RED LIGHT HOLLAND CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

(Expressed in Canadian Dollars)

To the Shareholders of Red Light Holland Corp.:

Opinion

We have audited the financial statements of Red Light Holland Corp. (the "Company"), which comprise the consolidated statement of financial position as at March 31, 2022 and March 31, 2021, and the consolidated statements of loss and other comprehensive loss, consolidated statements of changes in shareholders' equity (deficiency) and consolidated statements of cash flows for the years 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, 2022 and March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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 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 audits 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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.

Montréal, Québec

July 29, 2022

MNP LLP[1]

[1] FCPA auditor, public accountancy permit no. A122514

RED LIGHT HOLLAND CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at March 31, 2022 and 2021

	March 31, 2022	March 31, 2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 26,093,738	$ 31,185,487
Accounts receivable (Note 21)	380,869	186,057
Sales tax receivable	127,512	346,450
Income tax receivable	15,638	-
Marketable securities (Note 6)	527,813	1,495,571
Prepaid expenses and deposits	220,641	122,888
Inventory (Note 7)	382,391	438,495
TOTAL CURRENT ASSETS	27,748,602	33,774,948
NON-CURRENT ASSETS		
Property and equipment (Note 8)	2,877,298	121,942
Marketable securities – non-current (Note 6)	682,332	100,000
Right of use asset (Note 13)	202,066	149,749
Call Option (Note 5)	110,608	-
Intangible assets (Note 9)	594,767	1,203,887
Goodwill (Note 10)	722,992	944,570
TOTAL ASSETS	$ 32,938,665	$ 36,295,096
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 21)	$ 1,382,686	$ 1,072,392
Loans and advances (Note 15)	905,059	-
Convertible debenture (Note 11)	385,440	-
Lease liability – current portion (Note 14)	59,294	52,146
TOTAL CURRENT LIABILITIES	2,732,479	1,124,538
NON-CURRENT LIABILITIES		
Lease liability (Note 14)	150,419	100,465
Contingent consideration (Note 12)	294,035	-
Convertible debenture (Note 11)	-	713,886
Deferred tax liability (Note 26)	603,743	301,156
TOTAL NON-CURRENT LIABILITIES	1,048,197	1,115,507
TOTAL LIABILITIES	3,780,676	2,240,045
SHAREHOLDERS' EQUITY		
Share capital (Note 17(a))	38,286,226	31,221,429
Shares to be issued (Note 17(a))	24,721	
Warrants (Note 17(d))	10,701,239	11,016,132
Contributed surplus	4,755,373	2,598,334
Non-controlling interest (Note 16)	681,070	-
Accumulated other comprehensive income	(158,617)	(15,948)
Accumulated deficit	(25,132,023)	(10,764,896)
TOTAL SHAREHOLDERS' EQUITY	29,157,989	34,055,051
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 32,938,665	$ 36,295,096

NATURE OF OPERATIONS (Note 1)
PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 20)
SUBSEQUENT EVENTS (Note 29)

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, 2022 and 2021

	2022	2021
REVENUE (Note 18)	$ 2,325,589	$ 110,956
COST OF SALES (Note 7)	1,707,913	91,607
GROSS PROFIT	617,676	19,349
OPERATING EXPENSES		
General and administrative (Note 23)	5,741,201	3,068,241
Share based payments (Note 17)	3,198,720	1,582,623
Interest expense	50,429	10,724
Research and development	753,181	14,998
	9,743,531	4,676,586
LOSS BEFORE OTHER ITEMS AND TAXES	(9,125,855)	(4,657,237)
OTHER ITEMS		
Realized gain on sale of marketable securities (Note 6)	93,823	1,272,825
Provision for sales tax receivable	(433,359)	-
Gain on disposition of subsidiary (Note 24)	-	843,411
Unrealized change in fair value of marketable securities (Note 6)	(317,639)	837,836
Contractual break fee (Note 25)	400,000	-
Foreign exchange (loss) gain	(13,526)	8,214
Change in fair value of convertible debenture (Note 11)	328,446	33,081
Impairment loss	(5,937,015)	-
Interest income	63,548	17,042
NET LOSS BEFORE TAXES	(14,941,577)	(1,644,828)
Provision for income taxes (Note 26)	246,404	-
NET LOSS	(14,695,173)	(1,644,828)
NET LOSS ATTRIBUTABLE TO:		
Shareholders of Red Light Holland Corp.	(14,367,127)	(1,644,828)
Non-controlling Interests (Note 16)	(328,046)	-
NET LOSS	(14,695,173)	(1,644,828)
Foreign currency translation	(142,669)	(15,948)
COMPREHENSIVE LOSS	(14,837,842)	(1,660,776)
LOSS PER SHARE – Basic and diluted (Note 17(b))	$ (0.04)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 17(b))	351,398,544	210,836,814

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, 2022 and 2021

	Common Shares #	Common Shares $	Shares to be Issued $	Warrants $	Contributed Surplus $	Non-controlling Interest $	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 6)	2,500,000	150,000	-	-	-	-	-	-	150,000
Shares issued per consulting agreements (Note 17(a))	4,052,631	295,789	-	-	-	-	-	-	295,789
Warrants issued per consulting agreements (Note 17(e))	-	-	-	448,547	-	-	-	-	448,547
Units issued on closing of private placement (Note 17(a))	90,904,281	15,293,451	-	10,429,574	-	-	-	-	25,723,025
Shares issued per securities exchange agreement (Note 17(a))	4,242,424	396,537	-	303,463	-	-	-	-	700,000
Share issue costs (Note 17(a))	-	(5,196,399)	-	2,716,130	-	-	-	-	(2,480,269)
Exercise of warrants (Note 17(f))	38,350,292	10,996,651	-	(3,368,917)	-	-	-	-	7,627,734
Exercise of stock options (Note 17(b))	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**
Balance, March 31, 2021	332,888,764	31,221,429	-	11,016,132	2,598,334	-	(15,948)	(10,764,896)	34,055,051
Exercise of warrants (Note 17(f))	933,333	104,398	-	(48,398)	-	-	-	-	56,000
Expiry of warrants (Note 17(f))	-	-	-	(266,495)	266,495	-	-	-	-
Exercise of stock options (Note 17(b))	2,166,667	354,730	-	-	(157,245)	-	-	-	197,485
Shares issued on acquisitions (Note 5)	17,757,200	5,429,061	-	-	-	-	-	-	5,429,061
Shares issued for services (Note 17(a))	197,318	50,398	-	-	-	-	-	-	50,398
Exercise of RSUs (Note 17(e))	4,222,000	1,126,210	24,721	-	(1,150,931)	-	-	-	-
Share based payments	-	-	-	-	3,198,720	-	-	-	3,198,720
Non-controlling interest (Note 16)	-	-	-	-	-	1,009,116	-	-	1,009,116
Net loss and comprehensive loss	-	-	-	-	-	(328,046)	(142,669)	(14,367,127)	(14,837,842)
Balance, March 31, 2022	**358,165,282**	**38,286,226**	**24,721**	**10,701,239**	**4,755,373**	**681,070**	**(158,617)**	**(25,132,023)**	**29,157,989**

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended March 31, 2022 and 2021

	2022	2021
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the period	$ (14,695,173)	$ (1,644,827)
Items not affecting cash:		
Unrealized change in fair value of marketable securities (Note 6)	317,639	(837,836)
Change in fair value of convertible debenture (Note 11)	(328,444)	-
Amortization and depreciation	523,691	35,979
Interest and accretion	12,491	5,957
Gain on sale of subsidiary (Note 24)	-	(843,411)
Shares issued for services	50,398	-
Share based payments	3,198,720	1,582,623
Realized gain on sale of marketable securities (Note 6)	(93,823)	(1,272,370)
Foreign exchange loss	-	(15,948)
Impairment loss	5,937,015	-
Gain on decommissioned lease	(1,134)	-
Provision of sales tax receivable	433,358	-
Acquisition expense (Note 5)	189,000	-
Deferred tax gains	(246,404)	
Movements in working capital:		
Accounts receivable	(187,218)	(33,509)
Sales tax receivable	(205,328)	(325,576)
Inventory	98,383	(99,231)
Prepaid expenses	(91,585)	(114,786)
Income tax receivable	(15,638)	-
Accounts payable and accrued liabilities	227,711	204,381
Cash flows used in operating activities	(4,876,341)	(3,359,554)
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of marketable securities (Note 6)	161,610	1,715,635
Purchase of marketable securities	-	(350,000)
Acquisition of subsidiaries-net of cash acquired (Note 5)		(1,299,384)
Acquisitions (Note 5)	(337,358)	-
Acquisition of property and equipment (Note 8)	(406,994)	(86,958)
Acquisition of intangible assets (Note 9)	-	(180,941)
Cash flows used in investing activities	(582,742)	(201,548)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of common shares in subsidiary	-	1,979,061
Proceeds from issue of common shares and warrants	-	23,092,757
Exercise of warrants	56,000	7,627,734
Exercise of options	197,485	102,500
Loans and advances	286,355	-
Lease payments (Note 14)	(88,078)	(18,925)
Cash flows from financing activities	451,762	32,783,127
Effect of changes in foreign currency rates on cash	(84,424)	-
CHANGE IN CASH	(5,091,749)	29,221,995
CASH, BEGINNING OF PERIOD	31,185,487	1,963,492
CASH, END OF PERIOD	$ 26,093,738	$ 31,185,487

	2022	2021
SUPPLEMENTAL INFORMATION:		
Shares and warrants issued for services	$ 50,938	$ -
Units issued for marketable securities	-	850,000
Shares issued for acquisitions	17,757,200	-

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 a distributor of its premium brand of psilocybin truffles within the Netherlands and a producer and distributor of functional mushrooms within North America. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "TRIP". The CSE provided the Company approval to list its common shares on May 28, 2020 and the Company commenced trading on May 28, 2020.

2. BASIS OF PRESENTATION

Statement of compliance

These consolidated financial statements 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 Financial Reporting Interpretation Committee ("IFRIC") for all period presented.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 29, 2022.

Principles of consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These consolidated financial statements include the accounts of the Company and all its subsidiaries. Intercompany accounts and balances are eliminated upon consolidation.

Name of subsidiary	Country of Incorporation	Functional Currency	2022 Percentage Ownership	2021 Percentage Ownership
RLH Netherlands B.V.	Netherlands	EURO	100%	100%
Red Light Holland (Subco 1) Inc.	Canada	CAD	100%	100%
Red Light Holland (Subco 2) Inc.	Canada	CAD	100%	100%
SR Wholesale B.V.	Netherlands	EURO	100%	100%
Red Light Acquisition Inc.	United States	USD	100%	-
Radix Motion Inc.	United States	USD	100%	-
4316747 Nova Scotia Limited ("Happy Caps")	Canada	CAD	80%	-
Acadian Exotic Mushrooms Ltd. ("AEM")	Canada	CAD	51%	-
Mera Life Sciences LLC	St Vincent	USD	100%	-
Northern Securities Inc. (sold Sep 1, 2020)	Canada	CAD	-	-

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.

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.

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 four CGU's being the RLN Netherlands B.V. (sale of iMicrodose kits), Red Light Holland (Subco 1) Inc. (sale of merchandise), SR Wholesale (wholesale of psychedelics and cannabis related products), and Happy Caps (sale of home-grown mushroom kits).

Assessment of Net Realizable Value of Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on an actual cost basis. Net realizable value is estimated with reference to recent sales of the same or similar inventory items.

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 and indefinite life intangible asset impairment

Goodwill and indefinite life intangible asset impairment testing requires management to estimate the recoverable amount of the CGU to which goodwill or indefinite life intangible asset has been allocated. On an annual basis, the Company tests whether goodwill or indefinite life intangible assets are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 business activity 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.

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 or a 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.

Restricted share units are measured at the closing stock price on the day that the units are awarded.

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.

Contingencies

Due to the nature of the Company's operations, various legal matters can arise from time to time. In the event that management's estimate of the future resolution of these matters' changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

Judgement is required to determine if the acquisition represented either a business combination or an asset purchase. A key determining factor of the acquisition of a business is evidence of an integrated set of activities with inputs, processes and outputs. For acquisitions where it was concluded that the acquisitions were purchase of assets, there was no goodwill recognized on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed. The fair values of the net assets acquired were determined using estimates and judgment. Refer to Note 5 for additional information on the Company's asset acquisitions.

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss. Judgement is required to determine whether contingent consideration will be paid, and in order to estimate the fair value of contingent consideration upon acquisition and subsequent reporting dates.

Non-controlling interests that are present ownership interest and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. The choice of measurement basis is made on a transaction-by-transaction basis.

For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of investments in securities not quoted in an active market:

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they 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, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 6 for further details.

(b) Foreign currency translation

In preparing the consolidated 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 are comprised of cash and highly liquid investments deposited in financial institutions that are highly liquid and readily convertible into known amounts of cash and are subject to insignificant risk of changes in value and physical cash safely secured in a company vault.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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	3 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 debenture issued pursuant to acquisition of SR that contains 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 and restricted share units. The fair value of the share options and restricted share units, 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 and restricted share units are exercised or vest, respectively, 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. The estimated fair value of restricted share units is measured as the closing stock price on the date that the units are awarded.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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 consolidated statements of loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

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

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 consolidated statements of loss and comprehensive 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 consolidated statements of loss and comprehensive 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 and advances payable	Amortized cost
Convertible debenture	FVTPL
Contingent consideration	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 business 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022 and March 31, 2021.

(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) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(q) Revenue recognition

The Company's revenue is comprised of sales of (i) wholesale products consisting of truffles, cannabis seeds and other cannabis products, and (ii) grow at home mushroom kits.

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 statements of financial position. 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) Marketable Securities

The Company carries its marketable securities 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 consolidated 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) Comparative figures

Certain amounts reported in the prior year financial statements have been reclassified to conform with the current year presentation.

(u) Accounting policies

At the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee (IFRIC) have issued the following new and revised standards and interpretations which are not yet effective for the relevant reporting periods. The Company has not early adopted these standards, amendments or interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements.

Future accounting standards

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

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

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

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: In February 2021, the International Accounting Standards Board (IASB) issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2021.
The amendments introduce a new definition of ‘accounting estimates’ to replace the definition of ‘change in accounting estimates’ and also include clarifications intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The amendments are 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.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets: In May 2020, the International Accounting Standards Board (IASB) issued amendments to update IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The Accounting Standards Board (AcSB) completed its endorsement process and incorporated the amendments into Part I of the CPA Canada Handbook – Accounting in September 2020.

The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

These amendments are effective for annual periods beginning on or after January 1, 2022. 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 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 changes in shareholders’ equity.

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%.

4. AMALGAMATION TRANSACTIONS (continued)

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

5. BUSINESS ACQUISITIONS

(i) SR WHOLESALE BV ("SR")

On March 19, 2021, the Company acquired 100% of SR for consideration with a fair value of $2,153,495 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 11 for the subsequent revaluation of the convertible debenture as at March 31, 2022 and 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 and recorded in accounts payable and accrued liabilities. The holdback was released in the current year.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations. This acquisition was provisional during the prior year and finalized during the current year with no adjustments.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

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. BUSINESS ACQUISITIONS (continued)

The intangible assets are comprised of the customer relationships with a fair value of $811,745 and a non-compete agreement with a fair value of $221,385. 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%.

(ii) RADIX MOTION INC. (“Radix”)

On June 8, 2021, the Company announced that its wholly owned subsidiary, Red Light Acquisition Inc. ("Red Light US") acquired Radix Motion Inc., a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. The Company believes the Acquisition was completed effective June 7, 2021, pursuant to the terms of the definitive agreement, pursuant to which Red Light US acquired all of the issued and outstanding shares of Radix for $4,209,454.

The consideration was comprised of: (i) 12,701,742 common shares of Red Light Holland, having an aggregate value of $4,128,066 with each share valued at the closing price on the Canadian Securities Exchange on the date of acquisition and (ii) $81,388 in cash. Pursuant to the Acquisition Agreement, 25% of the shares issued have been placed in escrow for a period of 18 months from Closing, and the shares issued are subject to a 24-month lock-up.

The transaction has been accounted for as an asset acquisition and not a business acquisition because on the date of acquisition, Radix did not have inputs, outputs or a critical process or ability to develop inputs into outputs. At the date of acquisition, Radix was still developing its embodied technology, and did not have the key inputs for it to be able to apply a process and generate outputs.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

Assets Acquired	**$**
Cash	11,459
Property, plant and equipment	3,837
Intangible assets – in-process research & development (“IPR&D”)	4,194,158
Net assets as at June 7, 2021	**4,209,454**

Consideration	**$**
Cash	81,388
Common shares	4,128,066
	4,209,454

(iii) 4316747 NOVA SCOTIA LIMITED (“HAPPY CAPS”)

On June 10, 2021, the Company announced that it 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, 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 effective June 10, 2021, pursuant to the terms of the definitive agreement, pursuant to which the Company acquired 80% of the issued and outstanding shares of Happy Caps for $571,982. The consideration was comprised of $50,000 cash and 1,290,323 common shares of the Company (the "Red Light Shares") with a fair value of $380,327. The Red Light Shares issued are subject to a statutory hold period expiring on October 11, 2021. 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. The fair value assigned to the future earn out payments was $141,655 on the acquisition date. During the year ended March 31, 2022, the first earn-out milestone was achieved and the associated payment of $50,000 was recorded as a reduction in contingent consideration. See Note 12 for further detail on the contingent consideration.

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

In addition to the foregoing, as per the terms of the Acquisition Agreement, the Vendors have granted the Company an option to acquire the remaining shares in Happy Caps, thus allowing the Company to become the sole shareholder of Happy Caps (the "Call Option"), at a 100% enterprise value equal to $2,500,000. The Call Option can 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.

The transaction has been accounted for as a business combination under IFRS 3 – Business Combinations as the operations of Happy Caps meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed. The net assets acquired, and liabilities assumed are recorded at fair value.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

Net assets acquired	**$**
Cash	11,581
Accounts receivable	7,594
Inventory	42,279
Right-of-use asset	31,440
Intangible asset – trade name	130,269
Financial asset – call option	110,608
Accounts payable	(22,070)
Lease liability	(31,440)
Deferred tax liability	(37,778)
Net assets as at June 10, 2021	**242,483**

Consideration	**$**
Cash	50,000
Contingent consideration	141,655
Common shares	380,327
	571,982

Purchase price allocation	**$**
Net identifiable assets acquired	232,483
Non-controlling interest (net of a 20% discount)	(114,397)
Goodwill	443,896
	571,982

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition such as assembled workforce and synergies that do not qualify for separate recognition. No goodwill for AEM acquisition is expected to be deductible for tax purposes.

The intangible asset comprised of the tradename with a fair value of $130,269. The fair value of the tradename was determined using a five-year discounted cash flow analysis. The key assumptions used in the cash flow projection related to the tradename include: (i) a discount rate of 30.1%; (ii) revenue growth rate of 125% in the first year, 16.8% in the second year and 2.5% thereafter; (iii) terminal revenue growth of 2.5% per year.

The contingent consideration has been classified as financial liability for the cash portion. For the share portion, as the total number of Red Light Shares payable under the contingent consideration arrangement is a variable number of shares and therefore, the contingent consideration has been classified as a financial liability.

The Company has used monte carlo model to estimate the fair value of contingent consideration from Happy Caps acquisition on the date of acquisition. The key inputs included in the model are: (i) variability in revenue of 56%; (ii) discount rate of 19%; (iii) risk free rate of 0.31%.

From the date of acquisition to March 31, 2022, Happy Caps contributed $282,147 to the Company's revenues. Had the acquisition occurred on April 1, 2021, the Company's revenue and net loss for the year ended March 31, 2022 would have increased by $56,429 and $3,087 respectively.

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

The financial asset comprised of the Call Option with a fair value of $110,608. The fair value of the Call Option was determined using a black scholes model. The key assumptions used in the model related to the call option include: (i) volatility of 75%; (ii) risk free rate: 1.94%; (iii) expected life: 10 years; (iv) underlying enterprise value (20%): $143,333; (v): strike price: $500,000.

(iv) Acadian Exotic Mushrooms Ltd ("AEM")

On September 7, 2021, the Company completed the acquisition of an 51% stake in AEM. AEM is a Canadian gourmet mushroom production facility co-owned by leading Canadian mushroom farming groups.

The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated September 7, 2021, pursuant to which the Company acquired 51% of the issued and outstanding shares of AEM for aggregate consideration of $1,164,048. The consideration was comprised of $230,000 cash and 3,065,135 common shares of the Company (the "Red Light Shares"), with each Red Light Share priced at $0.26 being the price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition. In calculating the fair value of the share consideration, a discount for the lack of marketability of 12% was applied. The Acquisition Agreement provides for up to 1,915,708 additional Red Light Shares (the "Earn-Out Shares") to be issued to the vendors subject to the satisfaction of certain milestones. The Company and the vendors have also entered into an offtake agreement, subject to which, the vendors will ensure a minimum purchase price of $6 per pound for all output from the facility for 3-year period. The Earn-Out Shares have been classified as liabilities and have been included in the consolidated statements of financial position as contingent consideration. See Note 12 for further discussion on the contingent consideration.

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 assessment of the purchase price allocation on the date of acquisition has been determined as follows:

Net assets acquired	**$**
Cash	1,195
Sales tax receivable	9,092
Prepaids	6,168
Property, plant and equipment	2,502,584
Accounts payable	(10,511)
Loans payable	(618,704)
Deferred tax liability	(560,153)
Net assets as at September 7, 2021	**1,329,671**

Consideration	**$**
Cash	230,000
Contingent share consideration	202,380
Common shares	731,668
	1,164,048

Purchase price allocation	**$**
Net identifiable assets acquired	1,329,671
Non-controlling interest (net of 20% discount)	(894,719)
Goodwill	729,096
	1,164,048

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition such as assembled workforce and synergies that do not qualify for separate recognition. No goodwill for AEM acquisition is expected to be deductible for tax purposes.

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

The contingent consideration has been classified as financial liability as the total number of Red Light Shares payable under the contingent consideration arrangement is a variable number of shares and was therefore classified as a financial liability.

The Company has used monte carlo model to estimate the fair value of contingent consideration from Happy Caps acquisition on the date of acquisition. The key inputs included in the model are: (i) variability in revenue of 14%; (ii) discount rate of 2%; (iii) risk free rate of 0.27%.

From the date of acquisition to March 31, 2022, AEM contributed $7,039 to the Company's revenues. Had the acquisition occurred on April 1, 2021, the Company's revenue and net loss for the year ended March 31, 2022 would have increased by $5,509 and $172,741 respectively.

(v) Mera Life Sciences LLC ("Mera")

On August 24, 2021, the Company completed the acquisition of 100% of Mera Life Sciences LLC ("Mera"). The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated July 29, 2021, pursuant to which Red Light Holland acquired 100% of the issued and outstanding shares of Mera for $189,000. The consideration is comprised of 700,000 common shares of the Company (the "Red Light Shares"), with each Red Light Share priced at $0.27, representing a 35% premium to the closing 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 6,300,000 additional Red Light Shares (the "Earn-Out Shares") to be issued to the vendors subject to the satisfaction of certain milestones.

The remaining 6,300,000 Red Light Shares will be released to the vendors based on the achievement of several milestones, which include: the importation of 15,000 grams of iMicrodose truffles to St. Vincent and the Grenadines ("SVG"), governmental authority to rename Mera to Scarlette Lillie Sciences and Innovation, the successful prescription and sale of iMicrodose truffles to at least five patients in SVG or the successful administration of iMicrodose truffles to at least five participants in a scientific study or trial in SVG, the extraction and testing of the iMicrodose truffles, the successful export of iMicrodose truffles from SVG to another jurisdiction, and the final implementation of SVG's regulatory framework for the psychedelics industry.

The remaining 6,300,000 Red Light Shares are held in escrow by the Company's legal counsel and will only be issued to the vendors of Mera when the milestones are met. As at March 31, 2022, such milestone events have not been met.

Mera currently holds a Medicinal Industry Development License (the "License") issued by the SVG Bureau of Standards, which permits the research, cultivation, production, development and extraction, import and export, clinical treatment facilities, and prescribed patient access of psylocibin in specifically licensed clinical treatment facilities.

The transaction has been accounted for as an asset acquisition and not the acquisition of business because on the date of acquisition, Mera did not have inputs, outputs or a critical process or ability to develop inputs into outputs. Mera was in the early stage of cultivation, extraction, research and development of the clinical use of psychedelic truffles. As such, the remaining unidentifiable assets did not meet the intangible asset criteria for capitalization. Accordingly, the Company expensed $189,000 in the consolidated statement of loss and comprehensive loss.

The assessment of the purchase price allocation on the date of acquisition has been determined as follows:

Purchase price	**$**
700,000 common shares	189,000
Consideration paid in excess of net assets acquired.	**189,000**

From the date of acquisition to March 31, 2022, Mera contributed $Nil to the Company's revenues. Had the acquisition occurred on April 1, 2021, the Company's revenue and net loss for the year ended March 31, 2022 would have been unchanged.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

	Number of Securities	Cost	Value
PharmaDrug Inc. – common shares (level 1)	3,493,000	147,697	157,185
PharmaDrug Inc. – warrants (level 2)	12,000,000	392,596	325,308
FSD Pharma Inc. – shares (level 1)	41,200	50,000	45,320
Elevate Farms Inc. – shares (level 3)	22,988	100,000	432,634
Elevate Farms Inc. – warrants (level 3)	22,988	-	249,698
Balance, March 31, 2022		690,293	1,210,145
Current Portion			527,813
Long-Term Portion			682,332
Total			1,210,145

	Number of Securities	Cost	Value
PharmaDrug Inc. – common shares (level 1)	5,088,000	215,139	483,360
PharmaDrug Inc. – warrants (level 2)	12,000,000	392,596	912,211
Lucid Psycheceuticals Inc. – shares (level 3)	1,000,000	50,000	100,000
Elevate Farms Inc. – shares (level 3)	22,988	100,000	100,000
Elevate Farms Inc. – warrants (level 3)	22,988	-	-
Balance, March 31, 2021		757,735	1,595,571
Current Portion			1,495,571
Long-Term Portion			100,000
Total			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 of the Revive common 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 16) on July 14, 2020, which were valued at $700,000.

The fair value of the PharmaDrug warrants on July 14, 2020 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%. The fair value of these warrants as at March 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 2.3 years; expected volatility – 146%, expected interest rate – 2.27%.

During the year ended March 31, 2021, the Company sold 6,912,000 shares of PharmaDrug for proceeds of $979,928, which resulted in a realized gain on sale on marketable securities of $687,663. During the year ended March 31, 2022, the Company sold 1,595,000 shares of PharmaDrug for proceeds of $161,610, which resulting in a realized gain on sale on marketable securities of $93,823.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES (continued)

In November 2020, the Company acquired 1,000,000 shares of Lucid Psycheceuticals Inc. at a cost of $50,000. On August 25, 2021, FSD Pharma Inc., a publicly traded company on the Toronto Stock Exchange Venture ("TSX-V"), announced the acquisition of 100% of the issued and outstanding shares of Lucid Psycheceuticals Inc. and the Company received 41,200 common shares in FSD Pharma Inc. as consideration in exchange for all of the outstanding common shares in Lucid Psycheceuticals.

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 share purchase warrant ("Elevate Warrant"). Each warrant can be exercised for one common shares at $8.70 for a period of two-years from the date of issue. Based on management's intention and ability, the investment in Elevate Farms Inc. has been classified as non-current. Elevate is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. The share price has been estimated based on Elevate's recent financings.

As at March 31, 2021, the fair value of Elevate Warrants were estimated to be equal to cost. The fair value of these warrants as at March 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: share price - $18.82; term – 0.9 years; expected volatility – 77%, expected interest rate – 1.94%.

	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
Transfer from Level 3 to Level 1	100,000	-	(100,000)	-
Disposals	(161,610)	-	-	(161,610)
Realized gain on sale of securities	93,823	-	-	93,823
Revaluation to fair market value	(313,068)	(586,903)	582,332	(317,639)
At March 31, 2022	$ 202,505	$ 325,308	$ 682,332	$ 1,210,145

For the year ended March 31, 2022 the unrealized change in fair value of marketable securities amounted to a loss of $317,639 (2021 – a gain of $837,836), which is recorded in the consolidated statement of net loss and comprehensive loss.

Fair value hierarchy
The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that 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-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES (continued)

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, 2022 and March 31, 2021:

Investments, at fair value	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total
March 31, 2022	$ 202,505	$ 325,308	$ 682,332	$ 1,210,145
March 31, 2021	$ 483,360	$ 912,211	$ 200,000	$ 1,595,571

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 period.

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

Description	Fair value at March 31, 2022	Valuation-technique / unobservable input	%of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	$ **682,332**	Recent financing activity	56.4	Additional recent financing activity

Description	Fair value at March 31, 2021	Valuation-technique / unobservable input	%of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	$ **200,000**	Recent financing activity	12.5	Additional recent financing activity

For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- $170,583 change in the total fair value of the investments (2021 - $50,000).

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.

(Expressed in Canadian Dollars)

7. INVENTORY

	Mar 31, 2022	Mar 31, 2021
Materials	$ 29,612	$ -
Merchandise	23,969	11,290
Finished Goods	328,810	427,205
Inventory	$ 382,391	$ 438,495

For the year ended March 31, 2022, inventory recognized as an expense amounted to $1,606,083 (2021 - $91,607), which is included in cost of sales in the consolidated statements of loss and comprehensive loss.

8. PROPERTY AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold improvements	Vehicle	Total
Cost						
Balance, March 31, 2020	$	$ -	$ -	$ -	$ -	$ -
Acquisition of SR	-	-	26,672	-	18,616	45,288
Additions	-	-	42,636	26,257	17,725	86,618
Balance, March 31, 2021	-	-	69,308	26,257	36,341	131,906
Foreign currency adjustment	-	-	(1,652)	(1,612)	(1,985)	(5,249)
Acquisition of AEM	40,000	2,460,000	2,584	-	-	2,502,584
Acquisition of Radix	-	-	3,837	-	-	3,837
Additions	-	27,169	386,022	-	-	413,191
Balance, March 31, 2022	$40,000	$ 2,487,169	$ 460,099	$24,645	$ 34,356	$ 3,046,269
Accumulated Depreciation						
Balance, March 31, 2020	$	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	4,691	3,501	1,772	9,964
Balance, March 31, 2021	-	-	4,691	3,501	1,772	9,964
Foreign currency adjustment	-	-	42,094	(1,316)	(4,337)	36,441
Depreciation	-	71,474	18,128	22,460	10,504	122,566
Balance, March 31, 2022	$-	$ 71,474	$ 64,913	$ 24,645	$ 21,391	$ 182,423
Carrying amount						
As at March 31, 2021	$-	$ -	$ 64,617	$ 22,756	$ 34,569	$ 121,942
As at March 31, 2022	$ 40,000	$ 2,415,695	$ 395,186	$ -	$ 26,417	$ 2,877,298

For the year ended March 31, 2022, depreciation expense related to property and equipment amounted to $122,566 (2020 - $9,964), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSETS

	Trade name	Virtual reality technology	Developed technology	Customer relationships	Non-compete agreement	IPR&D	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
Additions	-	-	-	-		-	-
Acquisitions	130,269	-	-	-	-	4,194,158	4,324,427
Impairment loss	-	(40,317)	(140,623)	(43,341)	(207,796)	(4,178,113)	(4,610,190)
Foreign currency adjustment	-	-	-	(49,830)	(13,589)	(16,025)	(79,444)
Balance, March 31, 2022	130,269	-	-	718,574	80,629	-	848,863
Accumulated Depreciation							
Balance, March 31, 2020	-	-	-	-	-	-	-
Amortization	-	-	-	8,002	2,181	-	10,183
Balance, March 31, 2021	-	-	-	8,002	2,181	-	10,183
Amortization	10,493	-	-	267,061	72,835	-	350,389
Impairment loss	-	-	-	(14,693)	(71,312)	-	(86,005)
Foreign currency adjustment	-	-	-	(16,767)	(3,704)	-	(20,471)
Balance, March 31, 2022	10,493	-	-	243,603	-	-	254,096
Carrying amount							
Balance, March 31, 2021	-	40,317	140,623	803,743	219,204	-	1,203,887
Balance, March 31, 2022	119,776	-	-	474,971	-	-	594,767

For the year ended March 31, 2022, amortization expense related to intangible assets amounted to $350,389 (2021 - $10,183), which are included in general and administrative expenses in the consolidated statement of loss and comprehensive loss.

During the year ended March 31, 2022, management identified certain impairment indicators in relation to various intangible assets largely related to adverse changes in market demands for certain technology products. For the year ended March 31, 2022, impairment loss related to intangible assets amounted to $4,524,185 (2021 - $nil), which are included in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

10. GOODWILL

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

	$
Balance, March 31, 2020	-
Additions upon acquisition of SR	944,570
Balance, March 31, 2021	944,570
Additions upon acquisition (Note 5)	1,172,992
Foreign currency adjustment	18,260
Impairment loss	(1,412,830)
Balance, March 31, 2022	722,992

As at March 31, 2022, the Company assessed the goodwill recorded in connection with the acquisitions of SR, Happy Caps, and AEM. The Company performs goodwill impairment analysis annually by comparing recoverable amount of the CGUs calculated using the fair value less cost of disposal approach with the carrying amount. The key assumptions used in the discounted cash flow models included various significant unobservable inputs.

The following significant unobservable inputs, all of which are classified as level 3 on the fair value hierarchy 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:

(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.

A reconciliation of the beginning and ending balances of goodwill is as follows:

CGU Group	SR CGU	Happy Caps CGU	AEM CGU	Total
At March 31, 2020	$ -	$ -	$ -	$ -
Additions	944,570	-	-	944,570
At March 31, 2021	944,570	-	-	944,570
Additions	-	443,896	729,096	1,172,992
Impairment loss	(962,830)	-	(450,000)	(1,412,830)
Foreign currency adjustment	18,260	-	-	18,260
At March 31, 2022	$ -	443,896	279,096	722,992

(i) SR CGU

The key unobservable inputs used by the Company when assessing the impairment of SR CGU are as follows: (i) discount rate – 35%; (ii) terminal growth rate – 2%; (iii) revenue growth rate: 8% to 20%; (iv) gross margin: 28.5% to 35%.

The Company noted that the recoverable amount was less than the carrying value so that impairment loss has been recorded on goodwill in the amount of $962,830, and on the intangible assets in the amount of $165,132, which are included in the consolidated statements of loss and comprehensive loss. The net book value of SR goodwill at year end was $Nil (2021 - $944,570).

(Expressed in Canadian Dollars)

10. GOODWILL (continued)

The sensitivity analysis prepared by the Company for the potential additional impairment of the SR CGU is as follows:

SR CGU			
Unobservable input	Sensitivity	Potential additional impairment	
Revenue growth rate	Decrease by 5%	$	54,945
Gross margin	Decrease by 5%	$	291,477
Weighted average cost of capital	Increase by 5%	$	108,920

(ii) Happy Caps CGU

The key unobservable inputs used by the Company when assessing the impairment for Happy Caps CGU are as follows: (i) discount rate – 30.1%; (ii) terminal growth rate – 2%; (iii) revenue growth rate – 16.8%, 2.5%, 2.5%, 2.5%, and 2%, respectively; (iv) gross margin: 56.78% to 59.13%.

The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required for the Happy Caps CGU as at March 31, 2022.

The sensitivity analysis prepared by the Company for the potential impairment of the Happy Caps CGU is as follows:

Happy Caps CGU			
Unobservable input	Sensitivity	Potential impairment	
Revenue growth rate	Decrease by 5%	$	4,746
Gross margin	Decrease by 5%	$	89,606
Weighted average cost of capital	Increase by 5%	$	79,535

(iii) AEM CGU

The key unobservable inputs used by the Company when assessing the impairment for AEM CGU are as follows: (i) discount rate – 9%; (ii) terminal growth rate – 2%; (iii) revenue growth rate – 38.5% in the first year, then 2.5% thereafter; (iv) gross margin – 41.35% to 42.49%.

The Company noted that the recoverable amount was less than the carrying value so that impairment loss has been recorded on goodwill in the amount of $450,000. The net book value of AEM goodwill at year end was $279,096 (2021 - $nil).

The sensitivity analysis prepared by the Company for the potential impairment of the AEM CGU is as follows:

AEM CGU			
Unobservable input	Sensitivity	Potential additional impairment	
Revenue growth rate	Decrease by 5%	$	208,314
Gross margin	Decrease by 5%	$	715,192
Weighted average cost of capital	Increase by 2%	$	586,463

(Expressed in Canadian Dollars)

11. 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 classified the convertible debenture as long-term liabilities in the consolidated statement of financial position during the prior year as the maturity date of the convertible debenture was longer than twelve months after March 31, 2021. As at March 31, 2022, the convertible debenture has been classified as a current liability in the consolidated statement of financial position as the maturity date is within twelve months of the reporting date.

As at March 31, 2021, the fair value of the convertible debenture was calculated at $713,886. Of this amount, 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 $298,029 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 $38,967 in the consolidated statements of loss and comprehensive loss.

As at March 31, 2022, the fair value of the convertible debenture was calculated at $385,440. Of this amount, the fair value of the note was calculated at $381,343 using a market interest rate of 15.0%. The fair value of the conversion feature was calculated at $4,097 using the Black Scholes option pricing model using the following assumptions: risk free rate of 1.94%, volatility of 81% (based on comparable companies), dividend yield of 0%, and a term of 0.96 years. As a result of the fair value assessment as at March 31, 2022, the Company recorded a change in fair value of convertible debenture in the amount of $328,446 in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2022.

	$
Balance, March 31, 2020	-
Additions – SR Acquisition	752,853
Change in fair value of convertible debenture	(38,967)
Balance, March 31, 2021	713,886
Change in fair value of convertible debenture	(328,446)
Balance, March 31, 2022	385,440

12. CONTINGENT CONSIDERATION

	$
Balance, March 31, 2021	-
Issued in Happy Caps acquisition (Note 5)	141,655
Issued in AEM acquisition (Note 5)	202,380
Cash payment made on contingent consideration issued in Happy Caps acquisition	(50,000)
Gain/loss from remeasurement	-
Balance, March 31, 2022	294,035

a) Contingent consideration issued in Happy Caps acquisition

As detailed in Note 5, the Company is required to make certain pro-rata earn-out payments, payable in shares and cash, to former shareholders of Happy Caps as additional purchase consideration. These payments are based on Happy Caps’ ability to meet certain sales in units targets, with a minimum gross margin requirements on products sold, as follows:

Upon Happy Caps achieving an average sale of over 200 unit a week during the six-month period subsequent to the acquisition ("Grace Period"), the Company will pay $50,000 in cash to the previous owners. As of March 31, 2022, this condition has been met and the cash payment has been paid out.

12. CONTINGENT CONSIDERATION (continued)

Upon Happy Caps achieving an average sale of over 200 unit a week during the second six-month period subsequent to the acquisition ("Earn Out Period 1"), the Company will pay $50,000 in cash to the previous owners.

Upon Happy Caps achieving an average sale of over 200 unit a week during the third six-month period subsequent to the acquisition ("Earn Out Period 2"), the Company will pay $50,000 in cash to the previous owners.

Upon Happy Caps achieving an average sale of over 600 unit a week during the Earn Out Period 1 and Earn Out Period 2, the Company will issue additional $100,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day volume weighted average price ("VWAP") of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares.

Upon Happy Caps achieving an average sale of over 800 unit a week during the Earn Out Period 1 and Earn Out Period 2, the Company will issue additional $150,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day VWAP of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares.

Upon Happy Caps achieving an average sale of over 1,000 units a week during any consecutive three-month span of Earn Out Period 2 or the forth six-month period subsequent to the acquisition ("Earn Out Period 3"), the Company will issue additional $150,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day VWAP of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares.

At the completion of Earn Out Period 3, if the average sale in units across all Earn Out Periods is in excess of milestone targets for any missed cash or Red Light Shares payments for a specific earn out period, then RLHC has the obligation to issue any missed cash or Red Light Share payments, in accordance with the above described amount.

All of the milestones are subject to a minimum gross margin requirement of 50%.

As of March 31, 2022, the Earn Out Period 1, Earn Out Period 2 and Earn Out Period 3 have not ended, and therefore the Company has not made any share payment to the former shareholders of Happy Caps.

The contingent consideration has been classified as financial liability as the total number of Red Light Shares payable under the contingent consideration arrangement is a variable number of shares and was therefore classified as a financial liability.

As at March 31, 2022, the balance of contingent consideration represents the probability-weighted discounted value of subsequent share issuance expected to occur during the earn out periods, based on management's best estimate of the probability of Happy Caps meeting each of the targets. Over the contractual terms, the total cumulative earn out could be $nil in cash and nil shares (undiscounted value of $nil) to $100,000 payable in cash and $450,000 worth of Red Light Shares (undiscounted value of $550,000).

The fair value of the Happy Caps contingent consideration is determined to be $141,655 (2021 - $nil). The Company has used monte carlo model to estimate the fair value of contingent consideration from Happy Caps acquisition. The key inputs included in the model are: (i) variability in revenue of 14%; (ii) discount rate of 2%; (iv) risk free rate of 0.27%. A +/- 25% change in the key assumptions would result in a change in fair value of $35,414.

b) Contingent consideration issued in AEM acquisition

As detailed in Note 5, the Company is required to make certain pro-rata earn-out payments, payable in shares, to former shareholders of AEM as additional purchase consideration. These payments are based on operational milestones, including operationalization of the facility, and production milestone.

Upon AEM achieving operationalize the facility with respect to the commercial production of shiitake mushrooms within twelve months from the acquisition date, as determined by the Company in its sole discretion, the Company will issue $250,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share of $0.261, indicating a total of 957,854 Red Light Shares issuable.

Upon AEM achieving an average sale of 4,500 pounds of shiitake mushrooms a week, at a minimum price of $6.00 per pound, over any four-week span for the twelve months period subsequent to the acquisition date, the Company will issue $250,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share of $0.261, indicating a total of 957,854 Red Light Shares issuable.

As of March 31, 2022, the earn out period has not ended, and therefore the Company has not made any share payments to the former shareholders of AEM on the above milestones.

(Expressed in Canadian Dollars)

12. CONTINGENT CONSIDERATION (continued)

The contingent consideration has been classified as financial liability as the total number of shares payable under the contingent consideration arrangement is a variable number of shares and was therefore classified as a financial liability.

As at March 31, 2022, the balance of contingent consideration represents the probability-weighted discounted value of subsequent share issuance expected to occur during the earn out period, based on management's best estimate of the probability of AEM meeting each of the targets. Over the contractual terms, the total cumulative earn out could be nil shares (undiscounted value of $nil) to 1,915,708 Red Light Shares (undiscounted value of $201,149).

The fair value of the Happy Caps contingent consideration is determined to be $202,380 (2021 - $nil). The Company has used monte carlo model to estimate the fair value of the contingent consideration from the Happy Caps acquisition. The key inputs included in the model are: (i) variability in revenue of 14%; (ii) discount rate of 2%; (iv) risk free rate of 0.27%. A +/- 25% change in the key assumptions would result in a change in fair value of $50,595.

13. RIGHT OF USE ASSET

	$
Balance, March 31, 2020	-
Additions – leases	117,326
Acquired upon acquisition	48,646
Foreign currency adjustment	(393)
Depreciation	(15,830)
Balance, March 31, 2021	149,749
Additions - leases	124,005
Acquired upon acquisition	31,440
Disposition lease	(22,486)
Depreciation	(50,735)
Foreign currency adjustment	(29,907)
Balance, March 31, 2022	202,066

For the year ended March 31, 2022, depreciation expense related to right of use assets amounted to $50,735 (2021 - $15,830), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

As at March 31, 2022, the Company terminated a lease relating to a warehouse facility and the resulting right of use asset was disposed of on that date in the amount of $22,486. No termination costs were incurred in connection with this transaction. A $1,193 gain on decommission of lease was recognized in the consolidated statement of loss and comprehensive loss.

(Expressed in Canadian Dollars)

14. LEASE LIABILITIES

	$
Balance, March 31, 2020	-
Additions	117,326
Acquired upon acquisition	48,646
Foreign currency adjustment	(400)
Interest expense	5,957
Lease payments	(18,918)
Balance, March 31, 2021	152,611
Additions	124,005
Acquired upon acquisition	31,440
Disposition	(23,619)
Interest expense	12,491
Lease payments	(88,078)
Foreign currency adjustment	863
Balance, March 31, 2022	209,713

Allocated as:	**March 31, 2022**
Current	59,294
Long term	150,419
Balance	209,713

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.

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 lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in Netherlands. As at March 31, 2022, the Company terminated this lease and the resulting lease liability was disposed of on that date in the amount of $23,619.

On June 10, 2021, through the acquisition of Happy Caps, the Company assumed a leased premise and the associated lease liability with a fair value of $31,440. The lease term is until February 1, 2023 with a renewal option. The lease payments are discounted using an interest rate of 12.00%, which is the Company's incremental borrowing rate in Canada.

On October 1, 2021, the Company financed equipment under lease terms in the amount of $124,005. Under the terms of the lease, the Company is required to pay monthly payments of $1,879 until September 1, 2027. The lease payments are discounted using an interest rate of 2.99%, which is the stated rate in the finance agreement.

For the year ended March 31, 2022, interest and accretion expense related to lease liabilities amounted to $12,491 (2021 - $5,957), which are included in interest expense in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

14. LEASE LIABILITIES (continued)

As at March 31, 2022, future minimum annual lease payments for premises and vehicles are approximately as follows:

	$
2023	107,945
2024	62,750
2025	22,545
2026	22,545
2027	22,545
2028	11,272
Total lease payments	249,602

15. LOANS AND ADVANCES

The Company has recorded loans in the amount of $905,059 which are unsecured, non-interest bearing with no specific terms of repayment. These are advances owing to the minority interest holders of AEM. $590,404 of the advances originated prior to the acquisition of AEM and the remaining $314,655 represent funds deposited by the minority interest holders post acquisition for the procurement of capital expenditures.

16. NON-CONTROLLING INTEREST

	Happy Caps $	**AEM** $	**Total** $
Balance, March 31, 2021	-	-	-
Non-controlling interest acquired	114,397	894,719	1,009,116
Net loss attributable to non-controlling interest	(2,556)	(325,490)	(328,046)
Balance, March 31, 2022	111,841	569,229	681,070

(Expressed in Canadian Dollars)

17. CAPITAL STOCK

(a) *Share capital*

Authorized
Unlimited number of common shares with no par value
2,000,000 voting, convertible, redeemable, preference shares

Issued and Outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance March 31, 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**
Shares issued on acquisition of Radix (Note 5)	12,701,742	4,128,066
Shares issued on acquisition of Happy Caps (Note 5)	1,290,323	380,327
Shares issued on acquisition of Mera (Note 5)	700,000	189,000
Shares issued on acquisition of AEM (Note 5)	3,065,135	731,668
Shares issued for consulting services (viii)	197,318	50,398
Shares issued on exercise of RSUs (Note 17 (c))	4,222,000	1,126,210
Shares issued on exercise of warrants (v)	933,333	104,398
Shares issued on exercise of options (v)	2,166,667	354,730
Balance, March 31, 2022	**358,165,282**	**$ 38,286,226**

(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%.

17. CAPITAL STOCK (continued)

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%.
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%.

17. CAPITAL STOCK (continued)

(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.

(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.

(v) During the year ended March 31, 2022, 933,333 warrants were exercised for proceeds of $56,000. The warrants had a recorded value of $48,398. During the year ended March 31, 2022, 2,166,667 options were exercised for proceeds of $197,485. The options had a recorded value of $157,245. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.

(vi) During the year ended March 31, 2022, the Company issued 17,757,200 common shares pursuant to the acquisition of Radix, Happy Caps, Mera and AEM (see note 5).

(vii) As year-end, 183,116 common shares issuable to certain consultants of the Company as a result of the vesting of restricted share units have not yet been granted. These common shares issuable have been recorded as shares to be issued as at March 31, 2022.

(viii) On September 7, 2021, the Company issued 197,318 shares in relation to a consulting service agreement. The shares issued were measured based on the fair value of shares issued on the issuance date.

(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.

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%.

17. CAPITAL STOCK (continued)

On July 16, 2020, the Company issued 150,000 stock options to a consultant. The stock options are exercisable at an exercise price of $0.085 per common share and expire three years from the date of issuance. The options 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. 250,000 options vest after 6-months, 250,000 options vest after 9-month, and 500,0000 vest after 12-months. 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%.

On September 13, 2021, the Company issued 200,000 stock options to a consultant exercisable at $0.25 per share and expire two years from the date of issuance. The options vest 1/2 immediately, and 1/2 after twenty-four months. The options were valued at $38,851 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 172%; Interest rate – 0.41%.

On November 1, 2021, the Company issued 1,000,000 stock options upon the appointment of the Chief Financial Officer at $0.185 per share and expire three years from the date of issuance. The options vest 1/3 after 12 months and 1/6 every six months thereafter. The options were valued at $160,212 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 1.07%.

On March 3, 2022, the Company issued 6,600,000 stock options to certain directors, officers and consultants exercisable at $0.120 per share and expire three years from the date of issuance. 1/4 of the options vest on June 30, 2022, 1/4 vest on September 30, 2022, 1/4 vest on December 31, 2022 and the remainder vest on March 31, 2023. The options were valued at $600,355 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 145%; Interest rate – 1.48%.

(Expressed in Canadian Dollars)

17. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the year ended March 31, 2022 and the year ended March 31, 2021:

	Options #	Amount $	Weighted Average Exercise Price $
Balance, March 31, 2020	-	1,848,632	N/A
Granted	13,750,000	838,287	0.11
Exercised	(1,483,333)	(88,585)	0.07
Balance, March 31, 2021	12,266,667	2,598,334	0.11
Exercised	(2,166,667)	(157,245)	0.09
Expired	(750,000)	-	0.20
Forfeited	(250,000)	-	0.06
Granted	7,800,000	509,674	0.13
Balance, March 31, 2022	16,900,000	2,950,763	0.12

As at March 31, 2022, the weighted average remaining life of the outstanding stock options was 2.3 years (2021 – 2.4 years). Of the outstanding options, 9,200,000 (2021 – 7,333,333) were fully vested, exercisable, and had a weighted average remaining useful life of 1.7 years (2021 – 2.3 years).

The following table reflects continuity of options for the year ended March 31, 2022:

		Number of Options					
Expiry Date	Exercise Price	Opening Balance	Options Granted	Options Exercised	Options Expired	Options Forfeited	Closing Balance
May 27, 2025	$0.06	2,500,000	-	-	-	-	2,500,000
May 27, 2023	$0.06	4,116,667	-	(1,166,667)	-	-	2,950,000
May 23, 2023	$0.06	1,500,000	-	(250,000)	-	(250,000)	1,000,000
Jun 10, 2023	$0.15	350,000	-	-	-	-	350,000
Jun 24, 2023	$0.105	500,000	-	-	-	-	500,000
Jul 16, 2023	$0.085	150,000	-	-	-	-	150,000
Dec 1, 2023	$0.10	200,000	-	-	-	-	200,000
Dec 8, 2021	$0.15	750,000	-	(750,000)	-	-	-
Dec 8, 2021	$0.20	750,000	-	-	(750,000)	-	-
Dec 30, 2023	$0.315	250,000	-	-	-	-	250,000
Mar 4, 2024	$0.32	200,000	-	-	-	-	200,000
Mar 18, 2023	$0.38	1,000,000	-	-	-	-	1,000,000
Sep 13, 2023	$0.25	-	200,000	-	-	-	200,000
Nov 2, 2024	$0.185	-	1,000,000	-	-	-	1,000,000
Mar 7, 2025	$0.12	-	6,600,000	-	-	-	6,600,000
		12,266,667	7,800,000	(2,166,667)	(750,000)	(250,000)	16,900,000

(Expressed in Canadian Dollars)

17. CAPITAL STOCK (continued)

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

		Number of Options					
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Options Forfeited**	**Closing Balance**
May 27, 2025	$0.06	-	2,500,000	-	-	-	2,500,000
May 27, 2023	$0.06	-	5,450,000	(1,333,333)	-	-	4,116,667
May 23, 2023	$0.06	-	1,500,000	-	-	-	1,500,000
Jun 10, 2023	$0.15	-	500,000	(150,000)	-	-	350,000
Jun 24, 2023	$0.105	-	500,000	-	-	-	500,000
Jul 16, 2023	$0.085	-	150,000	-	-	-	150,000
Dec 1, 2023	$0.10	-	200,000	-	-	-	200,000
Dec 8, 2021	$0.15	-	750,000	-	-	-	750,000
Dec 8, 2021	$0.20	-	750,000	-	-	-	750,000
Dec 30, 2023	$0.315	-	250,000	-	-	-	250,000
Mar 4, 2024	$0.32	-	200,000	-	-	-	200,000
Mar 18, 2023	$0.38	-	1,000,000	-	-	-	1,000,000
		-	13,7,50,000	(1,483,332)	-	-	12,266,667

(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, 2022 and 2021.

(d) *Loss per share data*

The effect of outstanding common share purchase options, RSUs, warrants and convertible debentures on the net loss for the years ended March 31, 2022 and 2021 presented is not reflected as to do so would be anti-dilutive.

(Expressed in Canadian Dollars)

17. CAPITAL STOCK (continued)

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

Pursuant to the RSU Plan, on June 13, 2021, RSU's were granted to officers, directors and consultants as follows:

Position	# Granted	Grant Date	Vesting	FMV	$
Director	5,000,000	Jun 30, 2021	June 1, 2022	0.31	1,143,750
Consultant	5,000,000	Jun 30, 2021	20% upon grant	0.31	305,000
			80% June 1, 2022		-
Officer	820,000	Jun 30, 2021	June 1, 2022	0.31	187,575
Director	820,000	Jun 30, 2021	Upon grant	0.31	250,100
Director	820,000	Jun 30, 2021	Upon grant	0.31	250,100
Consultant	500,000	Jun 30, 2021	June 1, 2022	0.31	114,375
Director	328,000	Jun 30, 2021	Upon grant	0.31	100,040
Officer	328,000	Jun 30, 2021	Upon grant	0.31	100,040
Consultant	240,000	Jun 30, 2021	June 1, 2022	0.31	54,900
Consultant	240,000	Jun 30, 2021	76,000 upon grant	0.31	23,180
			164,000 June 1, 2022		37,515
Consultant	165,890	Jan 25, 2022	25% per month	0.14	11,198
Consultant	37,926	Jan 25, 2022	25% per month	0.14	2,560
Consultant	162,416	Jan 25, 2022	25% per month	0.14	10,963
Consultant	400,000	Mar 3, 2022	Upon grant	0.12	46,000
Director	100,000	Mar 3, 2022	Upon grant	0.12	11,500
Consultant	350,000	Mar 3, 2022	Upon grant	0.12	40,250
	15,312,232				2,689,046

	#	$
Balance, March 31, 2021	-	-
Granted	15,312,232	3,095,713
Vested	(4,405,116)	(1,150,931)
Forfeited	(4,000,000)	(406,667)
Balance, March 31, 2022	6,907,116	1,538,115

As at March 31, 2022, 4,405,116 RSUs were vested (2021 – Nil).

(Expressed in Canadian Dollars)

17. CAPITAL STOCK (continued)

(f) *Warrants:*

	Warrants #	Amount $	Weighted Average Exercise Price $
Balance, March 31, 2020	220,000	260,972	1.00
Issued in connection with subscription receipt financing (note 3)	4,856,935	226,363	0.06
Issued in connection with private placements (note 16(a))	96,995,821	13,145,704	0.40
Issued in connection with the Share Exchange Agreement (note 8(a)(ii))	4,242,424	303,463	0.26
Issued in connection with consulting agreements (i)	8,650,000	448,547	0.06
Issued from exercise of units	1,625,073	-	0.26
Exercised	(38,350,292)	(3,368,917)	0.20
Balance, March 31, 2021	78,239,961	11,016,132	0.47
Exercised	(933,333)	(48,398)	0.06
Expired	(338,501)	(266,495)	0.67
Balance, March 31, 2022	76,968,127	10,701,239	0.47

(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, 2022, warrants outstanding were as follows:

		Warrants Outstanding and Exercisable	
Expiry Date	**Exercise Price**	**Number of Warrants**	**Average Remaining Contractual Life (Years)**
May 27, 2023	$0.06	1,300,000	1.16
February 24, 2024	$0.70	26,450,000	1.90
February 24, 2024	$0.44	1,804,705	1.90
June 8, 2024	$0.26	1,272,727	2.19
June 16, 2024	$0.26	1,579,346	2.21
July 16, 2024	$0.26	5,541,060	2.29
July 28, 2024	$0.38	37,983,600	2.33
July 28, 2024	$0.26	1,036,689	2.33
		76,968,127	2.14

(Expressed in Canadian Dollars)

17. CAPITAL STOCK (continued)

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

18. REVENUE

	2022	**2021**
Wholesale sales	2,024,697	79,653
Mushroom kit sales	282,147	-
Other	18,745	31,303
	2,325,589	110,956

19. 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, and (ii) financing capital expenditures through leases.

20. 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.

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial assets and financial liabilities

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

Other price risk

The Company is exposed to price risk through its investments in publicly traded and private marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by $121,051.

Interest rate risk

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The fair value measurement of convertible debentures is impacted by market interest rates. As a result, the Company is exposed to interest rate movements, which impact the fair value of the Company's outstanding promissory note.

Foreign exchange risk
Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. The Company does not use derivatives to modify the foreign exchange risk. The Company holds minimal financial instruments in foreign currencies.

The Company's functional and reporting currency is the Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH NL 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, 2022, the Company has $2,469,427 of total assets and liabilities that are denominated in currencies other than Canadian dollar. Therefore, the Company does not have a material foreign exchange risk.

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, 2022:

		Payments due by period		
Liabilities and obligations	Total contractual payments	< 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,382,686	1,382,686	-	-
Loans and advances	905,059	905,059		
Lease liability	249,602	107,945	107,840	33,817
Convertible debenture	442,770	442,770	-	-
	2,980,117	2,838,460	107,840	33,817

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	March 31, 2022	**March 31, 2021**
Accounts payable	$ 458,960	$ 720,316
Professional fee accruals	436,225	-
Consulting and payroll accruals	81,302	-
Other accruals	406,199	352,076
	$ 1,382,686	$1,072,392

Credit risk

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

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

The Company has trade accounts receivable from customers, and sales tax receivable. The Company's credit risk arises from the possibility that a counterpart which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. These specific customers may be affected by economic factors and government and legal factors which may impact accounts receivable. Credit risk for accounts receivable is assessed on a case-by-case basis and a provision is recorded where required. As of March 31, 2022, the Company estimated expected credit losses to be $nil (2021 - $nil). Accounts receivable aging is as follows:

	March 31, 2022	**March 31, 2021**
Current	$ 248,918	$ 139,809
30 to 60 Days Overdue	14,990	42,717
60 to 90 Days Overdue	6,752	3,531
Over 90 Days Overdue	110,209	-
	$ 380,869	$ 186,057

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

22. 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, 2022 and 2021 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, 2022, the Company was charged $350,000 (2021 - $313,528) in fees by 8797668 Canada Ltd, a Company owned by Todd Shapiro, the CEO, for CEO management fees. As at March 31, 2022, $nil (March 31, 2021 $61,687) was due to the CEO and included in accounts payable and accrued liabilities.

(Expressed in Canadian Dollars)

22. RELATED PARTY TRANSACTIONS (continued)

b) During the year ended March 31, 2022, the Company was charged $77,083 (2021 - $nil) in fees by David Ascott, Chief Financial Officer, for CFO management fees. As at March 31, 2022, $nil (2021 - $nil) was due to the CFO.

c) During the year ended March 31, 2022, the Company was charged $34,500 (2021 - $54,000) in fees by CFO Advantage Inc., a Company owned by the former CFO, for CFO management fees. As at March 31, 2022, $nil (2021 - $4,520) was due and included in accounts payable and accrued liabilities.

d) During the year ended March 31, 2022, the Company was charged $125,119 (2021 - $128,140) in fees by Hans Derix, the President of RLH NL, for management fees. As at March 31, 2022, $9,600 (2021 - $15,095) was due and included in accounts payable and accrued liabilities.

e) During the year ended March 31, 2022, the Company was charged $200,000 (2021 - $nil) in fees by Sarah Hashkes, Chief Innovation and Technology Officer, for management fees. As at March 31, 2022, $16,667 (2021 - $nil) was due and included in accounts payable and accrued liabilities.

f) During the year ended March 31, 2022, the Company was charged $23,590 (2021 - $nil) in fees by Method Consulting, a Company owned by Ridley Doolittle, Chief Marketing Officer, for management fees. As at March 31, 2022, $nil (2021 - $nil) was due.

Equity Transactions
Shares issued during the years ended March 31, 2022 and 2021 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) On June 13, 2021 and March 3, 2022, the Company issued 8,116,000 RSU's and 100,000 RSUs, respectively, to officer and directors of the Company (see note 16).

b) The Company issued the following stock options to directors and officers of the Company (see note 16(b)).

Option Grant Date	**Options Granted**	**Option Value**
	#	**$**
May 27, 2020	3,700,000	182,012
September 13, 2021	200,000	38,443
November 1, 2021	1,000,000	154,378
March 3, 2022	5,750,000	568,229

23. GENERAL AND ADMINISTRATIVE

	2022	**2021**
Consulting	827,480	251,093
Legal, audit and other professional fees	1,865,697	784,289
Management fees	609,062	465,779
Business development	383,514	269,414
Office and general	875,955	383,190
Payroll	553,803	500
Regulatory	13,500	89,561
Shareholder communication	88,500	788,436
Amortization and depreciation	523,690	35,979
	5,741,201	3,068,241

(Expressed in Canadian Dollars)

24. 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 in the prior year.

25. CONTRACTUAL BREAK FEE

During the year ended March 31, 2022, the Company received $400,000 related to a contractual break fee in connection with the termination of the definitive agreement by Creso Pharma Limited.

26. INCOME TAXES

(a) Provision for income taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022 $	2021 $
Loss before income taxes	(14,941,577)	(1,644,828)
Expected income tax recovery based on statutory rate	(3,959,518)	(435,000)
Adjustment to expected income tax recovery:		
Share based compensation	847,660	419,000
Taxable capital gain	-	78,000
Impairment loss	1,479,345	-
Gain on sale of investments	-	(337,000)
Capital loss	-	(2,558,000)
Financing cost booked in equity	-	(1,501,000)
Derecognition of subsidiary sold	-	526,000
Difference in tax rates and other	105,442	(92,000)
Change in Benefit of tax assets not recognized	1,280,667	3,900,000
Deferred income tax recovery	(246,404)	-
Current tax expense	48,940	-
Deferred tax recovery	(295,344)	-
Total income tax recovery	(246,404)	-

(Expressed in Canadian Dollars)

26. INCOME TAXES (continued)

(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 amount of assets and liabilities. The following table summarizes the components of deferred tax:

	2022 $	2021 $
Deferred tax assets:		
Non-capital loss carry-forwards – Canada	305,338	-
Deferred tax liabilities:		
Intangible assets and inventory	(105,980)	(300,156)
Marketable securities	(138,248)	(111,000)
Capital losses carried forward	-	111,000
Net book value / unallocated capital cost	(664.853)	(1,000)
Total	(603,743)	(301,156)

Unrecognized deferred tax assets

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

	2022 $	2021 $
Non-capital loss carry-forwards – Canada	32,227,575	28,495,000
Share issue costs	3,469,318	4,549,000
Intangible asset	180,941	-
Mineral property costs	4,232,000	4,232,000
Reserves	639,671	-
Non-capital loss carry-forwards – Netherlands	296,667	178,000
Capital losses carried forward	105,916,252	105,173,000
Net book value / unallocated capital cost	947,001	441,000
Total	147,909,425	143,068,000

(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.

	2022 $	2021 $
Movement in net deferred tax liabilities:		
Opening deferred tax liabilities	(301,156)	-
Recognized through profit & loss	295,344	-
Recognized through goodwill	(597,931)	(301,156)
Ending deferred tax liabilities	(603,743)	(301,156)

(Expressed in Canadian Dollars)

26. INCOME TAXES (continued)

(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:

2033	8,171,189
2034	5,872,000
2035	-
2036	-
2037	292,000
2038	561,752
2039	446,065
2040	818,168
2041	7,418,401
2042	8,648,000
	32,227,575

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

2030	190,482
2031	106,185
	296,667

27. SEGMENT INFORMATION

The Company's results are reported by geographical business units that operate in different countries. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of resources. These segments reflect how the Company manages its business and how management classifies operations for planning and measuring performance.

The CODM considered SR and RLH Netherlands B.V. as one operating segment (both reside in Netherland), Red Light Holland (Subco 1) Inc., Red Light Holland (Subco 2) Inc. AEM and Happy Caps as one operating segment (all reside in Canada), Radix and Red Light Acquisitions Inc. as one operating segment (both reside in the United States).

The following tables present financial information by segment for the years ended March 31, 2022 and 2021:

Revenue for year ended	Year ended March 31, 2022	2021
Netherlands	$ 2,028,910	$ 110,956
Canada	296,679	-
USA	-	-
	$ 2,325,589	$ 110,956

Net loss and comprehensive loss for year ended	Year ended March 31, 2022	2021
Canada	$ 9,096,993	$ 1,486,940
USA	4,467,370	-
Netherlands	1,273,479	173,836
	$ 14,837,842	$ 1,660,776

(Expressed in Canadian Dollars)

27. SEGMENT INFORMATION (continued)

Total Assets as at	**March 31, 2022**	**March 31, 2021**
Canada	$ 30,970,739	$ 33,300,759
Netherlands	1,642,131	2,994,337
USA	325,795	-
	$ 32,938,665	$ 36,295,096

Total liabilities as at	**March 31, 2022**	**March 31, 2021**
Canada	$ 3,298,584	$ 1,582,961
Netherlands	445,828	657,084
USA	36,264	-
	$ 3,780,676	$ 2,240,045

28. 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 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 has operations within the Netherlands, Canada and the United States and, during the period ended March 31, 2022, 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 and Canada 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 and Canada, 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;
- implementing appropriate measures tailored to mitigate unanticipated impacts of COVID-19.

28. COVID-19 (continued)

Amid COVID-19, the Company's success will depend on its ability to ensure that consumers in the Netherlands and Canada continue to have safe and uninterrupted access to the Company's products, 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 markets in which we operate within the Netherlands and Canada, making it difficult to accurately forecast upcoming results.

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

29. SUBSEQUENT EVENTS

On April 7, 2022, the Company purchased 100 acres of farmland near Peterborough, Ontario, subject to closing conditions, for cash consideration of $1.85 million paid upon closing. The Company intends to build 65,000 sq feet of enclosed production space for two mushroom production facilities. The transaction closed in June 2022.

On May 11, 2022, the Company granted 300,000 stock options to a consultant. Each option is exercisable to purchase one common share at a price of $0.09 per common share. The options expire 3 years from the date of grant and vest in equal 50% allotments at the 12-months and 24-month anniversaries from the grant date.

On June 9, 2022, the Company issued a total of 4,049,000 shares as a result of the vesting of restricted share units.

On June 29, 2022, the Company granted an additional 400,000 stock options to consultants. Each option is exercisable to purchase one common share at a price of $0.075 per common share. The options expire 5 years from the date of grant and vest in equal 50% allotments at the 12-month and 24-month anniversaries from the grant date.

On June 30, 2022, the Company entered into an intellectual property licensing agreement with Mistercap, LLC in connection with launching the MISTERCAP brand. Pursuant to the terms of the IP Licensing Agreement, Mistercap, LLC shall exclusively license certain intellectual property held by Mistercap, LLC to Red Light Holland to develop, cultivate, process, package, distribute and sell mushroom related products under the MISTERCAP brands. The initial term of the IP Licensing Agreement shall be for three years and shall be automatically renewable for one-year successive terms upon Red Light Holland continuing to hit certain benchmark sales targets. As partial consideration for the license, Mistercap, LLC will be paid (i) $250,000 in cash and (ii) $1,000,000 to be satisfied through the issuance of common shares at a price of $0.075 per common share. Additionally, Mistercap will receive monthly royalty payments based on the sale of products development pursuant to the partnership and be paid a monthly marketing fee.

On July 26, 2022, the Company established two newly formed and wholly owned subsidiaries, Wellness World Utrecht BV and Wellness World Oss BV. The subsidiaries were incorporated to acquire two SmartShop retail stores located in Utrecht and Oss, Netherlands. Concurrently with the formation of Wellness World Utrecht BV and Wellness World Oss BV, the Company entered into two asset purchase agreements to acquire each of the retail stores. As of the date of issuance of these financial statements, the acquisitions have yet to close and are expected to close on August 1, 2022. The acquisition in Utrecht will have total consideration of €200,000 consisting of €140,000 payable in cash and €60,000 to be satisfied through the issuance of shares. The acquisition in Oss will have total consideration of €100,000 consisting of €70,000 payable in cash and €30,000 to be satisfied through the issuance of shares.