	838,287
Exercised	(1,483,332)	(88,585)
Balance, March 31, 2021	12,266,668	2,598,334

			Number of Options			
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	-	5,450,000	(1,333,332)	-	4,116,668
May 23, 2023	$0.06	-	1,500,000	-	-	1,500,000
June 10, 2023	$0.15	-	500,000	(150,000)	-	350,000
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
December 30, 2023	$0.315	-	250,000	-	-	250,000
March 4, 2024	$0.32	-	200,000	-	-	200,000
March 18, 2023	$0.38	-	1,000,000	-	-	1,000,000
		-	13,750,000	(1,483,332)	-	12,266,668

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 years ended March 31, 2021 and 2020.

(d) *Loss per share data*

The effect of outstanding common share purchase options and warrants on the net loss for the years ended March 31, 2021 and 2020 presented is not reflected as to do so would be anti-dilutive.

(Expressed in Canadian Dollars)

13. 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	226,363
Issued in connection with private placements (note 8(a))	96,995,821	13,145,704
Issued in connection with the Share Exchange Agreement (note 8(a)(ii))	4,242,424	303,463
Issued in connection with consulting agreements (i)	8,650,000	448,547
Issued from exercise of units	1,625,073	-
Exercised	(38,350,292)	(3,368,917)
Balance, March 31, 2021	78,239,961	11,016,132

(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 immediately. 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 March 31, 2021, 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	0.70
February 7, 2022	$0.06	43,500	0.85
March 13, 2022	$0.06	75,000	0.95
May 27, 2023	$0.06	2,233,334	2.16
February 24, 2024	$0.70	26,450,000	2.90
February 24, 2024	$0.44	1,804,705	2.90
June 8, 2024	$0.26	1,272,727	3.19
June 16, 2024	$0.26	1,579,346	3.21
July 16, 2024	$0.26	5,541,060	3.29
July 28, 2024	$0.38	37,983,600	3.33
July 28, 2024	$0.26	1,036,689	3.33
		78,239,961	3.12

14. CAPITAL MANAGEMENT

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

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

15. 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.

16. RISK MANAGEMENT

Fair value of financial assets and financial liabilities

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

Other price risk

The Company is exposed to price risk through its investments in publicly traded marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by $48,336.

Interest rate risk

The Company has cash balances and no interest-bearing debt that is subject to floating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Company is exposed to interest rate movements, which impact the fair value of the Company's outstanding promissory note.

(Expressed in Canadian Dollars)

16. 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 subsidiaries RLH NL and SR operate.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than Canadian dollar. As at March 31, 2021, the Company does not have a material risk as 93% 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 following table shows the Company's liabilities and potential due dates related to liquidity risk as at March 31, 2021:

	Payments due by period			
Liabilities and obligations	Total	Less than 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,072,392	1,072,392	-	-
Lease liability	152,611	52,146	100,465	
Debenture	446,400	-	446,400	
	1,671,403	1,124,538	546,865	-

Credit risk

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

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

The Company has accounts receivable from customers. The Company's credit risk arises from the possibility that a counterpart which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. These specific customers may be affected by economic factors and government and legal factors which may impact accounts receivable. This

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. Accounts receivable primarily consist of trade accounts receivable and sales tax receivable. Credit risk for accounts receivable is assessed on a case-by-case basis and a provision is recorded where required. As of March 31, 2021, the Company estimated expected credit losses to be $nil.

(Expressed in Canadian Dollars)

17. 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 years ended March 31, 2021 and 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, 2021, the Company was charged $313,528 (2020 - $20,000) in fees by Todd Shapio, the CEO, for CEO management fees. As at March 31, 2021 $61,687 was due to the CEO.

b) During the year ended March 31, 2021, the Company was charged $54,000 (2020 - $7,500) in fees by CFO Advantage Inc., a Company owned by the CFO, for management fees. As at March 31, 2021 $4,520 was due to the CFO.

c) During the year ended March 31, 2021, the Company was charged $128,140 (2020 - $17,500) in fee by Hans Derix, the President of RLH NL, for management fees. As at March 31, 2021 $15,095 was due.

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 $182,012 (see note 11(b)).

Equity Transactions
Shares issued during the year ended March 31, 2021 and 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 (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).

18. SALE OF SUBSIDIARY

On September 21, 2020, the Company sold 100% of the common shares of the capital of Northern Securities Inc. ("NSI") (to a third party) for consideration of $1. All $843,410 of liabilities associated with NSI have been removed from the Company's accounts, resulting in a gain on sale of $843,411.

19. GENERAL AND ADMINISTRATIVE

	2021	2020
Consulting	$ 251,093	$ -
Legal, audit and other professional fees	784,289	325,173
Management fees	465,779	-
Business development	269,414	-
Office and general	383,690	-
Regulatory	89,561	-
Investor and public relations	788,436	-
Amortization and depreciation	35,979	-
	$ 3,068,241	$ 325,173

(Expressed in Canadian Dollars)

20. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2019 - 26.5%) were as follows:

	2021	**2020**
	$	**$**
(Loss) before income taxes	(1,644,828)	(325,183)
Expected income tax recovery based on statutory rate	(435,000)	(86,000)
Adjustment to expected income tax benefit:		
Share-based compensation	419,000	-
Taxable capital gain	78,000	-
Gain on sale of investments	(337,000)	-
Capital loss	(2,558,000)	-
Financing cost booked in equity	(1,501,000)	-
Derecognition of Northern Securities Inc.	526,000	-
Difference in tax rates and other	(92,000)	-
Change in benefit of tax assets not recognized	3,900,000	86,000
Deferred income tax provision (recovery)	-	-

(b) Deferred income tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amounts of assets and liabilities.

The following table summarizes the components of deferred tax:

Deferred tax liabilities

	2021	**2020**
	$	**$**
Intangible assets and inventory	(300,156)	-
Marketable securities	(111,000)	-
Capital losses carried forward	111,000	-
NBV/UCC	(1,000)	-
Total	(301,156)	-

Unrecognized Deferred Tax Assets

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	**2020**
	$	**$**
Non-capital losses carried forward – Canada	28,495,000	27,695,000
Share issue costs	4,549,000	-
Mineral property costs	4,232,000	4,232,000
Non-capital losses carried forward – Netherlands	178,000	-
Capital losses carried forward	105,173,000	86,707,000
NBV/UCC	441,000	441,000
Total	143,068,000	119,039,000

(Expressed in Canadian Dollars)

20. INCOME TAXES (continued)

(c) Deferred tax liabilities

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Movement in net deferred tax liabilities	2021 $	2020 $
Opening deferred tax liabilities	-	-
Recognized in profit/loss	-	-
Recognized in goodwill	(301,156)	-
Ending deferred tax liabilities	(301,156)	-

(d) Tax loss carryforwards

Any non-capital losses that may be utilized to reduce taxable income in Canada in future years expire at the end of the following years:

2027	3,327,000
2029	3,189,000
2030	2,710,000
2031	2,111,000
2032	4,973,000
2033	4,640,000
2034	2,936,000
2035	-
2037	146,000
2038	280,000
2039	168,000
2040	312,000
2041	3,703,000
	28,495,000

Non-capital losses in the Netherlands total $178,000 and expire in 2029.

21. SEGMENT INFORMATION

The Company's results are reported by geographical business units that operate in different countries. These segments reflect how the Company manages its business and how management classifies operations for planning and measuring performance.

The following tables present financial information by segment for the year ended and as at March 31, 2021 and 2020:

Revenue for the years ended March 31,	2021	2020
Canada	$ -	$ -
Netherlands	110,906	-
	$ 110,906	$ -

Assets as at March 31,	2021	2020
Canada	$ 33,300,759	$3,967,499
Netherlands	2,994,337	-
	$ 36,295,096	$3,967,499

22. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID19"). The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, 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 and its Industry Partners. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. In the event that the operations or development of the Company or one or more of the Industry Partners is suspended or scaled back, or if the Company's supply chains are disrupted, such events may have a material adverse effect on the Company. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse effect on the Company.

Since the outbreak of COVID-19, the Company has focused its efforts on safeguarding the health and well-being of its employees, consultants and community members. To help slow the spread of COVID-19, the Company's employees have been working remotely, where possible, and abiding by local and national guidance put in place in Canada and the Netherlands related to social distancing and restrictions on travel outside of the home. The Company has and will continue to abide by the protocols within Canada and the Netherlands regarding the performance of work activities. However, illness to employees that may occur as a result of COVID-19 may cause material delays to the business. Due to the small size of the team, if any of the Company's employees were to fall sick or be unable to physically attend work due 10 to COVID-19, there would be a delay caused to the cultivation, harvesting, packaging, and delivering to market the Companies products.

Impact on the Company

The Company commenced its operations within the Netherlands in fiscal Q2 2020, and during the interim period ended December 31, 2020, COVID-19 did not have a direct, material impact on the operations, financial condition, cash flows and financial performance of the Company. However, the Company believes that the direct and indirect impact of COVID-19 on the Company's industry partners indirectly delayed the Company's ability to establish and commence its operations within the Netherlands in accordance with the timelines originally anticipated by the Company.

The Company continues to monitor the latest developments on COVID-19 on an ongoing basis, and continues to assess the more immediate impact of COVID-19 on the operations of the Company and its industry partners within the Netherlands, with a focus on maintaining business continuity. The Company's approach to maintaining business continuity during COVID-19 is focused on, among other things:

- prudent cash management, which is reflected by among other things, the Company's decision to carefully assessing further expansion efforts and temporarily delaying both the build-out of the Facility to obtain EU-GMP certification for the Facility, and the launch of its marketing campaign, until such time as the Company can fully appraise itself of market and economic conditions;
- implementing appropriate measures tailored to mitigate unanticipated impacts of COVID-19, which is reflected in part by, among other things:
    - the build-out of the Company's Facility for the cultivation and production of non-EU-GMP certified truffles in order to both (i) create a revenue stream, and (ii) offset unanticipated interruptions in the supply of truffles sourced from its industry partners due to COVID-19; and
    - the Company's experimental launch of a subscription-based model for the sales of its brand of truffles through the E-Commerce Platform.

Amid COVID-19, the Company's success will depend on its ability to ensure that consumers in the Netherlands continue to have safe and uninterrupted access to the Company's truffles, as well as maintaining high quality cultivation, production, and distribution capabilities. The Company intends to continue to assess its business and operational needs, and implement cost reductions in salaries and consulting fees, marketing and other administrative functions, where necessary. Although COVID-19 has not significantly impacted the Company's operations to date, there can be no assurance that there will not be disruptions to its operations in the future. COVID-19 presents several unpredictable variables on the economy and the truffles market within the Netherlands, making it difficult to accurately forecast upcoming results.

In spite of this, the Company's core focus will be on closely monitoring the development of COVID-19 to focus its resources on navigating and adapting to emerging situations as they unfold.

23. SUBSEQUENT EVENTS

On April 27, 2021 the Company announced that articles of incorporation have been filed with the Oregon Secretary of State to form Red Light Oregon, Inc., a 50/50 joint venture between Halo Labs Inc. ("Halo") and Red Light Holland. The joint venture will be capitalized with US$50,000 from each party and its initial directors will be Todd Shapiro, Red Light Holland Director and CEO, Sarah Hashkes, Red Light Holland Chief Technology and Innovation Officer, Kiran Sidhu, Halo CEO and Director, and Katie Field, Halo President. The joint venture will monitor ongoing regulatory updates regarding Oregon's Measure 109, appoint a management team, and develop a commercialization strategy in due course.

On June 8, 2021, the Company announced that its wholly owned subsidiary, Red Light Acquisition Inc. ("Red Light US") acquired (the "Acquisition") Radix Motion Inc. ("Radix Motion"), a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated June 7, 2021, pursuant to which Red Light US acquired all of the issued and outstanding shares of Radix Motion ("Radix Shares") for approximately US$3.2 Million. The consideration was comprised of: (i) 12,701,741 common shares of Red Light (the "Red Light Shares"), having an aggregate value of US$3,195,406 with each Red Light Share priced at the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition (the "Share Consideration"); and (ii) US$67,413.05 in cash (the "Cash Consideration"). Pursuant to the Acquisition Agreement, 25% of the Acquisition consideration has been placed in escrow for a period of 18 months from Closing, and the Red Light Shares issued pursuant to the Share Consideration are subject to a 24 month lock-up, with 1/6 released every 4 months.

On June 10, 2021, the Company announced that is completed the acquisition of an 80% stake in 4316747 Nova Scotia Limited ("Happy Caps"). Happy Caps Mushroom Farm in Nova Scotia, Canada, is a unique gourmet mushroom farm, cleverly positioned in the mushroom plug spawn business, selling fresh mushrooms for the wholesale market and specializing in 'grow your own mushroom kits' with sales in Canada and the United States.

The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated June 10, 2021, pursuant to which Red Light Holland acquired 80% of the issued and outstanding shares of Happy Caps for $450,000. The consideration was comprised of $50,000 cash and 1,290,323 common shares of the Company (the "Red Light Shares"), with each Red Light Share priced at $0.31 being the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition. The Acquisition Agreement provides for up to $550,000 of earn out payments to be made to the Vendors subject to reaching certain sales milestones, with all milestones subject to minimum gross margin requirements. In addition to the foregoing, as per the terms of the Acquisition Agreement, the Vendors have granted the Company an option to acquire all the remaining shares in Happy Caps not held by the Company, thus allowing Red Light Holland to become the sole shareholder of Happy Caps (the "Call Option"), at a 100% enterprise value equal to $2,500,000. The Call Option will be exercisable at any time following a period of two (2) years from closing. The consideration under the Call Option, if exercised, may be satisfied in Red Light Shares, on the basis of a deemed price per Red Light Share equal to the volume weighted average price per Red Light Share on the CSE for the 10 consecutive trading days preceding closing of the Call Option.

On June 16, 2021 the Company and Creso Pharma Limited ("Creso Pharma") (ASX: CPH) (FSE: 1X8) (OTCQB: COPHF), (a producer of cannabis products designed to better the lives of people and animals) announced that they have entered into a definitive scheme implementation deed (the "Deed") to combine businesses and create The HighBrid Lab (the "Combined Company" or "The HighBrid Lab"), a leading global psychedelics and cannabinoid company. The transaction will be carried out by way of statutory schemes of arrangement under the Corporations Act 2001 (Cth), pursuant to which Red Light Holland will acquire (i) all of the issued fully paid ordinary shares of Creso Pharma (the "Scheme"), and (ii) all of the issued listed options of Creso Pharma (the "Option Scheme") in exchange for the issue of common shares of Red Light Holland ("Red Light Holland Shares") on the terms and conditions set forth in the Deed. Under the terms of the Deed, the shareholders of Creso Pharma (the "Creso Pharma Shareholders") will receive 0.395 of a Red Light Holland Share for each fully paid ordinary share of Creso Pharma (each, an "Creso Pharma Share") held immediately prior to the effective time of the Scheme. In addition, (i) holders of listed options of Creso Pharma (the "Creso Pharma Listed Optionholders") will receive 0.257 of a Red Light Holland Share for each listed option of Creso Pharma (each, a "Creso Pharma Listed Option") and (ii) holders of the various other classes of unlisted Creso Pharma securities will be offered Red Light Holland options or warrants based on ratios detailed in the Deed. Upon implementation of the Scheme and the Option Scheme (together, the "Schemes"), it is expected that the former Creso Pharma securityholders will own approximately 57.4% of the pro forma issued and outstanding Red Light Holland Shares, resulting in a reverse takeover of Red Light Holland by the Creso Pharma security holders. Following implementation of the Schemes, the Combined Company is expected to have a cash balance of approximately C$45 million (A$48 million), providing considerable financial flexibility to progress its growth strategy.

23. SUBSEQUENT EVENTS (continued)

In June, 2021, the Company announced that it had entered into a non-binding letter of intent to acquire a 51% stake in Acadian Exotic Mushrooms Ltd. ("**AEM**"). AEM is a dormant gourmet mushroom production facility co-owned by leading Canadian mushroom farming groups/individuals Holburne Mushroom Farm and Mike and Fernando Medeiros (the "**Vendors**"). Upon completion of start-up activities, the 22,000 square foot facility, which sits on approximately 4 acres of land in Eel River Crossing, New Brunswick, is expected to produce up to 5,000 pounds of Shiitake mushrooms per week. AEM will also have the ability to produce, package and distribute a wide variety of fresh mushrooms while offering an assortment of dried options and the potential to produce functional mushroom consumer packaged goods.