



RED LIGHT HOLLAND

RED LIGHT HOLLAND CORP.

Management's Discussion & Analysis

For the three and six months ended September 30, 2022 and 2021

RED LIGHT HOLLAND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

This Management's Discussion and Analysis ("MD&A") was prepared as of November 29, 2022 and is provided to assist readers in understanding Red Light Holland Corp.'s financial performance for the three and six months ended September 30, 2022. It should be read in conjunction with the unaudited condensed interim financial statements for the period ended September 30, 2022 and the audited financial statements for the years ended March 31, 2022 and 2021, together with the notes thereto. The results reported herein have been derived from the consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and, unless otherwise indicated, are presented in thousands of Canadian dollars.

Unless the context otherwise requires, use in this MD&A of "RLHC", "we", "us", or "our" means Red Light Holland Corp. and its subsidiaries.

The Company's common shares trade on the Canadian Stock Exchange ("CSE") under the symbol 'TRIP'. Additional information relating to RLHC is available at www.sedar.com.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of RHL's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

This MD&A contains forward-looking information and statements (collectively, "FLS"). See the section "Caution Regarding Forward-Looking Information and Statements" for a discussion of the risks, uncertainties and assumptions relating to those statements.

COMPANY OVERVIEW

The Company is an Ontario-based corporation engaged in the production, growth and sale of functional mushrooms and mushroom home grow kits in North America and Europe, and a premium brand of psilocybin truffles to the legal, recreational market within the Netherlands, in compliance with all applicable laws.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Revenue	736,428	485,738	1,521,514	1,080,875
Cost of sales	448,760	328,768	944,661	828,175
Gross profit	287,668	156,970	576,853	252,700
<i>Gross profit as a % of sales</i>	<i>39.1%</i>	<i>32.3%</i>	<i>37.9%</i>	<i>23.4%</i>
General and administrative	1,305,953	1,763,961	2,554,614	2,785,984
Share based payments	91,456	63,123	429,286	2,618,941
Interest expense	6,096	7,921	10,480	29,681
Research and development	129,507	-	231,896	-
Loss before other items and taxes	(1,245,344)	(1,678,035)	(2,649,423)	(5,181,906)
Realized loss on sale of marketable securities	(20,195)	-	(19,364)	93,823
Change in fair value of marketable securities	(47,427)	(762,990)	(246,855)	(811,798)
Contractual break fee	-	400,000	-	400,000
Change in fair value of convertible debenture	(11,008)	183,800	(9,952)	169,886
Change in fair value of call option	3,366	-	(2,118)	-
Change in fair value of contingent consideration	(47,620)	-	(47,620)	-
Foreign exchange (loss) gain	(3,556)	(970)	(4,604)	(896)
Interest income	33,919	15,839	52,111	32,777
Loss before taxes	(1,337,865)	(1,842,356)	(2,927,825)	(5,298,114)
Provision for income taxes	32,574	-	87,329	-
Net loss	(1,305,291)	(1,842,356)	(2,840,496)	(5,298,114)
Net loss attributable to:				
Shareholders of Red Light Holland Corp.	(1,264,394)	(1,842,356)	(2,767,333)	(5,298,114)
Non-controlling interests	(40,897)	-	(73,163)	-
Net loss	(1,305,291)	(1,842,356)	(2,840,496)	(5,298,114)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average common shares outstanding	373,849,130	355,436,106	366,628,124	346,051,671

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited)	Sep 30 2022	Mar 31 2021
Cash and cash equivalents	20,474,541	26,093,738
Accounts receivable	257,947	380,869
Sales tax receivable	262,822	127,512
Income tax receivable	18,406	15,638
Marketable securities	207,989	527,813
Prepaid expenses and deposits	1,312,775	220,641
Inventory	489,294	382,391
Total Current Assets	23,023,774	27,748,602
Property and equipment	4,743,594	2,877,298
Marketable securities – non-current	670,598	682,332
Right of use assets	409,024	202,066
Prepaid expenses and deposits – long term	800,000	-
Call option	108,490	110,608
Intangible assets	446,699	594,767
Goodwill	1,022,570	722,992
Total Asset	31,224,749	32,938,665
Accounts payable and accrued liabilities	877,638	1,382,686
Loans and advances	905,059	905,059
Convertible debenture	395,392	385,440
Lease liability - current portion	116,416	59,294
Total Current Liabilities	2,294,505	2,732,479
Lease liability	304,558	150,419
Contingent consideration	41,655	294,035
Deferred tax liability	500,264	603,743
Total Liabilities	3,140,982	3,780,676
Total Shareholders' Equity	28,083,767	29,157,989
Total Liabilities and Shareholders' Equity	31,224,749	32,938,665

SUMMARY OF THE QUARTER ENDED SEPTEMBER 30, 2022

Red Light Holland is engaged in the production, growth and sale of functional mushrooms and mushroom home grow kits in North America and Europe, and a premium brand of psilocybin truffles to the legal, recreational market within the Netherlands, in compliance with all applicable laws.

We are focused on ramping up mushroom production, increasing distribution channels and growing our truffle/functional mushroom brands and consumer packaged goods to drive increased sales while being determined to grow our direct-to-consumer business via brick-and-mortar shops and the online sale of all products.

During the three months ended September 30, 2022, we focused on enhancing our existing business operations, explored new acquisitions, entered new sales channels, and made progress on the vertical integration of our operations.

Highlights

As at September 30, 2022, Red Light Holland's continued financial position strength is evidenced by the following:

- Cash of \$20.5 million (Mar 31, 2022 - \$26.1 million)
- Working capital of \$20.7 million (Mar 31, 2022 - \$25.0 million)
- Property and equipment of \$4.7 million, of which \$2.5 million relates to our mushroom production facility in New Brunswick and \$1.9 million from our recently acquired 100 acres of farmland in Ontario.

The highlights from the consolidated statement of loss for the three months ended June 30, 2022 are as follows:

- Revenue of \$736 thousand (2021 - \$486 thousand) generating gross profit of \$288 thousand (2021 - \$157 thousand) resulting in a gross margin percentage of 39.1% (2021 - 32.3%).
- Net loss for the period of \$1.3 million (2021 - \$1.8 million) was significantly influenced by a reduction in general and administrative expenses of \$458 thousand.

During the three months ended September 30, 2022, Red Light Holland completed the following transactions:

- 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. On August 1, 2022, the acquisitions were finalized. The

acquisition in Utrecht had 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 had total consideration of €100,000 consisting of €70,000 payable in cash and €30,000 to be satisfied through the issuance of shares.

LEADERSHIP TEAM

The following is a list of key Directors, Officers and Advisors of the Company:

Board of Directors

- Brad Lamb (Chair)
- Todd Shapiro (Chief Executive Officer)
- Ann Barnes
- Binyomin Posen

Advisory Board

- Bruce Linton (Chair)
- The Honourable Tony Clement
- Graham Pechenik
- Glenn Cowan
- Akwasi Owusu-Bempah
- Tim Hunkele
- DJ Saul

Senior Officers

- Todd Shapiro (Chief Executive Officer)
- David Ascott (Chief Financial Officer)
- Hans Detrix (President)
- Sarah Hashkes (Chief Technology and Innovation Officer)
- Ridley Doolittle (Chief Marketing Officer)

The Company has engaged Karim Rashid as its creative consultant and Russel Peters as its Chief Creative Officer.

OVERALL PERFORMANCE AND OUTLOOK

The Company is an Ontario-based corporation engaged in the production, growth and sale of functional mushrooms and mushroom home grow kits in North America and Europe, and a premium brand of psilocybin truffles to the legal, recreational market within the Netherlands, in compliance with all applicable laws. The Company has expanded its operations internationally and now has operations in the Netherlands, Canada and the USA. With the view to further expansion, the Company is closely and continuously looking for viable opportunities to expand operations of psilocybin production and sales across both North America and the European Union if and when regulations permit. The Company also has plans to expand operations in St. Vincent and the Grenadines, Brazil, and Jamaica should regulations permit.

Netherlands

As of the date of this MD&A, the Company's produced and packaged iMicrodose and Maka brands of truffles are offered for sale through brick-and-mortar retail stores (referred to in the Netherlands as "SmartShops",) which sell specific products including but not limited to legal psychoactive substances, such as psilocybe truffles. Depending on the location, a license / permit may be required to sell magic truffles. SmartShops are retail stores within the Netherlands focused on the sale of psychoactive substances, generally including psychedelics and truffles, as well as related literature and paraphernalia. The SmartShops, which are duly authorized (where required) under applicable laws, are operated by its industry partners. The Company recently announced the acquisition of two SmartShops: SmartShop Oss and SmartShop Utrecht, which the Company closed on August 1, 2022. The Company plans to re-brand the acquired SmartShops as "Wellness World" in calendar Q1 2023, so as to align the brand to the holistic view of mind and body health. As of the date of this MD&A, the Company's brands of iMicrodose and Maka truffles are offered for sale via wholesale through SR Wholesale, 74 brick and mortar SmartShops, and three online stores across the Netherlands. In addition, the Company's brand of iMicrodose truffles are offered for sale through their own eCommerce Platforms, strictly in the Netherlands (18+).

In October 2021, the Company unveiled a new line of iMicrodose magic truffles; Triniti, Uniti, and Mindful. The product line represents the first offering in the Netherlands to offer the sale of microdosing product with three different varieties of truffles in one package, containing Mexicana, Galindoi and Tampanensis strains. The Triniti, Uniti, and Mindful products are being sold through the Company's wholly owned subsidiary SR Wholesale in the Netherlands and through SmartShop retail locations across the Netherlands and is expected to be added and sold through the Company's www.iMicrodose.nl website (Netherlands 18+). These new product offerings were generated through the growth of Mexicana, Galindoi and Tampanensis truffle strains at the Company's truffle farm in Horst, the Netherlands.

On October 5, 2021, the Company announced it had rebranded and expanded its Maka magic truffles line; including the Hollandia, Makanaut, Muskoka, Mexicana, Atlantis, and Double Vision varieties. During April 2022, the Company also launched Old Dutch and Utopia varieties under the Maka brand. Concurrently, the Company designated Maka truffles as another Responsible

Use Psychedelic. The expanded Maka line of truffles is currently being distributed through SR Wholesale and sold by a number of SmartShops across the Netherlands, however, the distribution and sale through the Maka website (www.WorldofMaka.com) has been deferred while the Company assesses options for online payment processing. Management expects the website to be operational during the first half of calendar 2023. The Company's ability to launch online sales via the Maka website by at this time is dependent on the following material factors and assumptions: continuous demand for the Company's products; the ability of the Company to replenish supply of its Maka magic truffles line; and continued approval of the Company's activities by the relevant governmental and/or regulatory authorities.

In November 2021, the Company expanded its iMicrodose branded product offering and launched the sale of functional all-in-one mushroom fruiting extracts, capsules, and tinctures.

The Company is also engaged in the cultivation, production and packaging of truffles at its facility in Horst, Netherlands. The Company commenced growing its truffles at the facility in August 2020, comprised of the *Psilocybe Mexicana*, *Psilocybe Galindoi*, and *Psilocybe Tampanensis* strains of truffles.

The Company currently operates a continuous production schedule of smaller batch sizes of approximately 100,000 grams in contrast to its previous large batch strategy. This new production schedule allows for increased flexibility of strain selection and production process to ensure that Red Light Holland meets customer demand and improves harvest yields to reduce production costs per gram. The time between production and harvest can vary as the harvest does not immediately have to take place, but rather can be done several months later.

With the completion of the recently announced acquisition of the two SmartShops in Oss and Utrecht, the Company considers itself to be fully vertically integrated as the Company is able to produce, package, distribute and sell its own brand of truffles directly to customers through both brick-and-mortar retail shops and online.

The Company's ability to harvest, package, and distribute, within the Netherlands (under the iMicrodose" and "Maka" brands) and to wholesalers, is dependent upon certain assumptions that management of the Company believes to be reasonable based on the information currently available to management, including the following assumptions: (a) the Company's temperature control system, filtration system, and other equipment used for the production and assembly processes required to support the packaging and distribution of truffles continue to operate in good working order; (b) the growth process presently employed by the Company in respect of its production schedule of truffles being adequate to support the anticipated yield of such truffles within the timelines anticipated by the Company; (c) the Company's informal arrangements, relationships and/or discussions with wholesale distributors and/or operators of brick-and-mortar retail stores (SmartShops) in the Netherlands become or translate into one or more binding contract(s) for the sale and distribution of the Company's production of truffles, before the point of distribution, and further, are adequate to distribute and offer for sale the product within the timelines anticipated by the Company (see "Risk Factors - Risk Related to the Company's Business and Industry – Reliance on Informal Arrangements" as well as the Risk

Factors as disclosed in the Company's Annual Information Form filed on SEDAR January 11, 2021); (e) the Company's employees who cultivate, harvest, package and deliver to market the truffles on a timely basis are able to continue to do so; (f) the Company's historical yield provides an adequate basis for the production of new batches of truffles; and (g) the return of tourism, festivals, and concerts in the Netherlands to pre-COVID levels.

Some of the risks that could cause the results expressed in forward looking statements relating to the Company's plans in respect of the production of truffles to differ materially from those anticipated include the following: (a) damage to the facility, resulting from the occurrence of fires, floods, natural disasters, and other analogous, unanticipated occurrences; (b) a malfunctioning of the equipment, and/or inefficiencies in the Company's process, for the harvest, label, or package the truffles; (c) unanticipated changes in economic and market conditions, including changes resulting from COVID-19, or in the market demand for truffles; (d) unanticipated changes in the regulatory environment within the Netherlands in respect of the banking and payment systems, packaging, labelling, sale and/or distribution of truffles; (e) shortages in the availability of labour and personnel necessary to package and distribute the truffles within the Netherlands; (f) unanticipated or adverse changes in general market conditions; (g) the Company's inability to control spoilage or waste of the truffles and (h) staffing shortage and the ability to find qualified labour. The Company may also allocate a portion of the truffle production for potential wholesale distribution, internal testing, product photography, and/or other promotional and marketing purposes.

In March 2021, the Company acquired SR Wholesale, a distributor of among other things, truffles, CBD products, and cannabis seeds, in the Netherlands with a distribution network of over 300 companies that sell their products across Europe. The Company had originally advised SR Wholesale's distribution partners that while the Company intended to maintain relationships with all distribution partners, it was suspending sales to markets outside of the Netherlands. While we will continue to only sell truffles, CBD products, and cannabis seeds within the Netherlands, the majority of the remaining inventory that we carry is legal to sell in other jurisdictions within the European Union. Red Light Holland has decided to proceed conservatively, after careful legal assessment, to sell these products into markets outside of the Netherlands. This recent decision allows SR Wholesale to concentrate on growing its revenues as it expands its business distribution.

Although the Netherlands does not, as of the date of this MD&A, directly regulate the cultivation, distribution, sale, and possession of fresh, unprocessed truffles (whether at the federal level or at a local level), the Company limits its business activities within the Netherlands exclusively to fresh, unprocessed truffles, which have not transitioned in a stage of growth to become magic mushrooms, in order to comply with the Opium Act. For a description of the regulatory framework in the Netherlands in respect of truffles, please see the section entitled "Regulatory Framework and Licensing Regime", in this MD&A.

The Company's strategy also intends to continue to utilize SmartShop operators within the Netherlands, and the E-Commerce Platform(s), to distribute and offer for sale the Company's brand of truffles. The Company is also continuously monitoring market and regulatory conditions

in jurisdictions outside of the Netherlands in search of viable business opportunities which would allow the Company to engage in the distribution, sale, and marketing of its products. There is no guarantee the Company will find viable opportunities to expand its business to new jurisdictions, and there is further no guarantee the Company will have the ability to pursue such opportunities should they become available.

In February 2022, SR Wholesale signed an exclusive distribution deal with TIDL Sport to distribute Conor McGregor's innovative recovery line within the Netherlands, and on a case-by-case basis with an existing TIDL Sport distributor into other regions in Europe. As of the date of this MD&A, the Company has completed new labeling designs for TIDL Sport to meet necessary language requirements in The Netherlands, and SR Wholesale is waiting to receive the first shipment to begin distribution. It is expected that Conor McGregor will help market the product once the product is ready for distribution. The Company's ability to distribute the product on the terms discussed in this MD&A is among other factors dependent on the Company receiving the first shipment of the product; there being no supply issues in the delivery or distribution process; and Conor McGregor's willingness to market the product.

On October 4, 2022, the Company acquired 100% of the issued and outstanding shares of Mini-Champ BV, located in Horst, The Netherlands. Mini-Champ is a producer of grow-at-home mushroom kits with an existing distribution across the European Union. The consideration was comprised of €550,000 cash and 981,466 common shares of Red Light Holland with a deemed price of \$0.1009. The Acquisition Agreement provides for up to €100,000 of earn-out payments to be made to the Vendor subject to reaching certain sales milestones. Along with the continuation of existing operations, Red Light Holland will access the existing distribution channels to add products and develop its brand.

Canada

In March 2021, the Company announced that it had completed the shipment and import of the Company's high-grade consumer packaged goods ("iMicrodose Packs") from the Netherlands to Canada under a Health Canada psilocybin import permit obtained by CCrest Laboratories Inc. ("CCrest") in partnership with Shaman Pharma Corp. Subsequent to analysis, CCrest informed the Company that it had executed the extraction protocol using 15 grams of raw material and successfully detected psilocybin in the extract via chromatography. To perform the next step in this process, to evaluate the suitability of the Company's natural psilocybin as a source of active pharmaceutical ingredients for scientific and potentially medical purposes, the Company announced that it had completed a 1.5 kg shipment of Psilocybe Truffles (500 grams of psilocybe Mexicana, 500 grams of Psilocybe Tampanensis and 500 grams of Psilocybe Galindoi), representing Canada's largest legal shipment and import of Psilocybe Truffles into Canada under a Health Canada Approved Psilocybin Import Permit. The shipment demonstrated the increased logistics capacity of door-to-door trans-Atlantic shipping.

In November 2021, CCrest released its report confirming the suitability of Red Light Holland's natural psilocybin as a source of active pharmaceutical ingredients for scientific and potentially medical and therapeutic purposes. The raw materials proved to be suitable to complete the first

phase of the scientific research, which included the development of proprietary analytical methods and protocols from both fresh and dried sclerotia. These cGMP compliant scientific methods and protocols of Quality Control, Analysis and Extraction are aimed at developing intellectual property for achieving the industrial-scale commercialization of medical purpose psychedelic substances in this emerging pharmaceutical sector. The report also provided insights into the relative strengths of the truffles currently being sold in The Netherlands. Future studies are necessary to determine the consistency of psilocybin in the production of truffles, as well as to analyse the perfecting of environmental influences and extraction methods to maximize yields and shelf life of the product.

In January 2022, CCrest Laboratories Inc. completed a second evaluation of the Red Light Holland truffles, sourced from our facility in the Netherlands, to determine a precise and specific analysis method. From the report, it can be inferred that the size of the truffle is not affecting the concentrations of psilocybin or psilocin, however, the water content is an essential factor.

Red Light Holland has successfully imported their psilocybin truffles from the Netherlands to CCrest Laboratories twice, under a Health Canada approved psilocybin import license, where they were tested. Red Light Holland and CCrest Laboratories have continuously demonstrated their strong commitment to the highest regulatory compliance standards. CCrest Laboratories and the Company are considering applying for further psilocybin approved imports of the Company's truffles for further product testing and product development, including potentially working on developing capsules for microdosing, in CCrest's Laboratory facility.

In January 2022, Health Canada published amendments to its Special Access Program which now allow access to psychedelics such as psilocybin for patients in medical need on a case-by-case basis. This amendment will allow physicians to request access to psilocybin when other therapies have failed and where there is sufficient evidence of safety and efficacy for the treatment of the patient's condition. Health Canada's decision may offer patients who have not responded to existing therapies new avenues to receive care. Currently, Health Canada has not approved psilocybin access to any patient or facilitator via CCrest Laboratories' ability to supply and there are no guarantees that Health Canada will accept the Company's psilocybin truffles for the Special Access Program.

In June 2022, Red Light Holland psilocybin truffles, sold in the Netherlands, completed their first stability test under a Health Canada approved cGMP laboratory, CCrest Laboratories. This report was focused on optimizing shelf-life and the long-term quality of the product and is another step towards creating standardized dosages. The next steps are completing a full Certificate of Analysis (CoA) for the truffles and completing the development of capsules. CCrest Laboratories, approved by Health Canada to supply psilocybin under the Special Access Program, continues to seek opportunities to provide patients with naturally occurring psilocybin in alignment with current regulation which require clinical proof that natural psilocybin is likely to be as beneficial or more than synthetic psilocybin.

Evidence for the benefits of psilocybin continues to accumulate, and people who microdose psilocybin containing mushrooms report improvements in mood, focus, creativity, and general

well-being, as well as the amelioration of symptoms of mental health issues. (See, e.g., Anderson et al., *Microdosing psychedelics: personality, mental health, and creativity differences in microdosers*. *Psychopharmacol. (Berl)*. 236, 731-740 (2019); Lea et al., *Psychedelic Microdosing: A Subreddit Analysis*. *J. Psychoactive Drugs* 52, 101-112 (2020).)

In June 2021, the Company announced that it had acquired an 80% stake in 4316747 Nova Scotia Limited ("Happy Caps"). Happy Caps Mushroom Farm in Nova Scotia, Canada, is a unique gourmet mushroom farm, cleverly positioned in the mushroom plug spawn business, selling fresh mushrooms for the wholesale market and specializing in 'grow your own mushroom kits' with sales in Canada and the United States. Through its 80% acquisition of Happy Caps, the Company gained access to a larger consumer base located across Canada and the United States.

While the quarterly demand for product is cyclical, Happy Caps has realized increased deliveries through several sales channels, including Amazon.ca, since the acquisition. As a result of strong revenue generation through the holiday and winter season, management is assessing opportunities to expand production capacity. Through dedicated marketing and branding initiatives, the Company plans to grow revenues as it focuses on increased retail and online sales. Recently, UNFI (United Natural Foods, Inc.) accepted Happy Caps home grow kits as a product on their distribution list, and as of the date hereof an order was placed through UNFI. The Company's ability to achieve these sales targets is dependent on, among other factors, continued demand for the Happy Caps home grow kits and the ability of the Happy Caps Mushroom Farm to continue to yield mushrooms at the rates needed to support the sales forecast.

In September 2021, the Company acquired a 51% stake in Acadian Exotic Mushrooms Ltd. ("AEM"). AEM is a gourmet mushroom production facility co-owned by leading Canadian mushroom farming groups/individuals Holburne Mushroom Farm and Mike and Fernando Medeiros (the "Vendors"). The 22,000 square foot facility, which sits on approximately 4 acres of land in Eel River Crossing, New Brunswick, is expected to produce up to 5,000 pounds of Shiitake mushrooms per week when it hits full capacity by the end of the calendar year. AEM produces, packages and distributes fresh mushrooms into the wholesale market and has the potential to produce functional mushroom consumer packaged goods. Additionally, due to the strength of their distribution networks and relationships, the Vendors have agreed to purchase all production for the next three years at a minimum price, effectively guaranteeing future revenue for the partnership.

AEM, operating as "Red Light Farms", adds a second revenue generating farm to the Company, and could serve as a potential future production site for naturally occurring psilocybin, if and when regulations permit.

As of the date of this MD&A, the AEM farm in New Brunswick is operating at approximately 80 percent capacity and expects to be in full capacity, producing approximately 5,000 pounds of shiitake mushrooms per week, by the end of the calendar year, which would translate into an expected revenue of between \$30,000 and \$35,000 per week. The ability of the AEM farm to produce 5,000 pounds of shiitake mushrooms per week by the end of the calendar year and for such yield to translate into the expected revenues of \$30,000 to \$35,000 per week is dependent

on certain assumptions that management of the Company believes to be reasonable based on the information currently available to management, including the following assumptions: (a) the good working order of all equipment used for the production and distribution of the shiitake mushrooms (b) the growth process presently employed by the AEM farm in respect of its production schedule being adequate to support the anticipated yield of mushrooms (c) the employees who cultivate, harvest, package and deliver to market the mushrooms on a timely basis are able to continue to do so; (d) the historical yield of AEM farm provides an adequate basis for the production of new mushrooms; and (e) the current wholesale market for shiitake mushrooms will be able to absorb the additional production.

On June 20, 2022 the Company announced the acquisition of 100 acres of farmland located in the township of Cavan-Monaghan in Peterborough, Ontario (the “**Peterborough Farm**”) for \$1.85 million paid in cash.

The Company intends to work with AEM to develop the Peterborough Farm with the construction of two mushroom production facilities consisting of approximately 65,000 sq. feet. The Acquisition would represent for the Company a significant expansion of its farm division (“Red Light Farms”), which already includes Happy Caps Gourmet Mushroom Farm in Halifax, Nova Scotia, AEM Farms in New Brunswick, Ontario, and Red Light's truffle farm in Horst, The Netherlands.

The Company is currently working with an expert mushroom farm design firm in the Netherlands to develop plans which will need to be submitted with the Township of Cavan-Monaghan in order to obtain permits for the construction of the mushroom production facilities. In the meantime, the Company has started preliminary construction work plans including: clearance, road work and any other preparations for the commencement of construction.

Once completed, the Peterborough Farm is expected to immediately generate revenues of approximately \$80,000 per week. As it ramps up to its full production capacity, the Company expects a revenue run rate of approximately \$16.0 to \$17.0 million per annum with strong profit margins and cash flows from operations.

The facilities, as of the date of the MD&A, should take approximately 18 months to design and construct. The cost to build the facilities is budgeted around \$8.0 million which is contingent on the permit approvals for the plans.

There can be no guarantee the Company will commence (of if commenced) complete the construction of the two mushroom production facilities on Peterborough Farm on the timelines outlined in this MD&A. The Company’s ability to complete the construction of the two mushroom production facilities is dependent on the following material factors and assumptions: the ability of the mushroom farm design firm in the Netherlands to develop sufficient plans needed for permit applications; the ability of the Company to receive the necessary permits from the Township of Cavan-Monaghan; the ability of the Company to finance the construction of the facilities following the grant of the permits; the ability of the Company to address unexpected setbacks which may delay the construction of the facilities; and the impact of measures from

time to time implemented by the Company to mitigate unanticipated impacts of COVID-19 on the Company's business operations, including, but not limited to, a potential reallocation of funds to establish and implement new business initiatives, accelerate, increase, reduce, or eliminate existing initiatives, or pursue other strategic opportunities.

United States

In April 2021, the Company announced that Articles of Incorporation had been filed with the Oregon Secretary of State to form Red Light Oregon, Inc., a 50/50 joint venture ("JV") between Halo and Red Light Holland Corp. In June 2022, Red Light Holland and Halo mutually dissolved the JV. At the same time, Red Light Holland launched its Red Light. Set. Go! Program to work with exceptional local Oregonians from diverse backgrounds who wish to enter the proposed legal psilocybin service market in the State. Shunji Smith, an avid mushroom grower, teacher and small business owner from Oregon joined the program and will be formulating a manufacturing plan according to Oregon Measure 109.

In September 2021, the Company conducted a survey of 473 residents of Oregon which found that 86% of adults were interested in psilocybin services and nearly half of the adults expressed an interest in microdosing. In terms of frequency and cost, approximately 16% of the adults in Oregon are interested in microdosing services on at least a weekly basis and are willing to pay, on average, \$50 USD for such services.

In January 2022, Red Light Oregon sent a report to the Oregon Health Authority and to the Oregon Advisory Board focused on microdosing research along with specific recommendations for microdosing within Oregon's Measure 109.

In September 2022 the Company submitted their recommended amendments to the Oregon draft rules and, as a result, several of the recommendations have been integrated into the current draft rules including the removal of clauses that would have made group sessions impractical. The final rules are expected to be released in early 2023.

In October 2022 the Company assisted Kody Zalewsk, co-Director of PMAW and a member in the Washington Psilocybin Advisory Board in creating a document to inform the Board around safety recommendations. The legalization Bill is currently expected to go to vote during 2023.

In November 2022 the Company partnered with Natural Medicine Colorado to assist in their ballot initiative to decriminalize Psilocybin usage and legalize Psilocybin treatment centers. The ballot initiative was successful and the final rules are expected late 2024.

In June 2021, the Company announced that it had acquired Radix Motion Inc. ("Radix Motion"), a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. Radix Motion's core technology is based on neuroscience research. Radix Motion is in negotiations with pharmaceutical companies to utilize their patent pending technology as a digital therapeutic device as a tool within their clinical trials.

Radix Motion brings the following benefits to the Company:

- Radix Motion's biometric movement data technology addresses one of the biggest challenges of microdosing, finding the optimal dose and protocol for each person.
- By utilizing large data sets from people legally using the product in the Netherlands, and choosing to share their data, Radix Motion will produce predictive AI models that will increase the scientific data around microdosing, helping people find their optimal dose.
- This scientific data is geared toward being a valuable asset for working with regulatory agencies towards expanding the legal responsible use of microdosing in other countries.
- Radix Motion plans to expand its offerings to more wellness verticals to increase scientific data around other substance and behaviour intervention that have the potential to help people.
- Radix Motion's expertise in immersive technology will continue to create cutting edge interactive education promoting responsible use of psychedelics and focusing on applications that utilize biometric data to connect people to themselves and to each other.
- Radix Motion is focused on exponential growth verticals such as immersive informed consent and screening of subjects in novel drug research, digital therapeutics and mobile health apps and interactive training on use of psychedelic substances.

On May 5, 2021, the Company announced that it has received patent pending status for the customization and personalization of microdosing kits and protocols based on biometric and movement data. Customers will use this data to help find the psilocybin microdose that works best for them. The Company's goal is for its consumers to use the combination of practices and psychedelics as part of the larger scope of scientifically based support structures, to increase neural plasticity caused by psychedelics, leading customers to make the most out of naturally occurring psilocybin. Radix Motion technology is currently powering the Company's iMicro privacy web application and digital care platform, as well as augmented reality and virtual reality educational experiences, that explain the effects of psychedelics and allow customers in the Netherlands to learn more about microdosing in a fun and interactive way.

Among the future products Radix Motion is creating is Wisdom, a set of smart home devices utilizing ideas from the mycelium network. Wisdom is a companion figurine that will help people connect to themselves, to each other and to the environment. There are currently three Wisdom Truffle models under development:

- Moon: Moon is expected to be a handheld, first-of-its-kind, meditation aid and biorhythm communication device which allows for insights into the autonomic nervous system by responding to a user's heartbeat. Heart rate data can be added to the iMicro Journal app to keep track of physiological changes correlated to micro dosing and/or meditation. In addition, Moon supports a multiplayer mode allowing for group meditation and/or connection.
- Star: Star is expected to be a lamp-size figurine that helps build a healthier relationship with mobile devices by promoting presence and focus. Star will allow for connection with the iMicro Journal app, and will allow for the tracking of phone-usage and the rewarding

of healthy breaks. This Star will also bring added light and superb sound quality to any room.

- SuperNova: SuperNova is expected to be a 1-meter tall, life-sized figurine, and will include artificial intelligence technology that will detect and understand users' body movements. This Wisdom Truffle creates unique interactive audiovisual experiences based on dances, stretches and more. In addition, SuperNova will support multiplayer mode for galleries, conventions, stores and more.

Behavioral research studies have demonstrated that individuals become motivated to save energy when they see the environmental output data in the form of CO2 emissions, instead of kilowatts or dollars. Using the Wisdom Truffle as a smart home device, it will deliver this data using visual aids, which reflect a grid's CO2 emissions in real-time.

Bringing this emissions data into the Company's current suite of products will be the first of its kind ground-breaking smart home device that will empower the growing psychedelic community to take positive climate action by responding directly to real-time emissions data.

Test units for the Moon and Star Wisdom Truffle have been received. Early reactions to the units are positive and the Company is assessing options with regards to various colour options for the units. The engineering, design and production of the SuperNova model has been deferred for 12 to 18 months to focus sales and marketing efforts on the other two models. The Company expects to initiate the first production run in calendar Q1 2023, and the launch of sales to be in early to mid-calendar 2023. The Company has deferred both its initial production and sales timelines and believes that the following events and circumstances may reasonably be likely to cause actual results with respect to the timing of the production run and sales launch to differ materially from those currently anticipated by the Company and expressed in this MD&A: the manufacturing delays caused by recent Covid lockdowns in China, related supply chain issues and challenging shipping arrangements, and other unanticipated setbacks which may materialize following the date of this MD&A, including, among other things, changes in the rules and regulations relating to the use of psychedelics in the relevant jurisdictions.

In early 2022, the Company has submitted applications for an additional two provisional patents. The first, "Methods and systems for biomarker-augmented mental health therapies, including psychedelic-assisted and body image therapies, based upon biometric and movement data". The second, "Methods and systems for communication and interaction using 3D human movement data".

In January 2022, the Company submitted an application for an additional provisional patent, "Methods and systems for biomarker-augmented mental health therapies, including psychedelic-assisted and body image therapies, based upon biometric and movement data".

Red Light Holland continues to collaborate with Psychedelic Medicine Alliance Washington ("PMAW") to promote a psilocybin legalization bill in Washington State. PMAW is currently part of the government funded psilocybin services workgroup.

Brazil

In February 2021, the Company announced that Brazil's National Health Regulatory Agency had granted authorization for the Company's 15g iMicrodose packs to be legally imported to Brazil via the 'named patient import process' for prescribed medical patient use. This approval and shipment represented a significant advancement in opening the legal and medically approved market for psilocybin in Brazil, a country with a population of over 200 million people. The uniqueness of the imported product, COVID related delays at Brazilian customs, and additional disclosure and product information requests from the Regulatory Agency resulted in unfortunate overlap of best before dates and/or return of the initial shipments. The Company continues to work with its local partner, MyPharma2GO to arrange another shipment to Brazil and ultimate release by the National Health Regulatory Agency to the 'named patient import process' "named patient" for its prescriptive use. The next projected shipment date is still being pursued and its local partner, MyPharma2Go, is hopeful it could occur during 2023. The Company believes that the following events and circumstances may reasonably be likely to cause actual results with respect to the timing of the next projected shipment date to differ materially from those currently anticipated by the Company and expressed in this MD&A: COVID-19 related delays at customs and other challenging shipping arrangements, and other unanticipated setbacks which may materialize following the date of this MD&A, including, among other things, changes in the rules and regulations relating to Company's legal importation of iMicrodose packs to Brazil.

SIGNIFICANT PROJECTS

As of the date of this MD&A, the Company has significant projects which have not generated revenue, or that have generated revenue but are expected to generate additional revenue in the future, in each case related to the operations of the Company. The following is a description of each such project, including a description of the Company's plan, the status of the project, the expenditures made by the Company and how such expenditures relate to anticipated timing and costs to advance the project.

Marketing Plans

In order to provide the Company with increased global brand recognition, the Company has partnered with multi-platinum Grammy and Golden Globe Award nominated recording artist Wiz Khalifa to launch a new Mushroom wellness brand called "MISTERCAP".

MISTERCAP is a mushroom wellness brand founded in 2022 to create innovative functional mushroom wellness products and is affiliated with recording artist Wiz Khalifa, who provides marketing advisory services to the company. More information will be made available in the coming weeks on MISTERCAP.COM and INSTAGRAM.COM/MISTERCAP

The partnership created by Red Light Holland and Mistercap LLC for the new Mushrooms wellness brand called MISTERCAP, will initially launch with a functional mushroom home grow kit, allowing customers to grow their own legal mushrooms in the comfort of their own homes, expected to be sold in early in calendar 2023. From there, the companies intend to expand to

other legal, functional and innovative mushroom products, as well as a line of apparel and accessories, to be made available across the European Union and North America in early 2023. Further, Mistercap LLC will be receiving marketing advisory services from the recording artist Wiz Khalifa for the new MISTERCAP brand, who will leverage his social media presence to promote legal mushroom products.

The Company is currently in many discussions with potential producers and suppliers of future MISTERCAP home grow kits, including potentially working with their subsidiary Happy Caps and/or working with their current AEM partner, Holburne farms for the North American marketplace. The Company, through its most recent acquisition of MiniChamp BV, also has the opportunity to produce MISTERCAP home grow kits in the Netherlands with an existing distribution network across the European Union.

There is no guarantee the aforementioned discussions will formalize into contractual agreements. The ability of the Company to expand its production is dependent on the following material factors and assumptions: continuing discussions and interest by Company in expanding its production; the Company and, if required, third party producers agreeing to sales terms; and continuing market demand for the home grow kit.

In connection with launching the MISTERCAP brand, Red Light Holland and Mistercap, LLC have entered into an intellectual property licensing agreement (the "IP Licensing Agreement"). 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 and/or truffle-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) C\$250,000 in cash and (ii) C\$1,000,000, which is to be satisfied through the issuance of common shares in the capital of Red Light Holland (the "Common Shares") at a price of \$0.075 per Common Share. The Common Shares will be subject to a four month and one day hold period pursuant to the policies of the Canadian Securities Exchange ("CSE") and applicable securities laws. In addition, Mistercap, LLC will: (x) receive monthly royalty payments paid over the term of the IP Licensing Agreement, calculated based on the sale of products developed pursuant to the partnership and (y) be paid a monthly marketing fee. Additional payments are due in the event future markets are available to sell in pursuant to the terms of the IP Licensing Agreement. The Company has budgeted C\$1,000,000 per year to fulfill royalty fees, marketing expenses and additional payment obligations owed to Mistercap, LLC pursuant to the terms of the IP Licensing Agreement.

The MISTERCAP brand is new, and there is no guarantee it will develop in the ways and according to the timelines highlighted in this MD&A. The ability of the Company and Mistercap LLC to launch the sale of a functional mushroom home grow kit in early calendar 2023 is dependent on the following material factors and assumptions: the willingness of the Company and Mistercap LLC to continue their partnership, the ability of the Company and Mistercap LLC to produce the mushroom home grow kits, and continuing market demand for the home grow kit.

Wisdom Truffle

The Wisdom Truffle has been designed by Karim Rashid and Radix Motion has built the technology that powers it. The Wisdom Truffle is a smart figurine that helps people build healthy patterns using meditation, monitoring their phone usage and helping them take positive action to reduce their carbon footprint. Wisdom is expected to be produced in three different models with different sizes and capabilities and which can potentially be sold across the world commencing early calendar 2023. The Company is currently testing the small and mid-sized units and expects to commence commercial production before the end of the year. The Wisdom Truffle's intention is to highlight an iMicrodose lifestyle which promotes positivity and connects people to an enlightened community.

The total pre-production design, proto-type and testing costs are expected to be \$1.0 million and Red Light Holland is currently finalizing manufacturing and shipping costs with the Company's first production order of 1,000 units expected to occur in the next quarter. The Company plans to further develop the digital care application by adding various new features aligned to Wisdom hardware such as a meditation program and meditation reminder and journal and reminders to have cell phone free time by late calendar 2022.

The first test units of Moon and Star have been received in the United States and Canada for market testing. The Moon units have passed pre-certification testing and will be submitted for FCC (US) CE (Europe) and IC (Canada) UE electrical certification and ROHS certificate approving the safety of the materials for resale. The engineering, design and production of the SuperNova model has been deferred for 12 to 18 months to focus sales and marketing efforts on the other two models.

273 people have registered to the waiting list interested in pre-orders.

Significant events that must occur to move forward with the proposed business objective include, finalizing the design and production specifications of the Wisdom Truffle, and complete regulatory testing for one or more economically viable jurisdictions within which to launch the Wisdom Truffle.

The anticipated timeline for completing this objective is based on, among others, the following material assumptions:

(i) the demand for, and benefits of, the introduction of the Wisdom Truffle being materially accurate in light of the Company's assessment of market and competitive conditions, and (ii) the persons necessary to manufacture and distribute the Wisdom Truffle continue to be readily available in the jurisdictions chosen by the Company, and willing to enter into favourable contractual arrangements with the Company in respect thereof. The Company notes the following in respect of the foregoing material assumptions: (1) As of the date hereof, the Company has selected a manufacturer in China to produce the Wisdom Truffle but has not entered into any agreements with any persons to manufacture and distribute the Wisdom Truffle at this time. To the knowledge of the Company, based on its informal assessment and its

discussions with Karim Rashid, the manufacturing requirements for the Wisdom Truffle are not unusual and do not require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into such manufacturing and distribution agreements in respect of the Wisdom Truffle. (2) The Company's assumption in respect of the demand for the Wisdom Truffle are based on the Company's informal assessment of the market and competitive conditions, and in particular in respect of the recent, growing popularity of the "KAWS" figurines globally. (3) Following such time as the Company determines economically viable jurisdictions within which to launch the Wisdom Truffle (and prior to entering into arrangements for the manufacturing and/or distribution of the Wisdom Truffle) the Company intends to work with local legal counsel to review, and to the extent required ensure that its requisite partners possess, all approvals, permits, and/or licenses which may be required in the relevant jurisdiction in order to undertake such activities. The Company clarifies that as of the date hereof, it has not applied for any approvals, permits, and/or licenses which may be required to manufacture and/or distribute the Wisdom Truffle. The Company would like to highlight that the amount of Wisdom's expected manufacturing cost per unit has also significantly increased from the original quotes from factories overseas due to inflation, rising production, packaging and shipping costs.

The timeline might also be affected by global shortages of specific materials due to Covid, factory delays, shipping delays and potential unforeseen technology issues.

Augmented Reality Application and Digital Care Program

In November 2020, the Company further engaged RadixMotion to (i) assist in setting up an in-store media center with an augmented reality application which would provide consumers with data about microdosing, and (ii) designing and developing a digital care program to assist people in making informed choices with respect to their microdosing usage of truffles.

The augmented reality app was launched in November 2021 as part of the Red Light Holland media center during the Wonderland Miami psychedelic conference allowing people to view holograms of the team and the truffles being grown in the Netherlands.

The Company has recently completed the digital care program, which is in the form a web application allowing individual users to use anonymous sign-in mechanisms to track their microdosing journey.

The digital care program has launched with an app on www.iMicroapp.com. The app allows people to journal their microdosing session, takes physiological measurements of their body to assess their energy level and includes tele counseling with a therapist, group messaging and event notifications.

There are total of 1,157 registered users, and 488 of them consent to share their data. There has been a total of 691 entries, 350 of which are shared. The Company has upgraded the online scheduling component of the tele-counseling application to simplify scheduling with the counselor.

The Company is working on adding features to the app that connect the Wisdom hardware device to the app allowing people to keep track of biometric heart rate data and their meditation practice, cell phone use and their local electric grid carbon emissions.

The Company plans to develop the digital care application by adding various new features to allow iMicrodose users easier contact with a therapist and allow for group anonymous communication to facilitate peer support and community building.

There is no guarantee the above features will be added. The Company's ability to add these features depends on, among other things, continued demand for the app, and the Company having the resources to invest in further app developments.

Virtual Reality Model

In July 2020, the Company engaged Radix Motion to design and develop the VR Module for the Company. The VR Module is intended to explain the effects of microdosing of truffles on the human brain, as well as a virtual reality avatar (the "VR Avatar") centered around the Company's brand. Radix Motion is a virtual reality company that utilizes the latest neuroscience research with immersive technology to strengthen the connection between the human body and human brain.

The VR Module is expected to allow potential consumers of the Company's products to experience effects intended to approximate the effects of microdosing truffles, in order to enable them to identify their personal comfort level and understand the potential effects of truffles before purchasing the Company's products. Users can also opt in to provide the Company with key data which the Company can then use to, among other things, conduct studies, and support valuable research and study. The VR Module represents a step by the Company to promote responsible use (by educating and enabling individuals to make reasoned, informed decisions with respect to truffles), and contribute to the scientific community by gathering valuable data on user experience (including of synesthesia, loss of autonomy and suggestibility) from users who opt-in, to inform further study and research in the psychedelic space.

The VR Avatar was completed in Q3 2020. The Avatar has been integrated into Radix Motion's "Meu" platform (the "Meu Platform"), the first social platform based on three-dimensional human movement data, which uses Radix Motion's movement data channels to bridge virtual reality and mobile augmented reality. The VR Avatar is expected to assist in the Company's larger efforts towards reducing the stigma associated with, among other things, truffles and other psychedelic substances. The VR Module was completed in calendar Q4 2020 and was launched on the Steam store receiving positive media attention from the VR community as well as 107 paid downloads. The VR module was launched on the Meta Oculus Lab store with 55 paid downloads.

The VR model was showcased at Red Light Holland media center during the Wonderland Miami psychedelic conference promoting the Company's innovation and technology.

The Company hopes to launch the VR Module in other markets, but there is no guarantee the Company will be able to launch the VR Module in other markets. The Company will need to identify potential launch sites, enter into arrangements with the responsible persons at such sites, purchase the hardware required to support and launch the VR Module, and undertake or supervise site-specific installation, testing, and staff training, and incur an estimated amount of up to \$2,000 in costs and expenses associated with the foregoing, per each such site. In addition, following the launch of the VR Module, the Company may consider one or more additional, alternative options, in order to launch and make accessible the VR Module to a larger audience within the Netherlands.

Scarlette Lillie Science and Innovation

In June 2020, the Company established a scientific and innovation division of the Company, “Scarlette Lillie Science and Innovation” (“SLSI”), which marked an early move by the Company to position itself to expand its business into the medical psychedelics market in the future, at such time as market and regulatory conditions present a viable business opportunity. SLSI is expected to be funded by a portion of the Company’s available funds from time to time, and once operational, is expected to allow the Company to initiate and expedite various science, innovation and research activities focused on, among other things, exploring the potential medical and health benefits of psilocybin and whole fungi-medicine.

As of the date of this MD&A, SLSI has not yet commenced any material operations, and its activities have been limited to the activities of the Company’s Chief Technology and Innovation Officer, Sarah Hahskes, who has been in continued contact with microdosing researchers in pursuit of collaborative research opportunities.

As of the date of this MD&A, the Company has not determined the exact nature of SLSI’s future operations. With the completion of the Mera Life Sciences transaction, the company expects activities of Mera (subsequently renamed to “Scarlette Lillie Sciences and Innovation Inc.”), to include, but not be limited to: the importation of truffles to St. Vincent and the Grenadines from the Netherlands, prescription or clinical administering of truffles to patients / participants, extraction and testing of truffles, export of truffles, among others. Instead, the Company continues to evaluate market conditions on an ongoing basis, with the goal of identifying viable business opportunities in one or more segments of the medical psychedelics market within which SLSI may potentially become engaged in the future. The Company anticipates that SLSI’s initial operations will be limited to activities which are not subject to material regulatory or licensing requirements, or to the extent subject to such requirements, undertaken through collaborations with one or more industry partners duly authorized to undertake such activities.

In order to commence operations and enter into the medical psychedelics market, SLSI will need to carefully evaluate market-entry conditions and the costs and benefits of entering into one or more segments of the medical psychedelics market, and in particular in light of the current uncertainty as to the duration, and the immediate and eventual impact, of COVID-19 on the Company’s business and operations, as well as general market and competitive conditions.

As of the date of this MD&A, the Company has not determined the costs and expenses which SLSI might be expected to incur in order to commence material operations. However, with the Company's acquisition of Mera, it expects to be required to invest approximately \$930,000 in building out SLSI in St. Vincent and the Grenadines over the next two years. There can be no assurance as to the timing or completion of SLSI's entry into one or more segments of the medical psychedelics market.

Mera Life Acquisition

In August 2021, Red Light Holland acquired a 100% interest in Mera Life Sciences LLC ("Mera Life"), a company focused on developing a modern medicinal industry in St. Vincent and the Grenadines. The consideration for the acquisition was comprised of up to 7,000,000 common shares or RLH, priced at \$0.35, for an ascribed price of \$2,450,000. Under the terms of the Purchase and Sale Agreement, 10% of the purchase consideration was issued upon acquisition with the remaining 90% conditional consideration to be paid to the vendors subject to certain milestones. The Company anticipates cash spending of approximately \$930,000 for lab equipment and general facilities upon the successful completion of the purchase agreement milestones.

The costs of the setting up the research facility would include (i) leasehold improvement (ii) various laboratory equipment and supplies (iii) licensing costs for Artificial Intelligence technology. The acquisition of Mera and its licenses will allow Red Light Holland to perform high quality psychedelic product research and development with, and cultivate, extract and process Psilocybin and other plant-based substances. There can be no assurance as to the timing or completion of this project, which is based on the following material assumptions: (i) the Company's preliminary estimates in respect of the costs and timelines for setting up the research facility being materially accurate, (ii) the contractors, employees, and/or personnel necessary to undertake and complete all required leasehold improvements continue to be readily available and willing to enter into favourable contractual arrangements with the Company in respect thereof, (vi) the Company's plan to set up and operate the research facility being materially accurate and feasible in light of the regulatory environment within St. Vincent and the Grenadines.

The Company notes the following in respect of the foregoing material assumptions:

- The Company determined the costs and timelines for setting up the research facility based on its discussions with the Company's Scientific Advisor, who possesses the requisite experience and knowledge with respect to the construction of similar facilities.
- As of the date hereof, the Company has not entered into any agreements with contractors, employees and/or personnel to complete the leasehold improvements in respect of the research facility. However, the Company does not anticipate such leasehold improvements to be unusual or to require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into agreements with contractors, employees and/or personnel to complete such leasehold improvements in the future. The Company anticipates that it will require up to

2 contractors to undertake and complete the said leasehold improvements. Based on the Company's informal assessment of the labour force and employment conditions and demand within St. Vincent and the Grenadines, the Company does not anticipate material difficulties in retaining such contractors, employees, and/or personnel on terms acceptable to the Company.

- As at the date hereof, the Company has engaged local legal counsel to review and advise the Company with respect to the approvals, permits, and/or licenses which may be required in order to set up the research facility. The Company's assumption as to its plan to set up and operate the research facility being materially accurate and feasible in light of the regulatory environment within St. Vincent and the Grenadines based on the Company's preliminary discussions with the Government of St. Vincent and the Grenadines and the Company's local legal counsel in respect of the process for setting up the research facility. The Company intends to continue to work with local legal counsel and the Government of St. Vincent and the Grenadines to identify all approvals, permits, and/or licenses which may be required to set up the research facility, and following such determination, apply for the required approvals, permits, and/or licenses prior to commencing operations at the research facility. The Company clarifies that as of the date hereof, it has not applied for any approvals, permits, and/or licenses which may be required to set up the research facility.
- However, the company, as of the date hereof, are in continuous discussions with Carribean Gold Standard Labs, a Vincentian Professor at The University of West Indies, Headland Wellness and the Government of St. Vincent and the Grenadines to continue progress in the St. Vincent and the Grenadines, after its successful import of the company's Netherlands' grown Truffles to the main island.
- After the successful import, the Company's truffles are being stored in St. Vincent and the Grenadines for further research, development and testing via Carribean Gold Standard Labs. Caribbean Gold Standard Labs are under an NDA with CCrest Laboratories in Montreal, Canada (the Company's Canadian partner) for potential collaborative work on the Company's Truffles with specific protocols, and synergistic partnerships.
- The Company is also in ongoing discussions, and still currently working on a study proposal, with the St. Vincent and the Grenadines Government to conduct observational trial with the company's psilocybe truffles for patients in need.
- The Company is in ongoing discussions with Professor O'Garro, a Vincentian plant pathologist, and his manifold qualifications in academic research and education and his long-standing advisory positions to policymakers in the Caribbean who has expressed interest in exploring the potential of psilocybin use for palliative care in St. Vincent and the Grenadines.
- The Company expresses that due to recent events in St. Vincent and the Grenadines, such as Covid-19 and the Volcano in February 2021, coupled with the cautious creation of the Modern Medicinal Wellness Industry including the drafting of the Patient Access to Psychedelic Substances (Non-Cannabis) Regulations, that progression of business on the island is methodical, careful and deliberate. Furthermore, communications with the government of St Vincent and its partners continues to move slowly due to the aforementioned methodical approach.

TRUFFLES VS. MAGIC MUSROOMS

Truffles are the sclerotia (the compact mass of hardened, vegetative part of a fungus or fungus-like bacterial colony which contain food reserves) of psilocybin mushrooms (“magic mushrooms”). Truffles and magic mushrooms both belong to the same species of psychoactive fungi and contain similar psychoactive substances and active compounds (such as psilocybin, psilocin and baeocystin). However, there are some key differences. First, truffles and magic mushrooms are each at a different stage of fungal development. Truffles, which grow beneath the ground, can be described as dormant fungi (which resemble walnuts) that store food reserves during periods where surrounding environmental conditions are not optimal for the above-ground growth of the mushroom part of a fungus. Truffles store food and psychoactive chemicals until the surrounding environment becomes suitable for the above-ground growth of magic mushrooms. Second, although scientific data is limited with respect to the various kinds of truffles, anecdotal reports from users of truffles usually describe milder experiences, with less pronounced hallucinations and a more preserved ability to move and socialize. Finally, the concentration of psychoactive substances and active compounds in magic mushrooms is believed to vary considerably, which could result in the potency of individual mushrooms in a particular batch of magic mushrooms to be somewhat inconsistent. On the other hand, the concentration of psychoactive substances and active compounds (and therefore, the potency) is regarded to be far more consistent in truffles, relative to magic mushrooms, which enables a more predictable dosing experience.

The Company does not make any claims regarding any health, medical or therapeutic benefits, or physiological effects associated with the use or consumption of truffles.

As of the date of this MD&A, the iMicrodose-branded truffles are comprised of the *Psilocybe Galindoi* strains of truffles. The production currently being harvested at the Facility are comprised of the *Psilocybe Mexicana*, *Psilocybe Galindoi*, and *Psilocybe Tampanensis* strains of truffles.

The *Psilocybe Mexicana*, *Psilocybe Galindoi*, and *Psilocybe Tampanensis* strains of truffles are easy to cultivate, and with regards to psilocybin content, is regarded as falling within the median range for most truffles. Although scientific data is limited with respect to the various strains of truffles, anecdotal reports from users of the *Psilocybe Mexicana*, *Psilocybe Galindoi*, and *Psilocybe Tampanensis* strains of truffles usually describe milder experiences (relative to magic mushrooms), with less pronounced hallucinations and a more preserved ability to move and socialize. Although the effects of truffles on individuals vary, depending on among other things, the particular strain of truffles and the strength of a particular dosage, as well as an individual’s mood at the time of consumption, the environment within which such consumption occurs, and the impact of an individual’s pre-existing health or medical conditions, anecdotal reports from users of the *Psilocybe Mexicana*, *Psilocybe Galindoi*, and *Psilocybe Tampanensis* strains of truffles generally describe one or more of (or a combination of) increased clarity, focus, and energy, a reduction in anxiety levels and a sense of calmness, and a general feeling of positivity and connectivity with oneself and one’s environment, in each case for a temporary period.

Indoor Cultivation of Truffles

The cultivation of truffles within an indoor environment primarily requires a combination of the right soil conditions and temperature. In contrast to, for example, the indoor cultivation of cannabis (which typically requires a custom, controlled indoor environment with artificial lighting and appropriate airflow and temperature controls, among other things) truffles are relatively easier to cultivate within an indoor environment with appropriate soil conditions and controlled temperature (generally, between 21 and 24 degrees Celsius). As of the date of this MD&A, the Company is engaged in the cultivation and production of truffles within the Facility, which has been fitted with appropriate heating, ventilation, and air conditioning systems to produce the optimal environment required for the indoor cultivation of truffles. The Company also maintains protocols customarily employed by participants within the truffles industry within the Netherlands in order to ensure around-the-clock temperature control, which includes the deployment of on-site personnel on a regular basis to prevent disruptions to the Company's cultivation and production operations.

REGULATORY FRAMEWORK AND LICENSING REGIME

As of the date of this MD&A, participants within the truffles industry within the Netherlands do not require any special licenses, permits or other approvals in order to engage in the cultivation, production, distribution, and sale of truffles within the Netherlands, to the extent such activities pertain to fresh, unprocessed truffles which have not transitioned in a stage of growth to become magic mushrooms.

The regulation of truffles and activities pertaining to truffles within the Netherlands is unlike the regulatory framework in both Canada and the United States with respect to certain controlled substances. Both Canada and the United States have implemented robust regulatory frameworks for regulating certain controlled substances, such as cannabis, and activities relating to such controlled substances that are within the jurisdiction of the respective governmental body (such as, the cultivation, distribution, sale and possession of cannabis). However, in the Netherlands, neither the federal government nor any local government has, as of the date of this MD&A, implemented any direct regulatory or licensing framework in respect of the cultivation, production, and sale, and recreational consumption of fresh, unprocessed truffles within the Netherlands. As such, as of the date of this MD&A, the Netherlands does not directly regulate the cultivation, distribution, sale and possession of fresh, unprocessed truffles, whether at the federal level or at a local level. However, to the extent truffles are subject to processing, or have transitioned in a stage of growth to become magic mushrooms, such biomatter will, at such point in time, become a controlled substance that is subject to direct federal regulation in the Netherlands under the Opium Act (Opiumwet) (the "Opium Act").

The Opium Act

As of the date of this MD&A, the Opium Act is the primary drug legislation in the Netherlands. Articles 2 and 3 of the Opium Act prohibit the possession, production, preparation, processing, selling, delivering, transporting, importing and exporting of any drug or substance listed on the

schedules/lists accompanying the Opium Act (together, the “Opium Act Lists”), as well as preparations containing one or more of such prohibited substances. Articles 2 and 3 of the Opium Act also prohibit the above-noted activities in respect of a number of plants or parts of plants which are named in the Opium Act Lists.

Under the legislative framework of the Opium Act, and as confirmed by case law from the Supreme Court of the Netherlands (the highest court in the Netherlands), insofar as the Opium Act Lists include certain compounds and preparations but not the organic matter within which those compounds occur naturally, the prohibitions in Articles 2 and 3 of the Opium Act do not relate to unlisted organic matter (and parts thereof). As of the date of this MD&A, the Opium Act Lists expressly name magic mushrooms, as well as psilocin (psilocine) and psilocybin (psilocybine), both of which are substances that naturally occur within both magic mushrooms and truffles. However, the Opium Act Lists do not expressly name truffles. The consequence of this exclusion is that, in light of the legislative framework of the Opium Act, and case law from the Supreme Court of the Netherlands, Articles 2 and 3 of the Opium Act do not prohibit the cultivation, production, and sale of fresh, unprocessed truffles, but, solely to the extent that (i) the fresh truffles are not subject to further processing that results in such truffles becoming a preparation prohibited under the Opium Act, and (ii) the biomatter that is cultivated, produced, and sold as fresh truffles has not progressed to a stage in growth where the biomatter has transitioned from sclerotia (truffles), to become a magic mushroom (paddo). In short, the lack of direct regulation of fresh, unprocessed truffles and the cultivation, distribution, sale and possession of fresh, unprocessed truffles does not mean that activities pertaining to truffles are entirely unregulated, but rather, unregulated only to the extent that such activities pertain to fresh unprocessed truffles, which have not transitioned to a stage of growth to become magic mushrooms.

Local Laws

Although the activities of the Company and its industry partners within the Netherlands, insofar as they relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, may be largely unregulated by federal legislation in the Netherlands, such activities could from time to time become subject to, where applicable, non-uniform rules in the form of local ordinances and municipal by-laws (i.e. General Municipal By-Law (Algemene Plaatselijke Verordening)) (the “Local Rules”) from time to time enacted by municipalities within the Netherlands (for example, rules which require SmartShops to be located beyond a certain specified distance from secondary schools).

The Local Rules establish general municipal rules with respect to public order and safety within a certain municipality, and stipulate, among other things, certain permit requirements for certain ordinary course activities applicable to different forms of businesses operating within a certain local municipality (such as, catering businesses, cafes, hotels, bars, etc.). For example, Local Rules applicable to the retail business sector may control, among other things, usability of public roads, opening and closing times, noise pollution, advertising and pamphlets, and shop displays.

As of the date of this MD&A, there are over 300 local municipalities in the Netherlands, each of which has implemented different forms of Local Rules pertaining to public order and safety to govern the general business affairs within their respective municipality. Of such municipalities, only a handful of municipalities have extended ordinary permit requirements generally applicable to certain businesses to SmartShops. As of the date of this MD&A, the Company's iMicrodose Packs and Maka products are available in approximately 74 SmartShops within the Netherlands plus 3 online SmartShops including iMicrodose.nl, with such SmartShops located in the municipalities of Eindhoven, Amsterdam, Rotterdam, 's-Hertogenbosch, Oss, and Tiel. To the knowledge of the Company after due inquiry, none of these municipalities have implemented any licensing or permit requirements applicable to SmartShops. In light of, among other things, its prominence as a tourist hot spot, Amsterdam has, however, implemented a municipal zoning plan which is generally applicable to all businesses operating within Amsterdam (including SmartShops) and is not specifically directed at SmartShops.

Security and Storage Requirements

As of the date of this MD&A, the applicable laws of the Netherlands do not impose any storage and security requirements, or any recordkeeping requirements, on companies engaged in the cultivation, production and, distribution of fresh, unprocessed truffles within the Netherlands. As a result, unlike companies operating in, for example, Canada and the United States in industries relating to certain controlled substances, such as cannabis, the Company is not required to establish methods and procedures similar to those required in certain jurisdictions within Canada and the United States, such as those relating to: (i) identifying, recording, and reporting diversion, theft, or loss, (ii) correcting inventory errors, (iii) managing product recalls, or (iv) maintaining commercial grade alarm and video surveillance systems. However, despite the absence of applicable legal requirements, the Company continues to evaluate and monitor industry best practice and developments applied by participants within the truffles industry in the Netherlands (and analogous industries outside of the Netherlands) on an ongoing basis, with the goal of implementing, in the future, such procedures and practices as the Company may deem necessary or advisable to mitigate any identified risks and preserve the integrity of the Company's business operations.

E-Commerce

As of the date of this MD&A, the Netherlands has not enacted a legal or regulatory framework directly governing the promotion and offer for sale of truffles through e-commerce platforms. However, the Dutch Advertising Code Authority (Stichting Reclame Code) (the "DACA") has implemented the Dutch Advertising Code (the "Advertising Code"), which stipulates certain rules pertaining to advertising by various businesses within the Netherlands, with certain specialized rules applying to certain types of products such as foods, alcohol and tobacco. Among its general requirements, the Advertising Code stipulates, for example, that advertising shall not be dishonest or misleading, or aggressive. The Company consulted with the DACA prior to launching the E-Commerce Platform, in the course of which consultation the Company confirmed that the Company's advertising activities would not be strictly subject to any specific requirements in respect of its activities as they relate to the advertising and promotion of truffles. However, the

Company has adopted an ethical approach to marketing and advertising, whereby the Company voluntarily identifies and adheres to certain industry best practices which generally apply to businesses, and where possible, applies certain requirements applicable to tobacco and alcohol to the E-Commerce Platform, mutatis mutandis, taking care to, for example, avoid displaying, suggesting or encouraging excessive or otherwise irresponsible consumption.

Operations of SR Wholesale

In March 2021, the Company acquired SR Wholesale, a distributor of among other things, magic truffles, CBD products, cannabis seeds, and eco and smart products (such as plant like products including kratom) in the Netherlands. The Company obtained legal advice in respect of the regulation of the aforementioned products in the Netherlands. Dutch legal counsel confirmed that the products sold by SR Wholesale are not subject to the scope of a prohibitive provision as referred to in the Opium Act.

Risk Exposure Resulting from Regulatory Environment

Unlike companies engaged in the cannabis industry within the United States, for example, the regulatory environment within the Netherlands as of the date of this MD&A does not, in and of itself, subject the Company to a heightened risk of third-party providers suspending or withdrawing services as a result of inherent uncertainty in the regulatory environment, or to a heightened risk of a regulatory body imposing restrictions on the Company's ability to operate within the Netherlands. However, the Company continues to be subject to all of the usual risks and uncertainties of conducting operations in any given industry, including, among others, the risk that its industry partners may become bankrupt, have economic or business interests or goals that are inconsistent with the Company's business interests or goals, or take actions that are contrary to instructions from the Company or to applicable laws, any of which can damage the Company's reputation and brand. Please see the section entitled "Risk Factors" in this MD&A.

COMPLIANCE WITH APPLICABLE LAWS

Prior to commencing operations within the Netherlands, the Company obtained legal advice in respect of the regulation of truffles and activities pertaining to truffles within the Netherlands, including the regulatory framework governing the Company's operations in the Netherlands, and the legal requirements applicable to such operations. Such legal advice was obtained in the form of a confidential legal opinion from a recognized, global law firm with offices in the Netherlands, and was supplemented by informal legal confirmation obtained from a local law firm within the Netherlands, with expertise in the subject matter.

As of the date of this MD&A, the Company's operations within the Netherlands are conducted in accordance with such legal advice and are compliant with all applicable laws governing such operations. To date, the Company has not received any notice of non-compliance, or received any citations or notices of violation from any governmental authority in the Netherlands which could have an adverse impact on the Company's business operations. Further, to the best of the Company's knowledge, the activities of the Company's industry partners (including Super Smart

and all Current Industry Partners (as defined below)) within the Netherlands, insofar as such activities relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, are in compliance with all laws applicable to such activities.

The President and Chief Executive Officer of the Company are generally responsible for monitoring the operations of the Company in the Netherlands and oversee, and where appropriate participate in, local site visits by qualified professionals in order to verify the Company's compliance with applicable laws. Such monitoring is focused on, among other things, reviewing compliance with recordkeeping and standard operating procedures implemented by the Company from time to time, the Local Rules, and overseeing all communications with applicable regulatory bodies. The President and Chief Executive Officer of the Company also oversee random audits of all the Company's operations, as well as the training, process validation, and problem resolution when compliance questions arise.

The Company continues to monitor industry best practice and developments within the Netherlands on an ongoing basis, and takes the following measures to ensure the Company's continued compliance with applicable laws:

- The Company retains appropriately experienced legal counsel and other professionals to advise the Company and conduct the necessary due diligence to ensure that the operations of the Company and its industry partners comply with applicable laws.
- Management of the Company, together with legal counsel and other professional advisors to the Company, screen industry partners with which the Company proposes to establish relationships, in order to select those operators which (i) adhere to strict business practice standards satisfactory to the Company, (ii) have established adequate internal compliance mechanisms to monitor compliance with applicable laws (if any), and, (ii) to the extent required, possess the applicable licenses, permits, and authorizations to carry on business operations in the Netherlands. In particular, as of the date of this MD&A, the Company screens industry partners to ensure, among other things, that the industry partner:
 - is duly registered with the Netherlands Chamber of Commerce, which is the official registrar of companies within the Netherlands;
 - is duly registered to pay the Value Added Tax ("VAT"), which is a tax that is levied in the Netherlands on most goods and services (including, the sale of truffles at a rate of 21%); and
 - has obtained, to the extent required under the Local Rules of the applicable municipality in which an industry partner carries on business operations, the requisite permits to carry on its business operations.
- The Company reviews its products and product packaging, in consultation with appropriately experienced legal counsel and other professionals, to ensure that the products comply with applicable laws and contain the necessary disclaimers about the contents of the products to prevent adverse public health consequences from use.

In addition to the foregoing, the Company relies on the expertise and commitment of its management team, legal advisors, employees and independent consultants, and to this end,

consults with such personnel on an ongoing basis, as the Company may deem appropriate in the circumstances, to ensure compliance with applicable laws. In particular, the Company retains and consults with qualified external consultants and legal counsel in order to establish strict growth and cultivation parameters and procedures and ensure that its cultivation and production operations comply with applicable laws in effect from time to time. In particular, as of the date of this MD&A, in order to comply with the Opium Act, the Company grows and cultivates its truffles in sealed, airtight bags, a manner currently employed by existing participants in the truffles industry, in order to create a precise and controlled environment that is unsuitable for the growth of magic mushrooms (and thereby preclude the truffles from transitioning to become magic mushrooms). Further, in respect of the SmartShops located in Amsterdam, the Company has reviewed the applicable municipal zoning plan, and has verified that such SmartShops are in compliance therewith.

The Company will continue to evaluate, monitor and reassess its disclosure in respect of its operations within the Netherlands (and any related risks) on an ongoing basis, and intends to promptly supplement and amend such disclosure in its prospective public filings where necessary, including in the event of any government policy changes or, the introduction of new or amended guidance, laws or regulations pertaining to truffles within the Netherlands.

RESULTS OF OPERATIONS

Revenue and Gross Profit

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Revenue	736,428	485,738	1,521,514	1,080,875
Cost of sales	448,760	328,768	944,661	828,175
Gross profit	287,668	156,970	576,853	252,700
<i>Gross profit as a % of sales</i>	39.1%	32.3%	37.9%	23.4%

Revenue for the three and six months ended September 30, 2022 of \$736,428 and \$1,521,514, respectively, resulted in an increase of 51.6% and 40.8% over the comparative periods in the prior year. The Company benefitted from the increased sales related to the prior year's acquisitions of Happy Caps and Acadian Exotic Mushrooms. These results were partially offset by a weakened Euro exchange rate which had a negative impact on our reported revenues in the current reported periods.

Gross profit for the three and six months ended September 30, 2022 of \$287,668 and \$576,853, respectively, resulted in an increase of 83.3% and 128.3% over the comparative periods in the prior year. The increase is as a result of the improved sales activity noted above and efficiencies gained through production improvements and product mix which have increased gross profit as a percentage of sales to 39.1% and 37.9% (2021 – 32.3% and 23.4%).

Revenue by Geographical Segments

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Netherlands	507,582	441,555	1,064,619	1,025,882
Canada	228,846	42,768	456,895	53,578
United States	-	1,415	-	1,415
	736,428	485,738	1,521,514	1,080,875

For the three and six months ended September 30, 2022, revenue derived from the operations in the Netherlands predominately consisted of RLH Netherlands' production and sale of psilocybin truffles and SR Wholesale's sale and distribution of products to SmartShops within the Netherlands. The most recent quarter also includes the results of the newly acquired and wholly owned SmartShops in Oss and Utrecht. Revenue for the quarter also included sales from the Canadian operations of Happy Caps which produces and distributes grow at home mushroom kits for the North American market and Acadian Exotic Mushrooms which produces and sells functional mushrooms within the North American wholesale market.

General and Administrative

The following table presents the components of General and Administrative expenditures:

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Consulting	178,556	296,589	363,600	471,596
Legal, audit and other professional fees	238,371	867,322	281,202	1,065,302
Management fees	30,511	145,496	111,711	327,962
Business development	6,385	67,425	45,979	203,192
Office and general	330,727	189,867	587,257	417,448
Payroll	368,827	-	855,788	-
Regulatory	4,500	3,000	10,500	6,017
Shareholder communication	3,891	80,234	11,142	80,234
Amortization and depreciation	144,185	114,028	287,435	214,233
General and Administrative	1,305,953	1,763,961	2,554,614	2,785,984

General and administrative expenses decreased during the three months ended September 30, 2022 by \$458,008 (or 26.0%) predominately as a result of the decrease in legal, audit and professional fees attributed to the due diligence, legal opinions and closing costs of the business acquisitions completed during the prior year. The decreases in consulting and management fees and increase in payroll is as a result of the certain members of the executive management team entering employment agreements as opposed to contractual management fees. Payroll also includes the tax impact of certain executive management personnel electing to receive vested RSUs on a net of tax basis resulting in the expense and remittance of the related tax withholdings.

General and administrative expenses decreased during the six months ended September 30, 2022 by \$231,370 (or 8.3%) predominately as a result of the decrease in legal, audit and professional fees attributed to the due diligence, legal opinions and closing costs of the business acquisitions completed during the prior year offset by the increase in payroll and office and general costs of the increased operations.

Share Based Payments

Share based payments for the three and six months ended September 30, 2022 includes the value of options and restricted share units that vested during the period, and the value of shares issued to various consultants as compensation for services rendered.

Research and Development

The costs included in research and development relate to the product design costs associated with the Company's product line of Wisdom Truffle smart home figurines.

Other Items

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Realized loss on sale of marketable securities	(20,195)	-	(19,364)	93,823
Change in fair value of marketable securities	(47,427)	(762,990)	(246,855)	(811,798)
Contractual break fee	-	400,000	-	400,000
Change in fair value of convertible debenture	(11,008)	183,800	(9,952)	169,886
Change in fair value of call option	3,366	-	(2,118)	-
Change in fair value of contingent consideration	(47,620)	-	(47,620)	-
Foreign exchange (loss) gain	(3,556)	(970)	(4,604)	(896)
Interest income	33,919	15,839	52,111	32,777
Other Items	(92,521)	(164,321)	(278,402)	(116,208)

During the three and six months ended September 30, 2022, the Company sold 1,250,000 and 1,993,000 shares of PharmaDrug, respectively, for proceeds of \$32,930 and \$65,338, respectively, resulting in a loss on sale of marketable securities of \$20,195 and \$19,364, respectively. During the three and six months ended September 30, 2021, the Company sold nil and 1,595,000 shares of PharmaDrug, respectively, for proceeds of \$nil and \$161,610, respectively, which resulted in a gain on sale of marketable securities of \$nil and \$93,823, respectively.

For the three and six months ended September 30, 2022 the unrealized change in fair value of marketable securities amounted to a loss of \$47,427 and \$246,855, respectively (September 30, 2021 – a loss of \$762,990 and \$811,798, respectively), which is recorded in the condensed interim consolidated statements of net loss and comprehensive loss.

During the six months ended September 30, 2021, the Company received net cash inflows of \$400,000 after accounting for the contractual break fee received in connection with the termination of the definitive agreement with Creso Pharma Limited.

Interest income for the three and six months ended September 30, 2022 reflects interest on surplus funds.

Net Loss

(Unaudited)	Three months ended		Six months ended	
	Sep 30		Sep 30	
	2022	2021	2022	2021
Loss before taxes	(1,337,865)	(1,842,356)	(2,927,825)	(5,298,114)
Provision for income taxes	32,574	-	87,329	-
Net loss	(1,305,291)	(1,842,356)	(2,840,496)	(5,298,114)
Net loss attributable to:				
Shareholders of Red Light Holland Corp.	(1,264,394)	(1,842,356)	(2,767,333)	(5,298,114)
Non-controlling interests	(40,897)	-	(73,163)	-
Net loss	(1,305,291)	(1,842,356)	(2,840,496)	(5,298,114)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.01)	(0.02)
Weighted average common shares outstanding	373,849,130	355,436,106	366,628,124	346,051,671

Net loss for the three months ended September 30, 2022 in the amount of \$1,305,291 (loss of \$0.00 per share) decreased \$537,065 over the prior year largely as a result of a decrease in general and administrative expenses. Net loss for the six months ended September 30, 2022 of \$2,840,496 decreased \$2,457,618 over the prior year largely as a result of a decrease in share based payments expense from the prior year.

Net loss attributable to non-controlling interests is the results of operations, after tax, from Happy Caps and AEM that are attributable to our minority partners.

SUMMARY OF QUARTERLY RESULTS

\$ thousands, except per share amounts (unaudited)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Revenue	736	785	622	622	486	595	96	15
Gross profit	288	289	132	233	157	96	15	4
Gross margin %	39.1%	36.8%	21.2%	37.4%	32.3%	16.1%	16.1%	26.1%
General and administrative	1,306	1,249	1,770	1,186	1,764	1,022	1,361	453
Share based payments	91	338	485	95	63	2,556	187	482
Interest expense	6	4	2	18	8	22	7	2
Research and development	130	102	753	-	-	-	-	1
Loss before other items and taxes	(1,245)	(1,404)	(2,878)	(1,066)	(1,678)	(3,504)	(1,540)	(934)
Realized (loss) gain on sale of marketable securities	(20)	1	-	-	-	93	688	-
Provision for sales tax receivable	-	-	(433)	-	-	-	-	-
Change in fair value of marketable securities	(47)	(199)	683	(189)	(763)	(49)	22	1,101
Contractual break fee	-	-	-	-	400	-	-	-
Foreign exchange (loss) gain	(4)	(1)	(5)	(8)	(1)	-	8	-
Change in fair value of convertible debenture	(11)	1	117	42	184	-	33	-
Change in fair value of call option	3	(6)	-	-	-	-	-	-
Change in fair value contingent consideration	(48)	-	-	-	-	-	-	-
Impairment of intangible assets	-	-	(5,937)	-	-	(14)	-	-
Interest income	34	18	16	15	16	17	7	7
Income (loss) before taxes	(1,338)	(1,590)	(8,437)	(1,207)	(1,827)	(3,447)	(782)	173
Provision for income taxes	33	55	247	-	-	-	-	-
Net income (loss)	(1,305)	(1,535)	(8,190)	(1,207)	(1,827)	(3,447)	(782)	173
Diluted earnings (loss) per share	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)

The Company reported a consolidated net loss of \$1.3 million (\$0.00 per share) for the quarter ended September 30, 2022 as compared to a consolidated net loss of \$1.2 million (\$0.00 per share) in the quarter ended September 30, 2021.

STATEMENT OF FINANCIAL POSITION – SUMMARY

(Unaudited)	Sep 30 2022	Mar 31 2021
Cash and cash equivalents	20,474,541	26,093,738
Marketable securities	207,989	527,813
Inventory	489,294	382,391
Prepaid expenses and deposits	1,312,775	220,641
Other current assets	539,175	554,019
Total Current Assets	23,023,774	27,748,602
Property and equipment	4,743,594	2,877,298
Intangible assets	446,699	594,767
Prepaid expenses and deposits – long term	800,000	-
Goodwill	1,022,570	722,992
Other assets	1,188,112	995,006
Total Asset	31,224,749	32,938,665
Accounts payable and accrued liabilities	877,638	1,382,686
Loans and advances	905,059	905,059
Other current liabilities	511,808	444,734
Total Current Liabilities	2,294,505	2,732,479
Other liabilities	846,477	1,048,197
Total Liabilities	3,140,982	3,780,676
Total Shareholders' Equity	28,083,767	29,157,989
Total Liabilities and Shareholders' Equity	31,224,749	32,938,665

Red Light Holland's primary asset is cash and cash equivalents. The Company also holds funds in marketable securities. Inventory is primarily wholesale products in our warehouse facility in the Netherlands and also includes materials and finished goods production from our mushroom and truffle growing facilities in Canada and the Netherlands. Prepaid expenses include the deferred marketing charges related to the initial costs associated with the MISTERCAP brand IP agreement and cash consideration for an acquisition that was funded before and closed immediately after the quarter end.

Property and equipment of \$4.7 million includes the mushroom production facility in New Brunswick, valued at \$2.5 million, and the newly acquired farmland in Ontario in the amount of \$1.9 million.

Accounts payable and accrued liabilities have decreased over the comparative period as a result of the cash payments for accrued legal, audit and other professional fees.

LIQUIDITY

We assess liquidity in terms of our ability to generate sufficient cash flow, along with other sources of liquidity including cash and the ability to borrow through leases to fund our operations and growth in operations.

Summary of Cash Inflows (Outflows)

(Unaudited)	Six months ended Sep 30	
	2022	2021
Net loss	(2,840,496)	(5,298,114)
Non-cash items and changes in working capital	(479,372)	3,462,635
Cash flows from operating activities	(3,319,868)	(1,835,479)
Cash flows from investing activities	(2,221,535)	(521,651)
Cash flows from financing activities	(59,514)	223,260
Change in cash	(5,600,917)	(2,133,870)
Change in foreign currency rates on cash	(18,280)	-
Cash, beginning of period	26,093,738	31,185,487
Cash, end of period	20,474,541	29,051,617

Cash Flows From Operating Activities

The cash used in operating activities decreased over the prior year predominately as a result of changes in working capital related to cash used in paying down accounts payable and accrued liabilities and an increase in prepaid expenses as a result of funding an acquisition that closed immediately after quarter-end in the amount of \$733,578.

Cash Flows From Financing Activities

The cash used in financing activities in the current year is comprised of capital expenditures of \$1,963,525, acquisition earn-out payments of \$50,000, the cash component of acquisition consideration of \$273,348 offset by proceeds from the sale of marketable securities for \$65,338.

In the prior period, proceeds from the sale of marketable securities were \$161,610 offset by the cash component of acquisition consideration in the amount of \$337,513, capital expenditures of \$158,543 and intangible assets of \$187,205.

Cash Flows From Investing Activities

Cash outflows from investing activities in the current year relates to lease payments. In the prior year, the cash inflows were predominately proceeds from the issue of shares and warrants offset by the value of the lease payments.

CAPITAL RESOURCES

The capital managed by the Company includes the components of shareholders' equity as described in the financial statements for the period ended September 30, 2022. The Company is not subject to externally imposed capital requirements.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize its resources to fund the growth and development of its business, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets by seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. In order to maintain or adjust its capital structure, the Company considers all sources of financing reasonably available to it, including but not limited to the issuance of new capital and the issuance of new debt.

The Company's ability to access both public and private capital is dependent upon, among other things, general market conditions and the capital markets generally, market perceptions about the Company and its business operations, and the trading prices of the Company's securities from time to time. When additional capital is required, the Company intends to raise funds through the issuance of equity or debt securities. Other possible sources include the exercise of stock options and warrants of the Company. There can be no assurance that additional funds can be raised upon terms acceptable to the Company, or at all, as funding for early-stage companies remains challenging generally. Given the nature of the Company's business as of the date of this MD&A, and in particular, the fact that its operations are undertaken exclusively within a foreign jurisdiction, the Company may face difficulty in accessing traditional sources of financing, notwithstanding that its business operations are conducted in a regulatory environment within which the Company's activities are neither illegal nor subject to conflicting laws.

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any financial arrangements that are excluded from the Financial Statements as of September 30, 2022, nor are any such arrangements outstanding as of the date of this MD&A.

SHARE CAPITAL – OUTSTANDING SHARES

Changes in the number of issued and outstanding shares during the six months ended September 30, 2022 and the year ended March 31, 2022 are as follows:

	Six months ended Sep 30 2022	Year ended Mar 31 2021
Balance, opening	358,165,282	332,888,764
Shares issued per consulting and service agreements	13,333,334	197,318
Exercise of warrants	-	933,333
Exercise of stock options	-	2,166,666
Exercise of RSUs	4,049,000	4,222,000
Shares issued on acquisitions	1,423,963	17,757,201
Balance, closing	376,971,579	358,165,282

The following is selected share capital information related to the Company as at September 30, 2022 and March 31, 2022:

	Sep 30, 2022	Mar 31, 2022
Common shares issued and outstanding	376,971,579	358,165,282
Stock options outstanding	17,600,000	16,900,000
Broker warrants and share purchase warrants outstanding	76,968,127	76,968,127
Restricted share units outstanding	-	6,907,116
Fully diluted share outstanding	471,539,706	458,940,525

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

Non-payroll compensation, paid or payable, during the three and six months ended September 30, 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:

- During the three and six months ended September 30, 2022, the Company was charged \$88,011 and \$244,094, respectively (September 30, 2021 - \$100,500 and \$223,500, respectively) in fees by key management personnel.
- As at September 30, 2022, \$30,278 (March 31, 2022 - \$26,267) was due to key management personnel and included in accounts payable and accrued liabilities.

Equity Transactions

Shares issued during the six months ended September 30, 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:

- On June 13, 2021 the Company issued 8,116,000 RSU's to officer and directors of the Company.
- The Company issued the following stock options to directors and officers of the Company:

Option Grant Date	Options Granted	Option Value
	#	\$
September 13, 2021	200,000	38,443
November 1, 2021	1,000,000	154,378
March 3, 2022	5,750,000	568,229

SUBSEQUENT EVENTS

On October 4, 2022, the Company acquired 100% of the issued and outstanding shares of MiniChamp B.V., located in Horst, The Netherlands, a producer of grow at home mushroom kits with existing distribution channels throughout the European Union. The consideration was comprised of €550,000 cash and 981,466 common shares of the Company with a deemed price of \$0.1009 per share, being the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the acquisition. The Acquisition Agreement provides for up to €100,000 of earn out payments to be made to the Vendor subject to reaching certain sales milestones.

The transaction will be accounted for as a business combination under IFRS 3 – Business Combinations as the operations of MiniChamp B.V. meet the definition of a business. Due to the complexity associated with the valuation process and short period of time between the acquisition date and the reporting date, the identification and measurement of the assets acquired and liabilities assumed is not yet complete as the valuation process and analysis of resulting tax effects is currently in progress. Management will finalize the accounting for this acquisition no later than one year from the date of acquisition and will reflect these adjustments retrospectively as required under IFRS 3.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed interim 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 generate 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 five CGU’s being: RLN Netherlands B.V. (sale of psilocybin truffles), SR Wholesale (wholesale of psychedelic and cannabis related products), Happy Caps (sale of home-grown mushroom kits), AEM (wholesale of functional mushrooms), and Wellness World (SmartShop retail stores).

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.

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

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.

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 4 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.

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.

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.

Accounting Policies, Changes in Accounting Estimates and Errors (Amendments to IAS 8): 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.

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.

COMMITMENTS, PROVISIONS AND CONTINGENCIES

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a loss probable, a provision has been recorded in its financial statements, where proceedings are at a premature stage or the ultimate outcome is not determinable, then no provision is recorded. It is possible that the final resolution of these matters may require the Company to make expenditures over an extended period of time and in a range of amounts that cannot be reasonably estimated and may differ significantly from any amounts recorded in these consolidated financial statements. Should the Company be unsuccessful in its defense or settlement of one or more of these legal actions, there could be a materially adverse effect on the Company's financial position, future expectations, and cash flows.

RISK MANAGEMENT

The following is a description and analysis of the risks associated with financial instruments that may affect the Company:

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 \$87,859.

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 the Canadian dollar. As at September 30, 2022, the Company has less than 10% of total assets and liabilities that are denominated in currencies other than the 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.

	Payments due by period			
	Total	< 1 Year	1-3 Years	4-5 Years
Accounts payable and accrued liabilities	877,638	877,638	-	-
Loans and advances	905,059	905,059	-	-
Lease liability	477,536	142,471	205,738	129,327
Convertible debenture	421,564	421,564	-	-
	2,681,797	2,346,732	205,738	129,327

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 September 30, 2022, the Company estimated its expected credit losses to be \$nil (2021 - \$nil).

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.

RISK FACTORS

Due to the nature of the Company's business, its limited operating history, and its stage of development, an investment in the securities of the Company is highly speculative and involves significant risks and uncertainties. As the Company continues to develop its business, the Company will face numerous challenges, and additional risks and uncertainties not presently known to the Company, or which the Company believes to be immaterial. In the event that such risks and uncertainties materialize, the Company's business, financial condition, and results of operations could be materially adversely affected, and shareholders of the Company could lose all or part of their investment in the Company. Such risks and uncertainties could also cause actual events to differ materially from those described in forward looking statements relating to the Company described in this MD&A and in certain documents incorporated by reference into this MD&A.

The following section summarizes certain of the risks and uncertainties relating to the business of the Company as of the date of this MD&A. The summary of such risks and uncertainties is not intended to be exhaustive, and such risks are in addition to the usual risks associated with investment in a business. Investors should carefully consider the following risks and uncertainties as well as the risk factors set out in the Listing Statement.

Introduction of, or Changes in, Laws, Regulations and Guidelines

Although the cultivation, production and distribution of fresh, unprocessed truffles within the Netherlands is not, as of the date of this MD&A, subject to regulation as, for example, the cannabis industries in Canada and the United States, the Company's operations in the Netherlands remain subject to compliance with the Opium Act, as well as other laws, regulations, and guidelines in effect from time to time enacted by applicable governmental authorities and financial institutions. Although the Company is, to its knowledge, in compliance with all applicable laws and regulations (and intends to continue to comply), there can be no guarantee that new laws, regulations, and guidelines will not be enacted, or that existing or future laws and regulations will not be changed. Any introduction of new (or changes to existing) laws, regulations, and guidelines, or other unanticipated events could require extensive changes to the Company's operations, increase compliance costs, and give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

No Assurance of Commercial Success or Profitability

The successful commercialization of the Company's brand of truffles and its future products in the Netherlands will depend on many factors, including, (i) the Company's ability to establish and maintain new and existing working partnerships with industry partners in order to source, distribute, and market its brand of truffles and other product offerings within the Netherlands, (ii) the Company's ability to supply a sufficient amount of its brand of truffles to meet market demand, and (iii) the number of competitors from time to time competing with the Company within the Netherlands. As the Company continues to grow and expand its operations within the Netherlands, there is a risk that the Netherlands truffles industry may become increasingly competitive in all its phases, and in particular as a result of the possibility that new entrants (including from jurisdictions outside of the Netherlands) could attempt to mirror the Company's business model and establish operations in the Netherlands. There can be no assurance that the Company or its industry partners will be successful in their respective efforts to develop and implement, or assist the Company in developing and implementing, a commercialization strategy for the Company's brand of truffles and future products. Further, there can be no assurance that consumer demand for the Company's truffles and other product offerings will be as anticipated, or that the Company will become profitable.

Limited Operating History in Truffles Industry

The Company began operations in the Netherlands in fiscal Q2 2020 and has a limited operating history within the truffles industry. As such, the Company will be subject to all of the business risks and uncertainties associated with any early staged enterprise, including the risks that it will be unable to (i) successfully cultivate, produce, distribute truffles, (ii) establish a market for its products, (iii) achieve its growth objectives and targets, and/or (iv) successfully assess and meet consumer demand and become profitable. The Company's future growth will depend substantially on its ability to address these and the other risks described in this section of this MD&A, and any failure to successfully address such risks could have a material adverse effect on the business, financial condition and operating results of the Company.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the truffles industry in the Netherlands. A failure in the demand for the Company's brand of truffles and future product offerings to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, financial condition and operating results of the Company.

Unfavourable Publicity or Consumer Perception

The Company's success within the truffles industry may be significantly influenced by consumer perception of truffles generally, or the Company's brand of truffles and future products, any of which can be significantly influenced by scientific research or findings, regulatory investigations,

litigation, media attention and other publicity regarding the consumption of truffles and products produced or manufactured using truffles. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the truffles industry or any particular product offering of the Company, or consistent with earlier publicity. Any adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the business, financial condition and operating results of the Company.

Reliance on Key Personnel

The Company success has depended, and will continue to depend, on the efforts and talents of its executives and employees, including its Chief Executive Officer, and its ability to attract, develop, motivate and retain highly qualified and skilled employees, staff and consultants. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the loss of any of the Company's senior management or key employees could materially adversely affect its ability to execute its business plan and strategy, and it may not be able to find adequate replacements on a timely basis, or at all. The loss of any such key persons or the inability to find and retain new key persons could have a material adverse effect on the business, financial condition and operating results of the Company.

Reliance on a Single Facility

The Company's cultivation and production activities in the Netherlands are conducted exclusively within the Facility, which is located in Horst, the Netherlands, and the Company anticipates that such activities will continue to be conducted within the Facility for the foreseeable future. The Company's operation and the condition of the Facility is, and will be, subject to hazards inherent in the truffles industry, including structural or equipment defects, malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the Facility. Any adverse changes or developments (whether in the Netherlands generally or within the Facility) affecting the Facility could have a material and adverse effect on the Company's ability to continue to cultivate and produce its brand of truffles and could have a material adverse effect on the business, financial condition and operating results of the Company.

Difficulty in Obtaining, or Unviability in Pursuing, EU-GMP Certification of Facility

The Company's business objectives include obtaining EU-GMP certification for the Facility, in order to enable the Company to grow and sell EU-GMP certified truffles within the Netherlands. However, as of the date of this MD&A, in light of, among other things, the existing uncertainty brought about by COVID-19, the Company is further considering and evaluating the economic viability and benefits of proceeding with building-out the Facility in order to obtain EU-GMP certification for the Facility.

As discussed elsewhere in this MD&A, in order to complete the EU-GMP certification for the Facility, the Company must undertake Phase 3, as part of which the Company must engage a

consultancy firm to, among other things, obtain a build-out plan that is tailored to suit the Company's business objectives at the time of such consultation process, as the same may exist in light of the impact of COVID-19 on, among other things, the Company's specific business objectives in respect of, and the reasons for, the EU-GMP certification for the Facility, as well as the then prevailing market and competitive conditions in respect of such objectives. Although obtaining EU-GMP certification for the Facility could potentially provide the Company with a competitive edge, by enabling it to cultivate and sell EU-GMP certified truffles, there can be no guarantee that the Company will commence Phase 3, or that, if Phase 3 is commenced, that the Company will be successful in obtaining EU-GMP certification for the Facility. In particular, as of the date of this MD&A, there is a heightened risk that the Company may ultimately determine that it is not in the best interest of the Company to pursue EU-GMP certification for the Facility. In the event that the Company determines not to obtain, or pursues but fails to obtain, EU-GMP certification for the Facility (including as a result of factors beyond the control of the Company), any such decision or failure could have a material adverse effect on the business, financial condition and operating results of the Company. Further, in the event that the Company is successful in obtaining EU-GMP certification for the Facility, any failure to comply with the requirements of the EU- GMP certification or any failure to maintain the conditions and requirements associated with such EU-GMP certification could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company believes that the following events and circumstances may reasonably be likely to cause actual results with respect to the timing and commencement of Phase 3 to differ materially from those anticipated by the Company and expressed in this MD&A:

- the impact of COVID-19 on general market conditions, and particularly, on (A) the market demand for EU-GMP certified truffles, and (B) the business operations of entities and institutions (and in particular, those engaged in the health and sciences industries) which might otherwise have presented the Company with business-to-business sales channels for the sale of the Company's for EU-GMP certified truffles;
- the impact of measures from time to time implemented by the Company to mitigate unanticipated impacts of COVID-19 on the Company's business operations, including, but not limited to, a potential reallocation of funds to (A) establish and implement new business initiatives, (B) accelerate, increase, reduce, or eliminate existing initiatives, (C) address unexpected setbacks, and (D) pursue strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other opportunities; and
- unanticipated setbacks which may materialize following the date of this MD&A, including, among other things, changes in the rules and regulations established by the European Union in respect of the minimum requirements that a producer must meet to obtain EU-GMP certification, and the Company's inability to identify a cost-effective build-out plan to obtain EU-GMP certification for the Facility.

Liability, Enforcement Complaints, etc.

As a company engaged in the truffles industry within the Netherlands, the Company and/or its subsidiaries may from time to time become subject to litigation, formal or informal complaints, enforcement actions, and inquiries, including by one or more federal or local governmental authorities in the Netherlands. Any such litigation, complaints, and/or enforcement actions involving the Company and/or its subsidiaries could consume a considerable amount of financial and other corporate resources and the time of the Company's management and could have a material adverse effect on the business, financial condition and operating results of the Company.

Reliance on Operations in Foreign Jurisdictions

As of the date of this MD&A, the Company's operations are conducted primarily within the Netherlands. As such, the Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to: (i) renegotiation, nullification, termination or rescission of concessions, licenses, permits and contracts, from time to time held by the Company or to which the Company a party, (ii) changing political conditions, (iii) currency exchange rate fluctuations, (iv) taxation policies, and (v) changing government policies and legislation. The Company's operations within the Netherlands may also be affected in varying degrees by changes to laws, regulations, access to banking and financial institutions, and guidelines applicable to foreign entities with respect to, but not limited to, the production of truffles, price controls, currency remittance, income taxes (including VAT), foreign investment, environmental legislation, and use of real property. Any change in such or similar laws, regulations, and guidelines, or shifts in political attitude, could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition. The Company cannot accurately predict the full impact of any such occurrence on the Company's operations and profitability. Finally, the Company may be subject to the exclusive jurisdiction of courts of the Netherlands in the event of any dispute arising from the Company's operations in the Netherlands.

Product Liability

As a cultivator, producer and distributor of products intended be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory actions and litigation if the Company's product offerings are alleged to have caused loss or injury. In addition, the sale of the Company's product offerings involves the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination and unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of the Company's truffles alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including that the Company's product offerings caused death, injury, illness, or other loss. A product liability claim or regulatory action against the Company could result in increased costs, adversely

affect the Company's reputation with consumers, and could have a material adverse effect on the business, financial condition and operating results of the Company.

Product Viability

In general, truffles have minimal long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry or other supplements or medications. As a result, the Company's brand of truffles could have certain side effects if not used as directed or if taken by an end user that has certain known or unknown medical conditions. If the Company's brand of truffles and future product offerings are not perceived to have the effects intended by the end user, the Company's business and its reputation may suffer, any of which could have a material adverse effect on the business, financial condition and operating results of the Company.

Product Recalls

The Company's brand of truffles, functional mushrooms, grow at home mushroom kits and future product offerings may be subject to the recall or return for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's product offerings are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant number of sales transactions and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention and otherwise distract from day-to-day operations. As such, any product recall could have a material adverse effect on the business, financial condition and operating results of the Company.

Competitive Conditions

The Netherlands is an ideal location to establish and operate a vertically integrated truffles company, primarily due to its favourable regulatory regime, and access to a strong and established consumer base for the sale of truffles. The truffles industry within the Netherlands is an established industry that is highly competitive. The market for access to truffles in the Netherlands has created a competitive environment for truffles producers as well as for Smart Shop operators. The Company faces direct competition to attract and retain end-users and competes with other industry participants that may have greater financial resources and longer operating histories. The chief competitors of the Company's product offerings are expected to be existing producers as well as Smart Shop operators. Although reliable data is limited, the Company believes that, as of the date of this MD&A, there are at least two (2) major producers of truffles within the Netherlands, and more than one hundred (100) Smart Shop operators that offer truffles for sale. To remain competitive, the Company will require a continued high level of investment in acquisitions and investments, research and development, and marketing. The Company may not have sufficient resources to maintain such activities on a competitive basis

which could have a material adverse effect on the business, financial condition and operating results of the Company.

Liquidity and Future Financing

The Company is in its early stage of development and has not yet generated meaningful revenue and will likely operate at a loss until such time as its business becomes established. Although the Company has, as of the date of this MD&A, sufficient capital to fund its ongoing business development and future growth and expansion plans for the foreseeable future, the Company may in the future require additional financing in order to fund such purposes. Furthermore, financial institutions may limit or avoid relationships, financing and the ability to transact to send or receive funds from entities that produce and/or sell psilocybin and psychedelic products due to their classification as narcotic substances. This may affect the Company's ability to transact business in the future. The Company's ability to secure any such required financing will depend, in part, upon investor perception of the Company's ability to build and maintain a successful business, as well as other factors beyond the Company's control. There can be no assurance that the Company will be able to successfully obtain additional financing, or that future financing will occur on terms satisfactory to the Company and/or its shareholders. If adequate funds are not available to the Company, or are not available on acceptable terms, the Company may be required to scale back its business plan or cease operating. Future financing conducted by issuing securities of the Company may result in shareholders suffering additional dilution.

Dependence on Third Parties

The Company has established relationships with various industry partners in the truffles industry in order to begin operations, develop its brand and product recognition, and generate revenue within the Netherlands. As of the date of this MD&A, the Company has acquired and operates SR Wholesale as the primary sales channel of psilocybin product distribution. Furthermore, it has established working relationships with industry partners in the truffles industry within the Netherlands, and to date, the Company's relationships have been a significant contributor to its ability to introduce its brand of truffles within the Netherlands. In particular, as of the date of this MD&A, the Company's brand of truffles is sold within retail establishments operated by industry partners which may be considered competitors of the Company within the truffles industry in the Netherlands, with certain of such industry partners having both their own dedicated SmartShops and cultivation and production facilities. In the event that one or more of the Company's industry partners were to cease distributing the Company's brand of truffles through their own dedicated SmartShops, any such occurrence could have a material adverse effect on the business, financial condition and operating results of the Company.

There can be no assurance that the Company will be able sustain its existing relationships with industry partners or establish and maintain new relationships with industry partners necessary to meet its ongoing business needs. Further, there can be no assurance that industry partners with which the Company has established relationships with will continue to meet the Company's business needs from time to time, on a timely basis, or at all.

Reliance on Informal Arrangements

As of the date of this MD&A, the Company has not entered into any binding written agreements with any of its existing industry partners. Instead, the Company's present business relationships with the Current Industry Partners are based on informal arrangements of a nature customarily entered into by participants in the truffles industry within the Netherlands. As a result, in contrast to companies operating in other industries which may have written agreements with their respective industry partners, the Company is subject to the increased and unique risk that its existing arrangements with its industry partners may be terminated. Any such termination could have a material adverse effect on the business, financial condition and operating results of the Company.

COVID-19 PANDEMIC

The Company's business could be adversely affected by the effects of the outbreak of novel coronavirus ("COVID-19"). Several significant measures have been implemented in Canada and the rest of the world in response to the impact from COVID-19. Although some of these measures have been amended or repealed, there remains a future risk of reinstated measures in response to the spread of COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties' ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company's business including without limitation, employee health, workplace productivity, and other factors that will depend on future developments beyond the Company's control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries resulting in an economic downturn that could negatively impact the Company's financial position, financial performance, cash flows, and its ability to raise capital. Since the initial outset of the pandemic, COVID-19 has not had a direct, material impact on the Company's operations and financial performance.

CAUTION REGARDING FORWARD LOOKING INFORMATION AND STATEMENTS

This MD&A contains FLS within the meaning of applicable securities legislation which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company or industry results, to be materially different from any future results, events, expectations, performance or achievements expressed or implied by such FLS. All statements, other than statements of historical fact, included herein may be FLS. FLS typically contains words or phrases such as "may", "outlook", "objective", "intend", "estimate", "anticipate", "should", "could", "would", "will", "expect", "believe", "plan", "predict" and other similar terminology suggesting future outcomes or events. FLS involves numerous assumptions and should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Readers of this MD&A should not unduly rely on FLS as

a number of factors, many of which are beyond the control of the Company, could cause actual performance or results to differ materially from the performance or results discussed in the FLS.

Forward looking information and statements included throughout this MD&A include, but are not limited to, statements pertaining to the following:

- the Company's performance, business objectives and milestones and the anticipated timing and effects of, and costs in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions, the launch, team, vision, supply, production and promotion of MISTERCAP and its products, the launch and production of Wisdom Truffle and Moon units, the development and roll out of the Wellness World brand and VR Module, and the Company's focus on top line revenue growth and its conversion to the bottom line);
- the Company's future growth prospects and intentions to pursue one or more viable business opportunities;
- the Company's ability to execute on its business plan and obtain, maintain, and renew or extend, applicable licenses and authorizations, including the timing and impact of the receipt thereof;
- the development of the Company's business and future activities following the date of this MD&A;
- expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- expectations with respect to economic, business, regulatory and/or competitive factors related to the Company and the industries within which it operates generally;
- the Company's strategic investments and capital expenditures, and related benefits;
- the Company continuing to grow its online retail and brick-and-mortar stores;
- the Company's ability to harvest, package, distribute, expand and increase sales of its products (including, without limitation, under its brands iMicrodose, Maka, Happy Caps and MISTERCAP), leading to the Company's increased revenue and brand exposure;
- the market for the Company's current and proposed product offerings, as well as its ability to market and brand its products and the proposed mediums of distribution;
- the Company's expectations concerning the partnership with CCrest Laboratories (including, without limitation, product testing, product development, studies of psilocybin and import licenses);
- the Company developing intellectual property, conducting scientific studies and achieving the industrial-scale commercialization of its current and future products;
- the Company producing and distributing its anticipated volume of products upon the timelines indicated herein;
- the Company's ability to expand and develop its production facilities, distribution network and partnerships within the timelines provided herein;
- the Company's hitting its revenue expectations;
- the Company creating and executing on its production, manufacturing and distribution plans in accordance with applicable laws and regulations;

- psilocybin usage becoming decriminalized in the United States within the timelines set out herein;
- the Company, in partnership with Radix Motion, building innovative technology (including, without limitation, Moon, Star and SuperNova) and increasing scientific data around microdosing that will provide the anticipated benefits to the Company and the Company's customers, within the timelines provided herein;
- the Company's intention to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;
- the Company providing future information on its brands and product launches;
- the development of the Company's business, brands and future activities following the date of this MD&A;
- the market for the Company's current and future product offerings as well as the Company's ability to capture market share;
- future operations of SLSI;
- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share;
- the realization of cost savings, synergies or benefits from the Company's recent and proposed acquisitions, and the Company's ability to successfully integrate the operations of any business acquired within the Company's business;
- future plans in Brazil, Jamaica, St. Vincent the Grenadines and European Union;
- the Company's ability to generate cash flow from operations and from financing activities; and
- the Company hitting its forecasted revenue and sales projections for fiscal 2023 and beyond.

Forward looking information and statements included throughout this MD&A are based on a number of factors and assumptions which have been used to develop such statements and information, but which may prove to be incorrect, including, but not limited to, assumptions about:

- current and future members of the Company's management abiding by the business objectives and strategies from time to time established by the Company;
- the Company retaining and supplementing its board of directors and management, or otherwise, engaging consultants and advisors having knowledge of the industries (or segments thereof) within which the Company may from time to time participate;
- the Company having sufficient working capital and the ability to obtain the financing required to develop and continue its business and operations;
- the Company continuing to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be;
- no adverse changes will be made in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future;

- general, economic, financial, market, regulatory and political conditions, including the impact of COVID-19, will not negatively affect the Company or its business;
- continuous demand for the Company's current and future product offerings;
- the Company effectively managing anticipated and unanticipated costs;
- the Company executing on its business strategy as anticipated (including, without limitation, the launch, team, vision, supply, production of MISTERCAP and its products, the development and roll out of the Wellness World brand and VR Module, and the Company's focusing on top line revenue growth and its conversion to the bottom line);
- the Company generating cash flow from operations, including, where applicable, through the distribution and sale of its current and future products;
- the Company conducting its operations in a safe, efficient and effective manner;
- the Company hitting its forecasted revenue and sales projections for the third fiscal quarter of 2023 and beyond;
- the Company continuing to grow its online retail portfolio and brick-and-mortar store locations to the Company's business and remain on a positive growth trajectory;
- the Company initiating the development, production, distribution, promotion and sale of its products within the timelines provided herein;
- continued approval of the Company's activities by the relevant governmental and/or regulatory authorities;
- product testing yielding favourable results;
- the Company expanding its production and distribution network and entering into and maintaining pertinent partnerships;
- the Company finding viable opportunities to expand its business to new jurisdictions;
- the Company will build innovative technology;
- the Company's ability to launch, manufacture, distribute and sell all the products on the terms and timelines outlined herein; and
- the Company devoting resources to the protection of its intellectual property rights.

Although the Company believes that the expectations reflected in this FLS are reasonable, no assurance can be given that these expectations will prove to be correct. As such, forward-looking statements included in this MD&A and in the documents incorporated by reference into this MD&A should not be unduly relied upon.

Further, readers are cautioned that forward looking statements involve known and unknown risks, uncertainties and other factors (many of which are beyond the Company's ability to predict or control) that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. In particular, the Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, which should not be considered exhaustive:

- the Company's inability to attract and retain qualified members of management to grow the business and/or its operations;
- unanticipated changes in general economic, business and market conditions or in applicable laws;

- the impact of the publications of inaccurate or unfavourable research by securities analysts or other third parties;
- the Company's inability to execute objectives, including expanding its production and distribution networks and entering into and/or maintaining requisite partnerships within the timelines outlined herein or at all;
- the Company's failure to complete future acquisitions or enter into strategic business relationships;
- unanticipated changes in the industries, regulations and jurisdictions within which the Company may from time to time conduct its business and operations, including the Company's inability to respond or adapt to such changes;
- the Company's inability to secure or maintain favourable lease arrangements or the required authorizations necessary to conduct the business and operations and meet its targets;
- the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company;
- the Company's inability to increase its revenue through the third fiscal quarter of 2023, and the remainder of the year, or that it will decrease and/or plateau;
- the Company will be unable to grow its online retail and brick-and-mortar store portfolio;
- fluctuation in foreign exchange or interest rates;
- the Company's inability to meet its performance, business objectives and/or milestones and/or realize the effects of, on the anticipated timing of or at all, in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions, the launch, team, vision, supply, production and promotion of MISTERCAP and its products, the launch and production of Wisdom Truffle and Moon units, the development and roll out of the Wellness World brand and VR Module, and the Company's focus on top line revenue growth and its conversion to the bottom line)
- the Company's inability to produce and distribute its product offerings and capture market share;
- liabilities inherent in the operations of the Company as a participant in the mushroom industry;
- the Company's inability to develop its business, brands and future activities following the date of this MD&A; and
- the Company's inability to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;

Readers are cautioned that the foregoing lists of factors are not exhaustive. The FLS contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. These FLS speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A.