

**RED LIGHT HOLLAND CORP.**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2022 AND 2021**

**(Expressed in Canadian Dollars)**

## **MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### ***NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS***

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of Red Light Holland Corp. (the "Company") have been prepared by, and are the responsibility of, the Company's management. The unaudited condensed interim consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada (these statements are prepared under International Financial Reporting Standards (IFRS)) and reflect management's best estimates and judgment based on information currently available. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**RED LIGHT HOLLAND CORP.**  
**Condensed Interim Consolidated Statements of Financial Position (unaudited)**  
**(Expressed in Canadian Dollars)**  
**As at December 31, 2022 and March 31, 2022**

	December 31, 2022	March 31, 2022
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 19,695,794	\$ 26,093,738
Accounts receivable	355,454	380,869
Sales tax receivable	317,163	127,512
Income tax receivable	4,069	15,638
Marketable securities (Note 5)	112,949	527,813
Prepaid expenses and deposits	615,366	220,641
Inventory (Note 6)	677,972	382,391
<b>TOTAL CURRENT ASSETS</b>	<b>21,778,767</b>	<b>27,748,602</b>
<b>NON-CURRENT ASSETS</b>		
Property and equipment (Note 7)	4,847,133	2,877,298
Marketable securities (Note 5)	666,302	682,332
Right of use asset (Note 12)	397,423	202,066
Prepaid expenses and deposits – long term (Note 16(a)(iv))	700,000	-
Call Option (Note 4)	108,848	110,608
Intangible assets (Note 8)	403,563	594,767
Goodwill (Note 9)	1,608,199	722,992
<b>TOTAL ASSETS</b>	<b>\$ 30,510,235</b>	<b>\$ 32,938,665</b>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 20)	\$ 1,059,889	\$ 1,382,686
Loans and advances (Note 14)	905,059	905,059
Convertible debenture (Note 10)	442,151	385,440
Lease liability – current portion (Note 13)	123,307	59,294
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,530,406</b>	<b>2,732,479</b>
<b>NON-CURRENT LIABILITIES</b>		
Lease liability (Note 13)	290,376	150,419
Contingent consideration (Note 11)	150,000	294,035
Deferred tax liability	451,172	603,743
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>891,548</b>	<b>1,048,197</b>
<b>TOTAL LIABILITIES</b>	<b>3,421,954</b>	<b>3,780,676</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 16(a))	41,140,597	38,286,226
Shares to be issued (Note 16(e))	-	24,721
Warrants (Note 16(f))	10,701,239	10,701,239
Contributed surplus	3,922,397	4,755,373
Non-controlling interest (Note 15)	600,997	681,070
Accumulated other comprehensive loss	(72,157)	(158,617)
Accumulated deficit	(29,204,792)	(25,132,023)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>27,088,281</b>	<b>29,157,989</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 30,510,235</b>	<b>\$ 32,938,665</b>
NATURE OF OPERATIONS (Note 1)		
PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 19)		

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

**RED LIGHT HOLLAND CORP.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
<b>REVENUE</b> (Note 17)	1,175,235	622,247	2,696,749	1,703,122
<b>COST OF SALES</b> (Note 6)	588,081	389,455	1,532,742	1,217,630
<b>GROSS PROFIT</b>	587,154	232,792	1,164,007	485,492
<b>OPERATING EXPENSES</b>				
General and administrative (Note 22)	1,703,606	1,185,759	4,258,220	3,971,743
Share based payments (Note 16(b))	87,509	94,960	516,795	2,713,901
Interest expense	8,673	18,351	19,153	48,032
Research expense	112,841	-	344,737	-
	1,912,629	1,299,070	5,138,905	6,733,676
<b>LOSS BEFORE OTHER ITEMS AND TAXES</b>	(1,325,475)	(1,066,278)	(3,974,898)	(6,248,184)
<b>OTHER ITEMS</b>				
Realized (loss) gain on sale of marketable securities (Note 5)	-	-	(19,364)	93,823
Unrealized change in fair value of marketable securities (Note 5)	(99,336)	(189,159)	(346,191)	(1,000,957)
Reversal of provision for sales tax receivable	205,636	-	205,636	-
Contractual break fee (Note 23)	-	-	-	400,000
Foreign exchange loss	(4,579)	(8,123)	(9,183)	(9,019)
Change in fair value of convertible debenture (Note 10)	(46,759)	42,003	(56,711)	211,889
Change in fair value of call option (Note 4)	358	-	(1,760)	-
Change in fair value of contingent consideration (Note 11)	(158,345)	-	(205,965)	-
Interest income	54,725	14,831	106,836	47,608
<b>NET LOSS BEFORE TAXES</b>	(1,373,775)	(1,206,726)	(4,301,600)	(6,504,840)
Provision for income taxes (Note 24)	61,429	-	148,758	-
<b>NET LOSS</b>	(1,312,346)	(1,206,726)	(4,152,842)	(6,504,840)
<b>NET LOSS ATTRIBUTABLE TO:</b>				
Shareholders of Red Light Holland Corp.	(1,305,436)	(1,180,255)	(4,072,769)	(6,478,369)
Non-controlling Interests (Note 15)	(6,910)	(26,471)	(80,073)	(26,471)
<b>NET LOSS</b>	(1,312,346)	(1,206,726)	(4,152,842)	(6,504,840)
Foreign currency translation	117,121	(59,921)	86,460	(36,523)
<b>COMPREHENSIVE LOSS</b>	(1,195,225)	(1,266,647)	(4,066,382)	(6,541,363)
<b>LOSS PER SHARE – Basic and diluted</b> (Note 16(d))	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b> – Basic and diluted	378,439,289	363,615,281	376,812,501	351,831,767

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

**RED LIGHT HOLLAND CORP.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the nine months ended December 31, 2022 and 2021**

	Common Shares #	Common Shares \$	Shares to be Issued \$	Warrants \$	Contributed Surplus \$	Non- controlling Interest \$	Accumulated Other Compre- nsive Loss \$	Deficit \$	Shareholders' Equity (Deficiency) \$
<b>Balance, March 31, 2022</b>	<b>358,165,282</b>	<b>38,286,226</b>	<b>24,721</b>	<b>10,701,239</b>	<b>4,755,373</b>	<b>681,070</b>	<b>(158,617)</b>	<b>(25,132,023)</b>	<b>29,157,989</b>
Exercise of RSUs (Note 16(e))	5,604,559	1,374,492	(24,721)	-	(1,349,771)	-	-	-	-
Shares issued for services (Note 16(a))	13,625,731	1,025,000	-	-	-	-	-	-	1,025,000
Shares issued on acquisitions (Note 4)	2,288,505	204,879	-	-	-	-	-	-	204,879
Shares issued for contingent consideration (Note 11)	957,853	250,000	-	-	-	-	-	-	250,000
Share based payments	-	-	-	-	516,795	-	-	-	516,795
Net loss and comprehensive loss	-	-	-	-	-	(80,073)	86,460	(4,072,769)	(4,066,382)
<b>Balance, December 31, 2022</b>	<b>380,641,930</b>	<b>41,140,597</b>	<b>-</b>	<b>10,701,239</b>	<b>3,922,397</b>	<b>600,997</b>	<b>(72,157)</b>	<b>(29,204,792)</b>	<b>27,088,281</b>
<b>Balance, March 31, 2021</b>	<b>332,888,764</b>	<b>31,221,429</b>	<b>-</b>	<b>11,016,132</b>	<b>2,598,334</b>	<b>-</b>	<b>(15,948)</b>	<b>(10,764,896)</b>	<b>34,055,051</b>
Exercise of warrants (Note 16(f))	933,333	104,398	-	(48,398)	-	-	-	-	56,000
Exercise of stock options (Note 16(b))	2,166,667	354,730	-	-	(157,245)	-	-	-	197,485
Shares issued on acquisitions (Note 4)	24,057,200	7,548,030	-	-	-	-	-	-	7,548,030
Shares issued for services (Note 16(a))	197,318	51,302	-	-	-	-	-	-	51,302
Exercise of RSUs (Note 16(e))	3,372,000	1,213,920	-	-	(1,213,920)	-	-	-	-
Share based payments	-	-	-	-	2,713,901	-	-	-	2,713,901
Non-controlling interest (Note 15)	-	-	-	-	-	1,718,000	-	-	1,718,000
Net loss and comprehensive loss	-	-	-	-	-	(26,471)	(36,523)	(6,478,369)	(6,541,363)
<b>Balance, December 31, 2021</b>	<b>363,615,282</b>	<b>40,493,809</b>	<b>-</b>	<b>10,967,734</b>	<b>3,941,070</b>	<b>1,691,529</b>	<b>(52,471)</b>	<b>(17,243,265)</b>	<b>39,798,406</b>

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

**RED LIGHT HOLLAND CORP.**  
**Condensed Interim Consolidated Statements of Cash Flows (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the nine months ended December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (4,152,842)	\$ (6,504,840)
Items not affecting cash:		
Unrealized loss in fair value of marketable securities (Note 5)	346,191	1,000,957
Realized loss (gain) on sale of marketable securities (Note 5)	19,364	(93,823)
Change in fair value of convertible debenture (Note 10)	56,711	(211,889)
Change in fair value of call option (Note 4)	1,760	-
Change in fair value of contingent consideration (Note 11)	205,965	-
Reversal of provision for sales tax receivable	(205,636)	-
Amortization and depreciation	443,722	332,494
Interest and accretion	18,232	33,745
Share based payments	516,795	2,765,203
Shares issued for services	25,000	-
Deferred tax recovery (Note 24)	(152,571)	-
Movements in working capital:		
Accounts receivable	87,447	(80,801)
Sales tax receivable	15,985	(218,577)
Inventory (Note 6)	(68,429)	(23,002)
Prepaid expenses	(94,725)	64,780
Income tax receivable	11,569	-
Loans and advances	-	397,509
Accounts payable and accrued liabilities	(400,467)	(294,962)
<b>Cash flows used in operating activities</b>	<b>(3,325,929)</b>	<b>(2,833,206)</b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Proceeds from sale of marketable securities (Note 5)	65,339	161,610
Acquisition of subsidiaries-net of cash acquired (Note 4)	(957,974)	(337,823)
Acquisitions earn out payment (Note 11)	(100,000)	(50,000)
Acquisition of property and equipment (Note 7)	(2,065,208)	(473,406)
Acquisition of intangible assets (Note 8)	-	(615,749)
<b>Cash flows used in investing activities</b>	<b>(3,057,843)</b>	<b>(1,315,368)</b>
<b>CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES</b>		
Exercise of warrants	-	56,000
Exercise of options	-	197,485
Lease payments (Note 13)	(98,920)	(41,381)
<b>Cash flows from financing activities</b>	<b>(98,920)</b>	<b>212,104</b>
Effect of changes in foreign currency rates on cash	84,748	10,971
<b>CHANGE IN CASH</b>	<b>(6,482,692)</b>	<b>(3,925,499)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>26,093,738</b>	<b>31,185,487</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 19,695,794</b>	<b>\$ 27,259,988</b>
<b>SUPPLEMENTAL INFORMATION:</b>		
Shares issued for services	1,025,000	51,302
Shares issued for acquisitions	204,879	7,548,030

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

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****1. NATURE OF OPERATIONS**

Red Light Holland Corp. ("RLHC" or the "Company") 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. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "TRIP".

**2. BASIS OF PRESENTATION***Statement of compliance*

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's March 31, 2022 audited annual consolidated financial statements.

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

These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on February 27, 2023.

*Principles of consolidation*

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

<b>Name of subsidiary</b>	<b>Country of Incorporation</b>	<b>Functional Currency</b>	<b>Dec 31 2022 Percentage Ownership</b>	<b>Dec 31 2021 Percentage Ownership</b>
RLH Netherlands B.V.	Netherlands	EUR	100%	100%
Red Light Holland (Subco 1) Inc.	Canada	CAD	100%	100%
Red Light Holland (Subco 2) Inc.	Canada	CAD	100%	100%
SR Wholesale B.V.	Netherlands	EUR	100%	100%
Red Light Acquisition Inc.	United States	USD	100%	100%
Radix Motion Inc.	United States	USD	100%	100%
4316747 Nova Scotia Limited ("Happy Caps")	Canada	CAD	80%	80%
Acadian Exotic Mushrooms Ltd. ("AEM")	Canada	CAD	51%	51%
Mera Life Sciences LLC	St Vincent	USD	100%	100%
Wellness World Oss BV	Netherlands	EUR	100%	-
Wellness World Utrecht BV	Netherlands	EUR	100%	-
Minichamp BV	Netherlands	EUR	100%	-

*Functional and presentation currency*

The condensed interim consolidated financial statements are presented in Canadian ("CAD") dollars, except as otherwise noted, which is the functional currency of the Company.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

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**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Critical accounting judgements and 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. Significant judgements, estimates and assumptions within these condensed interim consolidated financial statements remain the same as those applied to the consolidated financial statements for the year ended March 31, 2022.

**(b) Accounting policies**

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's March 31, 2022 annual consolidated financial statements, except for the adoption of new standards and interpretations as of April 1, 2022.

***Future accounting standards***

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

***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.



**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****4. BUSINESS ACQUISITIONS****(i) RADIX MOTION INC. ("Radix")**

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

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

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

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

<b>Assets Acquired</b>	<b>\$</b>
Cash	11,459
Property and equipment	3,837
Intangible assets: in-process research & development ("IPR&D")	4,194,158
<b>Net assets as at June 7, 2021</b>	<b>4,209,454</b>
<b>Consideration</b>	<b>\$</b>
Cash	81,388
Common shares	4,128,066
	<b>4,209,454</b>

**(ii) 4316747 NOVA SCOTIA LIMITED ("HAPPY CAPS")**

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

The Acquisition was completed effective June 10, 2021, pursuant to the terms of the definitive agreement, pursuant to which the Company acquired 80% of the issued and outstanding shares of Happy Caps for \$571,982. The consideration was comprised of \$50,000 cash and 1,290,323 common shares of the Company (the "Red Light Shares") with a fair value of \$380,327. The Red Light Shares issued are subject to a statutory hold period expiring on October 11, 2021. The Acquisition Agreement provides for up to \$550,000 of earn out payments to be made to the vendors, subject to reaching certain sales milestones, with all milestones subject to minimum gross margin requirements. The fair value assigned to the future earn out payments was \$141,655 on the acquisition date. During the year ended March 31, 2022, the first earn-out milestone was achieved and the associated payment of \$50,000 was recorded as a reduction in contingent consideration. During the nine months ended December 31, 2022, upon meeting the targets of two earn-out milestones, additional payments in the aggregate amount of \$100,000 were recorded as a reduction in contingent consideration. See Note 11 for further detail on the contingent consideration.

In addition to the foregoing, as per the terms of the Acquisition Agreement, the Vendors have granted the Company an option to acquire the remaining shares in Happy Caps, thus allowing the Company to become the sole shareholder of Happy Caps (the "Call Option"), at a 100% enterprise value equal to \$2,500,000. The Call Option can be exercisable at any time following a period of two (2) years from closing. The consideration under the Call Option, if exercised, may be satisfied in Red Light Shares, on the basis of a deemed price per Red Light Share equal to the volume weighted average price per Red Light Share on the CSE for the 10 consecutive trading days preceding closing of the Call Option.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**4. BUSINESS ACQUISITIONS (continued)**

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

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

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

<b>Consideration</b>	<b>\$</b>
Cash	50,000
Contingent consideration	141,655
Common shares	380,327
	<b>571,982</b>

<b>Purchase price allocation</b>	<b>\$</b>
Net identifiable assets acquired	242,483
Non-controlling interest (net of a 20% discount)	(114,397)
Goodwill	443,896
	<b>571,982</b>

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

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

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

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

From the date of acquisition to December 31, 2021, Happy Caps contributed \$165,814 to the Company's revenues and \$21,327 to the net earnings. Had the acquisition occurred on April 1, 2021, the Company's revenue and net earnings for the nine months ended December 31, 2021 would have increased by \$56,897 and \$7,318 respectively.

The financial asset comprised of the Call Option with a fair value of \$108,848 (March 31, 2022 - \$110,608) was determined using a black scholes model. The key assumptions used in the model related to the call option at December 31, 2022 include: (i) volatility of 75%; (ii) risk free rate: 3.28%; (iii) expected life: 10 years; (iv) underlying enterprise value (20%): \$143,333; (v): strike price: \$500,000 (March 31, 2022 - (i) volatility of 75%; (ii) risk free rate: 1.94%; (iii) expected life: 10 years; (iv) underlying enterprise value (20%): \$143,333; (v): strike price: \$500,000).

For the nine months ended December 31, 2022 a change in fair value of the call option of \$1,760 (2021 - \$nil) was recorded in the condensed interim consolidated statements of loss.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**4. BUSINESS ACQUISITIONS (continued)**

**(iii) Acadian Exotic Mushrooms Ltd ("AEM")**

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

The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated September 7, 2021, pursuant to which the Company acquired 51% of the issued and outstanding shares of AEM for aggregate consideration of \$1,164,048. The consideration was comprised of \$230,000 cash and 3,065,135 common shares of the Company (the "Red Light Shares"), with each Red Light Share priced at \$0.26 being the price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition. In calculating the fair value of the share consideration, a discount for the lack of marketability of 12% was applied. The Acquisition Agreement provides for up to 1,915,708 additional Red Light Shares (the "Earn-Out Shares") to be issued to the vendors subject to the satisfaction of certain milestones. The Company and the vendors have also entered into an offtake agreement, subject to which, the vendors will ensure a minimum purchase price of \$6 per pound for all output from the facility for 3-year period. The Earn-Out Shares have been classified as liabilities and have been included in the condensed interim consolidated statements of financial position as contingent consideration. See Note 11 for further discussion on the contingent consideration.

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

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

<b>Net assets acquired</b>	<b>\$</b>
Cash	1,195
Sales tax receivable	9,092
Prepays	6,168
Property, plant and equipment	2,502,584
Accounts payable	(10,511)
Loans payable	(618,704)
Deferred tax liability	(560,153)
<b>Net assets as at September 7, 2021</b>	<b>1,329,671</b>
<b>Consideration</b>	<b>\$</b>
Cash	230,000
Contingent share consideration	202,380
Common shares	731,668
	<b>1,164,048</b>
<b>Purchase price allocation</b>	<b>\$</b>
Net identifiable assets acquired	1,329,671
Non-controlling interest (net of 20% discount)	(894,719)
Goodwill	729,096
	<b>1,164,048</b>

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

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

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

From the date of acquisition to December 31, 2021, AEM contributed \$nil to the Company's revenues and \$86,741 to the net loss. Had the acquisition occurred on April 1, 2021, the Company's revenue and net loss for the nine months ended December 31, 2021 would have increased by \$nil and \$119,929 respectively.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**4. BUSINESS ACQUISITIONS (continued)**

**(iv) Mera Life Sciences LLC (“Mera”)**

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

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

The remaining 6,300,000 Red Light Shares are held in escrow by the Company's legal counsel and will only be issued to the vendors of Mera when the milestones are met. As at March 31, 2022 and December 31, 2022, such milestone events have not been met. For the condensed interim consolidated financial statements on December 31, 2021, the escrow shares were reported as part of the purchase price consideration as a provisional assessment of the transaction and subsequently amended to escrow shares in the audited consolidated financial statements on March 31, 2022.

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

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

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

<b>Purchase price</b>	<b>\$</b>
700,000 common shares	189,000
<b>Consideration paid in excess of net assets acquired.</b>	<b>189,000</b>

**(v) Wellness World Utrecht BV and Wellness World Oss BV (“Wellness World”)**

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, two of the Netherlands premiere retail shops for quality psychedelic truffles. 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 paid in cash and €60,000 satisfied through the issuance of shares. The acquisition of Oss had total consideration of €100,000 consisting of €70,000 paid in cash and €30,000 satisfied through the issuance of shares.

The total fair value of consideration of \$392,160 is comprised of \$274,511 (€210,000) in cash plus 1,423,963 common shares of Red Light Holland with a fair value of \$117,649. The common shares are subject to a statutory hold period of four months and one day and shall be deposited into escrow and released every six months in 25% allotments.

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****4. BUSINESS ACQUISITIONS (continued)**

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

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

<b>Net assets acquired</b>	<b>\$</b>
Cash	1,163
Inventory	91,180
Equipment	8,390
Right-of-use asset	190,607
Accounts payable	(1,162)
Lease liability	(190,607)
<b>Net assets as at August 1, 2022</b>	<b>99,571</b>
<b>Consideration</b>	<b>\$</b>
Cash	274,511
Common shares	117,649
	<b>392,160</b>
<b>Purchase price allocation</b>	<b>\$</b>
Net identifiable assets acquired	99,571
Goodwill	292,589
	<b>392,160</b>

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

From the date of acquisition to December 31, 2022, Wellness World contributed \$127,815 to the Company's revenue and \$46,825 to the Company's net loss. Had the acquisition occurred on April 1, 2022, the Company's revenue and net loss for the nine months ended December 31, 2022 would have increased by \$102,588 and \$37,583, respectively.

**(vi) Minichamp BV ("Minichamp")**

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 864,542 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 and, as of the reporting date, no financial liability has been recognized in relation to the future potential earn out payments.

The transaction has been 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. Differences between these provisional estimates and the final acquisition accounting may occur and these differences could have a material impact on the Company's future financial position and results of operations.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**4. BUSINESS ACQUISITIONS (continued)**

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

<b>Net assets acquired</b>	<b>\$</b>
Cash	58,754
Accounts receivable	62,032
Inventory	135,972
Equipment	47,932
Accounts payable	(76,508)
<b>Net assets as at October 4, 2022</b>	<b>228,182</b>
<b>Consideration</b>	<b>\$</b>
Cash	743,380
Common shares	87,230
	<b>830,610</b>
<b>Purchase price allocation</b>	<b>\$</b>
Net identifiable assets acquired	228,182
Goodwill	602,428
	<b>830,610</b>

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

From the date of acquisition to December 31, 2022, Minichamp contributed \$144,695 to the Company's revenue and \$26,639 to the Company's net earnings. Had the acquisition occurred on April 1, 2022, the Company's revenue and net earnings for the nine months ended December 31, 2022 would have increased by \$305,833 and \$56,305, respectively.

**5. MARKETABLE SECURITIES**

	<b>Number of Securities</b>	<b>Cost</b>	<b>Value</b>
PharmaDrug Inc. – common shares (level 1)	1,500,000	63,750	22,500
PharmaDrug Inc. – warrants (level 2)	12,000,000	392,596	47,601
FSD Pharma Inc. – shares (level 1)	41,200	50,000	42,848
Elevate Farms Inc. – shares (level 3)	22,988	100,000	432,634
Elevate Farms Inc. – warrants (level 3)	22,988	-	233,668
Balance, December 31, 2022		606,346	779,251
Current Portion			112,949
Long-Term Portion			666,302
Total			779,251

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****5. MARKETABLE SECURITIES (continued)**

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

The fair value of the PharmaDrug warrants as at December 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 1.5 years; expected volatility – 146%; expected interest rate – 3.55%. The fair value of these warrants as at March 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 2.3 years; expected volatility – 146%; expected interest rate – 2.27%.

Based on management's intention and ability, the investment in Elevate Farms Inc. has been classified as non-current. Elevate is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. The share price has been estimated based on Elevate's recent financings.

The fair value of the Elevate Farms warrants as at December 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: share price - \$18.82; term – 0.1 years; expected volatility – 77%; expected interest rate – 4.52%. The fair value of these warrants as at March 31, 2022 was estimated using the Black-Scholes option pricing model using the following assumptions: share price - \$18.82; term – 0.9 years; expected volatility – 77%, expected interest rate – 1.94%.

During the three and nine months ended December 31, 2022, the Company sold nil and 1,993,000 shares of PharmaDrug, respectively, for proceeds of \$nil and \$65,339, respectively, resulting in a loss on sale of marketable securities of \$nil and \$19,364, respectively. During the three and nine months ended December 31, 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.

	Level 1	Level 2	Level 3	Total
At March 31, 2022	\$ 202,505	\$ 325,308	\$ 682,332	\$ 1,210,145
Disposals	(84,703)	-	-	(84,703)
Revaluation to fair market value	(52,454)	(277,707)	(16,030)	(346,191)
At December 31, 2022	\$ 65,348	\$ 47,601	\$ 666,302	\$ 779,251
At March 31, 2021	\$ 483,360	\$ 912,211	\$ 200,000	\$ 1,595,571
Transfer	50,000		(50,000)	-
Disposals	(67,787)	-	-	(67,787)
Revaluation to fair market value	(288,934)	(662,023)	(50,000)	(1,000,957)
At December 31, 2021	\$ 176,639	\$ 250,188	\$ 100,000	\$ 526,827

For the three and nine months ended December 31, 2022 the unrealized change in fair value of marketable securities amounted to a loss of \$99,336 and \$346,191, respectively (December 31, 2021 – a loss of \$189,159 and \$1,000,957, respectively), which is recorded in the condensed interim consolidated statements of loss and comprehensive loss.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**5. MARKETABLE SECURITIES (continued)**

Fair value hierarchy

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

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the condensed interim consolidated statements of financial position as at December 31, 2022 and March 31, 2022:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	
December 31, 2022	\$ 65,348	\$ 47,601	\$ 666,302	\$ 779,251
March 31, 2022	\$ 202,505	\$ 325,308	\$ 682,332	\$ 1,210,145

Level 2 financial instruments includes warrants of public issuers.

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

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

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

Description	Fair value at December 31, 2022	Valuation-technique / unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	\$ 666,302	Recent financing activity	85.5	Additional recent financing activity

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

For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- \$166,575 change in the total fair value of the investments as at December 31, 2022 (March 31, 2022 - \$170,583).



**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**5. MARKETABLE SECURITIES (continued)**

While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances. The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

**6. INVENTORY**

	Dec 31, 2022	Mar 31, 2022
Materials	\$ 179,929	\$ 29,612
Merchandise	23,969	23,969
Finished Goods	474,074	328,810
Inventory	\$ 677,972	\$ 382,391

For the three and nine months ended December 31, 2022, inventory recognized as an expense amounted to \$588,081 and \$1,532,742, respectively, (December 31, 2021 - \$389,455 and \$1,217,630, respectively), which is included in cost of sales in the condensed interim consolidated statements of loss and comprehensive loss

**7. PROPERTY AND EQUIPMENT**

	Land	Buildings	Equipment	Leasehold improvements	Vehicle	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance, Mar 31, 2021	-	-	69,308	26,257	36,341	131,906
Foreign currency adjustment	-	-	(1,652)	(1,612)	(1,985)	(5,249)
Acquisition - AEM	40,000	2,460,000	2,584	-	-	2,502,584
Acquisition - Radix	-	-	3,837	-	-	3,837
Additions	-	27,169	386,022	-	-	413,191
Balance, Mar 31, 2022	40,000	2,487,169	460,099	24,645	34,356	3,046,269
Foreign currency adjustment	-	-	11,163	-	5,054	16,217
Acquisitions	-	-	51,732	-	4,590	56,322
Transfer	-	-	(10,799)	-	10,799	-
Disposal	-	-	-	(24,645)	-	(24,645)
Additions	1,377,635	616,442	71,131	-	-	2,065,208
Balance, Dec 31, 2022	1,417,635	3,103,611	583,326	-	54,799	5,159,371
<b>Accumulated Depreciation</b>						
Balance, Mar 31, 2021	-	-	4,691	3,501	1,772	9,964
Foreign currency adjustment	-	-	42,094	(1,316)	(4,337)	36,441
Depreciation	-	71,474	18,128	22,460	10,504	122,566
Balance, Mar 31, 2022	-	71,474	64,913	24,645	7,939	168,971
Foreign currency adjustment	-	-	5,383	-	6,343	11,726
Transfer	-	-	(10,799)	-	10,799	-
Disposal	-	-	-	(24,645)	-	(24,645)
Depreciation	-	74,116	75,706	-	6,364	156,186
Balance, Dec 31, 2022	-	145,590	135,203	-	31,445	312,238
<b>Carrying amount</b>						
Balance, Mar 31, 2022	40,000	2,415,695	395,186	-	26,417	2,877,298
Balance, Dec 31, 2022	1,417,635	2,958,021	448,123	-	23,354	4,847,133

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****7. PROPERTY AND EQUIPMENT (continued)**

For the three and nine months ended December 31, 2022, depreciation expense related to property and equipment amounted to \$53,818 and \$156,186, respectively, (December 31, 2021 - \$23,461 and \$42,663, respectively), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

**8. INTANGIBLE ASSETS**

	Trade name	Virtual reality technology	Developed technology	Customer relationships	Non-compete agreement	IPR&D	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance, Mar 31, 2021	-	40,317	140,623	811,745	221,385	-	1,214,070
Additions	-	-	-	-	-	-	-
Acquisitions	130,269	-	-	-	-	4,194,158	4,324,427
Impairment loss	-	(40,317)	(140,623)	(43,341)	(207,796)	(4,178,113)	(4,610,190)
Foreign currency adjustment	-	-	-	(49,810)	(13,589)	(16,045)	(79,444)
Balance, Mar 31, 2022	130,269	-	-	718,594	-	-	848,863
Foreign currency adjustment	-	-	-	31,302	-	-	31,302
Balance, Dec 31, 2022	130,269	-	-	749,896	-	-	880,165
<b>Accumulated Amortization</b>							
Balance, Mar 31, 2021	-	-	-	8,002	2,181	-	10,183
Amortization	10,493	-	-	267,061	72,835	-	350,389
Impairment loss	-	-	-	(14,693)	(71,312)	-	(86,005)
Foreign currency adjustment	-	-	-	(16,767)	(3,704)	-	(20,471)
Balance, Mar 31, 2022	10,493	-	-	243,603	-	-	254,096
Amortization	24,426	-	-	175,299	-	-	199,725
Foreign currency adjustment	-	-	-	22,781	-	-	22,781
Balance, Dec 31, 2022	34,919	-	-	441,683	-	-	476,602
<b>Carrying amount</b>							
Balance, March 31, 2022	119,776	-	-	474,991	-	-	594,767
Balance, Dec 31, 2022	95,350	-	-	308,213	-	-	403,563

For the three and nine months ended December 31, 2022, amortization expense related to intangible assets amounted to \$67,890 and \$199,725, respectively, (December 31, 2021 - \$83,225 and \$253,998, respectively), which are included in general and administrative expenses in the condensed interim consolidated statement of loss and comprehensive loss.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**9. GOODWILL**

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

	\$
Balance, March 31, 2021	944,570
Additions upon acquisition (Note 4)	1,172,992
Foreign currency adjustment	18,260
Impairment loss	(1,412,830)
Balance, March 31, 2022	722,992
Additions upon acquisition (Note 4)	895,017
Foreign currency adjustment	(9,810)
Balance, December 31, 2022	1,608,199

**10. CONVERTIBLE DEBENTURE**

	\$
Balance, March 31, 2022	385,440
Change in fair value of convertible debenture	56,711
Balance, December 31, 2022	442,151
Balance, March 31, 2021	713,886
Interest and accretion	25,933
Change in fair value of convertible debenture	(211,889)
Balance, December 31, 2021	527,930

The convertible debenture has been classified as a current liability in the condensed interim consolidated statement of financial position as the maturity date is within twelve months of the reporting date.

As at December 31, 2022, the fair value of the convertible debenture was calculated at \$442,151. Of this amount, the fair value of the note was calculated at \$442,150 using a market interest rate of 15.0%. The fair value of the conversion feature was calculated at \$1 using the Black Scholes option pricing model using the following assumptions: risk free rate of 4.52%, volatility of 81% (based on comparable companies), dividend yield of 0%, and a term of 0.21 years. As a result of the fair value assessment for the three and nine months ended December 31, 2022, the Company recorded a loss on change in fair value of convertible debenture in the amount of \$46,759 and \$56,711, respectively, in the condensed interim consolidated statements of loss and comprehensive loss (December 31, 2021 – gain of \$42,003 and \$211,889, respectively).

As at March 31, 2022, the fair value of the convertible debenture was calculated at \$385,440. Of this amount, the fair value of the note was calculated at \$381,343 using a market interest rate of 15.0%. The fair value of the conversion feature was calculated at \$4,097 using the Black Scholes option pricing model using the following assumptions: risk free rate of 1.94%, volatility of 81% (based on comparable companies), dividend yield of 0%, and a term of 0.96 years.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**11. CONTINGENT CONSIDERATION**

	\$
Balance, March 31, 2021	-
Issued in Happy Caps acquisition (Note 4)	141,655
Issued in AEM acquisition (Note 4)	202,380
Cash payment made on contingent consideration issued in Happy Caps acquisition	(50,000)
Gain/loss from remeasurement	-
<b>Balance, March 31, 2022</b>	<b>294,035</b>
Change in fair value of contingent consideration	205,965
Cash payments made on contingent consideration issued in Happy Caps acquisition	(100,000)
Stock payment made on contingent consideration issued in AEM acquisition	(250,000)
<b>Balance, December 31, 2022</b>	<b>150,000</b>

For Happy Caps, as of December 31, 2022, Earn Out Period 1 and Earn Out Period 2 has ended and the related cash payment in the amount of \$100,000 (2021 - \$50,000) was paid to the former shareholders of Happy Caps. As of December 31, 2022, Earn Out Period 3 has not ended, and therefore the Company has not made any payment to the former shareholders.

For AEM, as of December 31, 2022, the Earn Out Period has ended and the related common share payment in the amount of \$250,000 has been earned by the former shareholders of AEM and recorded as Share Capital in the condensed interim consolidated statement of changes in shareholders' equity. For the three and nine months ended December 31, 2022, the Company recorded a loss on the fair value of contingent consideration in the amount of \$158,345 and \$205,965, respectively, (2021 - \$nil and \$nil, respectively) in the condensed interim consolidated statement of loss and comprehensive loss. There are no contingent consideration liabilities remaining in connection with the AEM acquisition.

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

**12. RIGHT OF USE ASSET**

	\$
Balance, March 31, 2021	149,749
Additions - leases	124,005
Acquired upon acquisition	31,440
Disposition lease	(22,486)
Depreciation	(50,735)
Foreign currency adjustment	(29,907)
<b>Balance, March 31, 2022</b>	<b>202,066</b>
Additions – leases	70,010
Acquired upon acquisition	190,607
Depreciation	(87,811)
Foreign currency adjustment	22,551
<b>Balance, December 31, 2022</b>	<b>397,423</b>

For the three and nine months ended December 31, 2022, depreciation expense related to right of use assets amounted to \$34,579 and \$87,811, respectively, (December 31, 2021 - \$12,104 and \$35,833, respectively), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**13. LEASE LIABILITIES**

	\$
Balance, March 31, 2021	152,611
Additions	124,005
Acquired upon acquisition (Note 4)	31,440
Disposition	(23,619)
Interest expense	12,491
Lease payments	(88,078)
Foreign currency adjustment	863
Balance, March 31, 2022	209,713
Additions	70,010
Acquired upon acquisition (Note 4)	190,607
Interest expense	18,232
Lease payments	(98,920)
Foreign currency adjustment	24,041
Balance, December 31, 2022	413,683

<b>Allocated as:</b>	<b>Dec 31, 2022</b>	<b>Mar 31, 2022</b>
Current	123,307	59,294
Long term	290,376	150,419
Balance	413,683	209,713

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

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

On April 1, 2022, the Company agreed to a leased premise and the associated lease liability with a fair value of \$70,010. The lease term is until March 31, 2024 with a one year renewal option. The lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

On August 1, 2022, through the acquisition of Wellness World, the Company assumed a leased premise and the associated lease liability with a fair value of \$190,607. The lease term is until August 31, 2027. The lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

For the three and nine months ended December 31, 2022, interest and accretion expense related to lease liabilities amounted to \$7,532 and \$18,232, respectively, (December 31, 2021 - \$1,603 and \$7,812, respectively), which are included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss.

**14. LOANS AND ADVANCES**

As at December 31, 2022, the Company has recorded loans in the amount of \$905,059 (March 31, 2022 - \$905,059) which are unsecured, non-interest bearing with no specific terms of repayment. These are advances owing to the minority interest holders of AEM. \$590,404 (March 31, 2022 - \$590,404) of the advances originated prior to the acquisition of AEM and the remaining \$314,655 (March 31, 2022 - \$314,655) represent funds deposited by the minority interest holders post acquisition for the procurement of capital expenditures.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**15. NON-CONTROLLING INTEREST**

	Happy Caps \$	AEM \$	Total \$
Balance, March 31, 2021	-	-	-
Non-controlling interest acquired (Note 4)	114,397	894,719	1,009,116
Net loss attributable to non-controlling interest	(2,556)	(325,490)	(328,046)
Balance, March 31, 2022	111,841	569,229	681,070
Net loss attributable to non-controlling interest	(16,399)	(63,674)	(80,073)
Balance, December 31, 2022	95,442	505,555	600,997

**16. CAPITAL STOCK**

(a) *Share capital*

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

Issued and Outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
<b>Balance March 31, 2021</b>	<b>332,888,764</b>	<b>31,221,429</b>
Shares issued on acquisition of Radix (Note 4)	12,701,742	4,128,066
Shares issued on acquisition of Happy Caps (Note 4)	1,290,323	380,327
Shares issued on acquisition of Mera (Note 4)	700,000	189,000
Shares issued on acquisition of AEM (Note 4)	3,065,135	731,668
Shares issued for consulting services (iii)	197,318	50,398
Shares issued on exercise of RSUs (Note 16 (e))	4,222,000	1,126,210
Shares issued on exercise of warrants (i)	933,333	104,398
Shares issued on exercise of options (i)	2,166,667	354,730
<b>Balance, March 31, 2022</b>	<b>358,165,282</b>	<b>38,286,226</b>
Shares issued on acquisition of Wellness World (Note 4)	1,423,963	117,649
Shares issued on acquisition of Minichamp BV (Note 4)	864,542	87,230
Shares issued for contingent consideration (Note 11)	957,853	250,000
Shares issued for services (iv) (v)	13,625,731	1,025,000
Shares issued on exercise of RSUs (Note 16 (e))	5,604,559	1,374,492
<b>Balance, December 31, 2022</b>	<b>380,641,930</b>	<b>41,140,597</b>

- (i) During the year ended March 31, 2022, 933,333 warrants were exercised for proceeds of \$56,000. The warrants had a recorded value of \$48,398. During the year ended March 31, 2022, 2,166,667 options were exercised for proceeds of \$197,485. The options had a recorded value of \$157,245. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (ii) During the year ended March 31, 2022, the Company issued 17,757,200 common shares pursuant to the acquisition of Radix, Happy Caps, Mera and AEM (see note 4).
- (iii) During the year ended March 31, 2022, the Company issued 197,318 shares in relation to a consulting service agreement. The shares issued were measured based on the fair value of shares issued on the issuance date.

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****16. CAPITAL STOCK (continued)**

- (iv) During the period ended December 31, 2022, the Company issued 13,333,334 common shares to certain consultants of the Company in accordance with an IP agreement related to future marketing and branding commitments which have been recorded to prepaid expenses and deposits and long-term prepaid expenses and deposits in the amounts of \$200,000 and \$800,000, respectively.
- (v) During the period ended December 31, 2022, the Company issued 292,397 common shares in relation to a consulting service agreement. The shares issued were measured based on the fair value of shares issued on the issuance date.
- (vi) During the period ended December 31, 2022, the Company issued 1,423,963 common shares pursuant to the acquisition of Wellness World and 864,542 common shares pursuant to the acquisition of Minichamp (see Note 4).

**(b) Stock options**

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 38,064,193 common shares.

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

On November 2, 2021, the Company issued 1,000,000 stock options upon the appointment of the Chief Financial Officer at \$0.185 per share and expire three years from the date of issuance. The options vest 1/3 after 12 months and 1/6 every six months thereafter. The options were valued at \$160,212 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 1.07%.

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

On May 10, 2022, the Company issued 300,000 stock options to a consultant exercisable at \$0.090 per share and expire three years from the date of issuance. 1/2 of the options vest on May 10, 2023 and the remainder vest on May 10, 2024. The options were valued at \$23,468 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 2.67%.

On June 29, 2022, the Company issued 400,000 stock options to consultants exercisable at \$0.075 per share and expire five years from the date of issuance. 1/2 of the options vest on June 29, 2023 and the remainder vest on June 29, 2024. The options were valued at \$28,491 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 172%; Interest rate – 3.14%.

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

	Options #	Amount \$	Weighted Average Exercise Price \$
Balance, March 31, 2021	12,266,667	2,598,334	0.11
Exercised	(2,166,667)	(157,245)	0.09
Expired	(750,000)	-	0.20
Forfeited	(250,000)	-	0.06
Granted	7,800,000	509,674	0.13
Balance, March 31, 2022	16,900,000	2,950,763	0.12
Granted	700,000	51,959	0.08
Balance, December 31, 2022	17,600,000	3,002,722	0.12

**RED LIGHT HOLLAND CORP.**

**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**

**(Expressed in Canadian Dollars)**

**For the three and nine months ended December 31, 2022 and 2021**

**16. CAPITAL STOCK (continued)**

As at December 31, 2022, the weighted average remaining life of the outstanding stock options was 1.6 years (March 31, 2022 – 2.3 years). Of the outstanding options, 14,483,333 (March 31, 2022 – 9,200,000) were fully vested, exercisable, and had a weighted average remaining life of 1.4 years (March 31, 2022 – 1.7 years).

For the three and nine months ended December 31, 2022, \$87,509 and \$516,795, respectively, has been recorded as share based payments in the condensed interim consolidated statements of loss (December 31, 2021 - \$94,960 and \$2,713,901, respectively).

The following table reflects continuity of options for the nine months ended December 31, 2022:

Expiry Date	Exercise Price	Opening Balance	Options Granted	Number of Options			Closing Balance
				Options Exercised	Options Expired	Options Forfeited	
May 27, 2025	\$0.06	2,500,000	-	-	-	-	2,500,000
May 27, 2023	\$0.06	2,950,000	-	-	-	-	2,950,000
May 23, 2023	\$0.06	1,000,000	-	-	-	-	1,000,000
Jun 10, 2023	\$0.15	350,000	-	-	-	-	350,000
Jun 24, 2023	\$0.105	500,000	-	-	-	-	500,000
Jul 16, 2023	\$0.085	150,000	-	-	-	-	150,000
Dec 1, 2023	\$0.10	200,000	-	-	-	-	200,000
Dec 30, 2023	\$0.315	250,000	-	-	-	-	250,000
Mar 4, 2024	\$0.32	200,000	-	-	-	-	200,000
Mar 18, 2023	\$0.38	1,000,000	-	-	-	-	1,000,000
Sep 13, 2023	\$0.25	200,000	-	-	-	-	200,000
Nov 2, 2024	\$0.185	1,000,000	-	-	-	-	1,000,000
Mar 7, 2025	\$0.12	6,600,000	-	-	-	-	6,600,000
May 10, 2024	\$0.09	-	300,000	-	-	-	300,000
Jun 29, 2027	\$0.075	-	400,000	-	-	-	400,000
		16,900,000	700,000	-	-	-	17,600,000

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

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



**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**16. CAPITAL STOCK (continued)**

(c) *Employee share purchase plan*

On September 25, 2006, the shareholders of the Company approved the establishment of an employee share purchase plan ("ESPP"). The ESPP allows qualifying employees to purchase common shares of the Company equal to 8% of their annual compensation to a maximum amount of \$8,000 per year, unless the Board of Directors waives the individual maximum. The Company matches the number of shares purchased at no additional cost to the employee over a three-year vesting period or such other period determined by the Board of Directors.

There were no purchases under the ESPP for the nine and twelve months ended December 31, 2022 and March 31, 2022, respectively.

(d) *Loss per share data*

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

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

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

For the Nine Months Ended December 31, 2022

Position	# Granted	Grant Date	Vesting	FMV	\$
Consultant	574,929	Dec 12, 2022	Upon grant	0.085	48,869
Consultant	238,709	Dec 12, 2022	Upon grant	0.085	20,290
Consultant	100,000	Dec 12, 2022	Upon grant	0.085	8,500
Consultant	111,593	Dec 12, 2022	Upon grant	0.085	9,485
Consultant	164,096	Dec 12, 2022	Upon grant	0.085	13,948
	<u>1,189,327</u>				<u>101,093</u>

For the Year Ended March 31, 2022

Position	# Granted	Grant Date	Vesting	FMV	\$
Director	5,000,000	Jun 30, 2021	June 1, 2022	0.31	1,525,000
Consultant	5,000,000	Jun 30, 2021	20% upon grant 80% June 1, 2022	0.31	305,000 1,220,000
Officer	820,000	Jun 30, 2021	June 1, 2022	0.31	250,100
Director	820,000	Jun 30, 2021	Upon grant	0.31	250,100
Director	820,000	Jun 30, 2021	Upon grant	0.31	250,100
Consultant	500,000	Jun 30, 2021	June 1, 2022	0.31	152,500
Director	328,000	Jun 30, 2021	Upon grant	0.31	100,040
Officer	328,000	Jun 30, 2021	Upon grant	0.31	100,040
Consultant	240,000	Jun 30, 2021	June 1, 2022	0.31	73,200
Consultant	240,000	Jun 30, 2021	76,000 upon grant 164,000 June 1, 2022	0.31	23,180 50,020
Consultant	165,890	Jan 25, 2022	25% per month	0.14	22,395
Consultant	37,926	Jan 25, 2022	25% per month	0.14	5,120
Consultant	162,416	Jan 25, 2022	25% per month	0.14	21,926
Consultant	400,000	Mar 3, 2022	Upon grant	0.12	46,000
Director	100,000	Mar 3, 2022	Upon grant	0.12	11,500
Consultant	350,000	Mar 3, 2022	Upon grant	0.12	40,250
	<u>15,312,232</u>				<u>4,446,471</u>

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**16. CAPITAL STOCK (continued)**

	#	\$
Balance, March 31, 2021	-	-
Granted	15,312,232	4,446,471
Vested	(4,405,116)	(1,150,931)
Forfeited	(4,000,000)	(1,220,000)
Balance, March 31, 2022	6,907,116	2,075,540
Granted	1,189,327	101,093
Vested	(5,421,443)	(1,360,758)
Forfeited	(2,675,000)	(815,875)
Balance December 31, 2022	-	-

During the nine months ended December 31, 2022, 5,604,559 RSU's were exercised into common shares of which 5,421,443 RSU's vested in the current period and the remaining 183,116 RSU's were vested as at March 31, 2022 and held as shares to be issued.

As of December 31, 2022, nil RSU's (March 31, 2022 – 183,116) valued at \$nil (March 31, 2022 - \$24,721) remained vested but unexercised and held as shares to be issued.

(f) *Warrants:*

	Warrants #	Amount \$	Weighted Average Exercise Price \$
Balance, March 31, 2021	78,239,961	11,016,132	0.47
Exercised	(933,333)	(48,398)	0.06
Expired	(338,501)	(266,495)	0.67
Balance, March 31, 2022 and December 31, 2022	76,968,127	10,701,239	0.47

As at December 31, 2022, warrants outstanding were as follows:

<b>Warrants Outstanding and Exercisable</b>			
<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Warrants</b>	<b>Average Remaining Contractual Life (Years)</b>
May 27, 2023	\$0.06	1,300,000	0.41
February 24, 2024	\$0.70	26,450,000	1.15
February 24, 2024	\$0.44	1,804,705	1.15
June 8, 2024	\$0.26	1,272,727	1.44
June 16, 2024	\$0.26	1,579,346	1.46
July 16, 2024	\$0.26	5,541,060	1.54
July 28, 2024	\$0.38	37,983,600	1.58
July 28, 2024	\$0.26	1,036,689	1.58
		76,968,127	1.39

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**16. CAPITAL STOCK (continued)**

As at March 31, 2022, warrants outstanding were as follows:

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

**17. REVENUE**

	Three months ended December 31,		Nine months ended December 31,	
	2022	2021	2022	2021
Wholesale products sales	441,794	501,551	1,450,263	1,527,433
Wholesale mushroom sales	260,948	-	541,799	-
Mushroom grow kit sales	400,408	120,696	576,336	165,814
Retail sales	71,665	-	127,815	-
Other	420	-	536	9,875
	1,175,235	622,247	2,696,749	1,703,122

**18. CAPITAL MANAGEMENT**

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

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

**19. PROVISIONS, COMMITMENTS AND CONTINGENCIES**

The Company is party to legal proceedings and other claims in the ordinary course of its operations. Litigation and other claims are subject to many uncertainties and the outcome of individual matters is not predictable. Where management can estimate that there is a probable loss, 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 condensed interim 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.

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

*Fair value of financial assets and financial liabilities*

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

*Other price risk*

The Company is exposed to price risk through its investments in publicly traded and private marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by \$77,925.

*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, SR, Wellness World Oss and Wellness World Utrecht and Minichamp BV operate and to a lesser extent the USD where Radix operates.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than the Canadian dollar. As at December 31, 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.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at December 31, 2022:

Liabilities and obligations	Total contractual payments	Payments due by period		
		< 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,059,889	1,059,889	-	-
Loans and advances	905,059	905,059	-	-
Lease liability	471,299	146,215	201,566	123,518
Convertible debenture	442,151	442,151	-	-
	2,878,398	2,553,314	201,566	123,518

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

	<b>December 31, 2022</b>	<b>March 31, 2022</b>
Accounts payable	\$ 666,051	\$ 458,960
Professional fee accruals	32,585	436,225
Consulting and payroll accruals	54,526	81,302
Other accruals	306,727	406,199
	<b>\$ 1,059,889</b>	<b>\$ 1,382,686</b>

*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 counterparty 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 December 31, 2022, the Company estimated its expected credit losses to be \$nil (March 31, 2022 - \$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 cash equivalents 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.

**21. 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 nine months ended December 31, 2022 and 2021 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

- a) During the three and nine months ended December 31, 2022, the Company was charged \$83,300 and \$327,394, respectively (December 31, 2021 - \$141,833 and \$365,333, respectively) in fees by key management personnel.
- b) As at December 31, 2022, \$nil (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 three and nine months ended December 31, 2022 and 2021 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

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

**RED LIGHT HOLLAND CORP.**  
**Notes to the Condensed Interim Consolidated Financial Statements (unaudited)**  
**(Expressed in Canadian Dollars)**  
**For the three and nine months ended December 31, 2022 and 2021**

**21. RELATED PARTY TRANSACTIONS (continued)**

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

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

**22. GENERAL AND ADMINISTRATIVE**

	<b>Three months ended December 31,</b>		<b>Nine months ended December 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Advertising and marketing	297,427	-	297,427	-
Consulting	155,669	149,222	519,269	620,818
Legal, audit and other professional fees	154,621	278,945	435,823	1,344,247
Management fees	33,320	111,800	145,031	439,762
Business development	6,437	77,175	52,416	280,367
Office and general	369,207	446,373	956,464	863,821
Payroll	513,525	-	1,369,313	-
Regulatory	13,026	3,983	23,526	10,000
Shareholder communication	4,087	-	15,229	80,234
Amortization and depreciation	156,287	118,261	443,722	332,494
	<b>1,703,606</b>	<b>1,185,759</b>	<b>4,258,220</b>	<b>3,971,743</b>

**23. CONTRACTUAL BREAK FEE**

During the nine months ended December 31, 2021, the Company received net cash inflows of \$400,000 after accounting for the contractual break fee received in connection with termination of the definitive agreement with Creso Pharma Limited.

**24. INCOME TAXES**

	<b>Three months ended December 31,</b>		<b>Nine months ended December 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current tax recovery (expense)	12,337	-	(3,813)	-
Deferred tax recovery	49,092	-	152,571	-
Recovery of income taxes	61,429	-	148,758	-

**25. SEGMENT INFORMATION**

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

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

**RED LIGHT HOLLAND CORP.****Notes to the Condensed Interim Consolidated Financial Statements (unaudited)****(Expressed in Canadian Dollars)****For the three and nine months ended December 31, 2022 and 2021****25. SEGMENT INFORMATION (continued)**

The following tables present financial information by segment for the three and nine months ended December 31, 2022 and 2021 and as at December 31, 2022 and March 31, 2022:

Revenue for periods ended	Three months ended Dec 31,		Nine months ended Dec 31,	
	2022	2021	2022	2021
Netherlands	\$ 658,154	\$ 488,832	\$ 1,722,773	\$ 1,514,714
Canada	517,081	133,415	973,976	186,993
USA	-	-	-	1,415
	\$ 1,175,235	\$ 622,247	\$ 2,696,749	\$ 1,703,122

Comprehensive loss for the periods ended	Three months ended Dec 31,		Nine months ended Dec 31,	
	2022	2021	2022	2021
Canada	\$ 848,316	\$ 839,392	\$ 3,510,846	\$ 6,001,914
USA	87,092	153,060	214,793	259,072
Netherlands	259,817	274,195	340,743	280,377
	\$ 1,195,225	\$ 1,266,647	\$ 4,066,382	\$ 6,541,363

Total assets as at	Dec 31,	Mar 31,
	2022	2022
Canada	\$ 27,375,128	\$ 30,970,739
Netherlands	3,019,730	1,642,131
USA	115,377	325,795
	\$ 30,510,235	\$ 32,938,665

Total liabilities as at	Dec 31,	Mar 31,
	2022	2022
Canada	\$ 2,778,991	\$ 3,298,584
Netherlands	617,695	445,828
USA	25,268	36,264
	\$ 3,421,954	\$ 3,780,676

**26. COVID-19**

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.