RED LIGHT HOLLAND CORP.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Red Light Holland Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Red Light Holland Corp. (the Company), which comprise the consolidated statements of financial position as at March 31, 2023, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

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

Other Matter
The consolidated financial statements of the Company for the year ended March 31, 2022, were audited by another auditor, who expressed an unmodified opinion on those statements on July 31, 2022.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon
Management is responsible for the other information. The other information comprises the annual management's discussion and analysis, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as

management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pat Kenney.

Clearhouse LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 30, 2023

RED LIGHT HOLLAND CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at March 31, 2023 and 2022

	March 31, 2023	March 31, 2022
ASSETS		
CURRENT		
Cash and cash equivalents	$ 18,486,644	$ 26,093,738
Accounts receivable (Note 20)	518,146	380,869
Sales tax receivable	283,397	127,512
Income tax receivable	81,652	15,638
Marketable securities (Note 5)	45,498	527,813
Prepaid expenses and deposits (Note 16(a))	2,051,361	220,641
Inventory (Note 6)	741,249	382,391
TOTAL CURRENT ASSETS	22,207,947	27,748,602
NON-CURRENT ASSETS		
Property, plant and equipment (Note 7)	4,806,140	2,877,298
Marketable securities – long term (Note 5)	865,268	682,332
Right of use asset (Note 12)	581,932	202,066
Call option (Note 4)	28,110	110,608
Intangible assets (Note 8)	339,352	594,767
Goodwill (Note 9)	1,314,534	722,992
TOTAL ASSETS	$ 30,143,283	$ 32,938,665
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 20)	$ 1,292,333	$ 1,382,686
Loans and advances (Note 14)	905,059	905,059
Convertible debenture (Note 10)	257,695	385,440
Derivative liability (Note 10)	48,376	-
Lease liability – current portion (Note 13)	179,819	59,294
TOTAL CURRENT LIABILITIES	2,683,282	2,732,479
NON-CURRENT LIABILITIES		
Lease liability (Note 13)	422,618	150,419
Contingent consideration (Note 11)	188,077	294,035
Deferred tax liability (Note 24)	506,476	603,743
TOTAL NON-CURRENT LIABILITIES	1,117,171	1,048,197
TOTAL LIABILITIES	3,800,453	3,780,676
SHAREHOLDERS' EQUITY		
Share capital (Note 16(a))	41,786,685	38,286,226
Shares to be issued (Note 16(a))	96,482	24,721
Equity portion of convertible debenture (Note 10)	135,985	-
Warrants (Note 16(d))	10,701,239	10,701,239
Contributed surplus	3,829,428	4,755,373
Non-controlling interest (Note 15)	278,617	681,070
Accumulated other comprehensive income (loss)	44,584	(158,617)
Accumulated deficit	(30,530,190)	(25,132,023)
TOTAL SHAREHOLDERS' EQUITY	26,342,830	29,157,989
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 30,143,283	$ 32,938,665

NATURE OF OPERATIONS (Note 1)
PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 19)
SUBSEQUENT EVENTS (Note 26)

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
For the years ended March 31, 2023 and 2022

	2023	2022
REVENUE (Note 17)	$ 3,949,667	$ 2,325,589
COST OF SALES (Note 6)	2,242,815	1,707,913
GROSS PROFIT	1,706,852	617,676
OPERATING EXPENSES		
General and administrative (Note 22)	5,996,153	5,741,201
Share based payments (Note 16(b))	563,521	3,198,720
Interest expense	55,925	50,429
Research	305,624	753,181
	6,921,223	9,743,531
LOSS BEFORE OTHER ITEMS AND TAXES	(5,214,371)	(9,125,855)
OTHER ITEMS		
Realized gain on sale of marketable securities (Note 5)	12,890	93,823
Unrealized fair value change of marketable securities (Note 5)	(364,672)	(317,639)
Recovery (provision) for sales tax receivable	205,636	(433,359)
Contractual break fee (Note 23)	-	400,000
Foreign exchange (loss) gain	(19,478)	(13,526)
Change in fair value of convertible debenture (Note 10)	(56,615)	328,446
Change in fair value of call option (Note 4)	(82,498)	-
Change in fair value of contingent consideration (Note 11)	(205,965)	-
Impairment loss (Note 8, 9)	(443,896)	(5,937,015)
Interest income	208,847	63,548
NET LOSS BEFORE TAXES	(5,960,122)	(14,941,577)
Recovery of income taxes (Note 24)	159,502	246,404
NET LOSS	(5,800,620)	(14,695,173)
NET LOSS ATTRIBUTABLE TO:		
Shareholders of Red Light Holland Corp.	(5,398,167)	(14,367,127)
Non-controlling Interests (Note 15)	(402,453)	(328,046)
NET LOSS	(5,800,620)	(14,695,173)
Foreign currency translation gain (loss)	203,201	(142,669)
COMPREHENSIVE LOSS	(5,597,419)	(14,837,842)
LOSS PER SHARE – Basic and diluted (Note 16(d))	$ (0.01)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 16(d))	373,109,531	351,398,544

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
For the years ended March 31, 2023 and 2022

	Common Shares #	Common Shares $	Shares to be Issued $	Equity Portion of Convertible Debenture $	Warrants $	Contributed Surplus $	Non-controlling Interest $	Accumulated Other Comprehensive Income (Loss) $	Accumulated Deficit $	Total Shareholders' Equity $
Balance, March 31, 2021	**332,888,764**	**31,221,429**	**-**	**-**	**11,016,132**	**2,598,334**	**-**	**(15,948)**	**(10,764,896)**	**34,055,051**
Exercise of warrants (Note 16(f))	933,333	104,398	-	-	(48,398)	-	-	-	-	56,000
Expiry of warrants (Note 16(f))	-	-	-	-	(266,495)	266,495	-	-	-	-
Exercise of stock options (Note 16(b))	2,166,667	354,730	-	-	-	(157,245)	-	-	-	197,485
Shares issued on acquisitions (Note 4)	17,757,200	5,429,061	-	-	-	-	-	-	-	5,429,061
Shares issued for services (Note 16(a))	197,318	50,398	-	-	-	-	-	-	-	50,398
Exercise of RSUs (Note 16(e))	4,222,000	1,126,210	24,721	-	-	(1,150,931)	-	-	-	-
Share based payments	-	-	-	-	-	3,198,720	-	-	-	3,198,720
Non-controlling interest (Note 15)	-	-	-	-	-	-	1,009,116	-	-	1,009,116
Net loss and comprehensive loss	-	-	-	-	-	-	(328,046)	(142,669)	(14,367,127)	(14,837,842)
Balance, March 31, 2022	**358,165,282**	**38,286,226**	**24,721**	**-**	**10,701,239**	**4,755,373**	**681,070**	**(158,617)**	**(25,132,023)**	**29,157,989**
Balance, March 31, 2022	358,165,282	38,286,226	24,721	-	10,701,239	4,755,373	681,070	(158,617)	(25,132,023)	29,157,989
Exercise of RSUs (Note 16(e))	5,604,559	1,374,492	71,761	-	-	(1,446,253)	-	-	-	-
Exercise of stock options (Note 16(b))	833,333	93,213	-	-	-	(43,213)	-	-	-	50,000
Shares issued on acquisitions (Note 4)	2,405,429	190,754	-	-	-	-	-	-	-	190,754
Shares issued for contingent consideration (Note 11)	957,853	250,000	-	-	-	-	-	-	-	250,000
Shares issued for services (Note 16(a))	13,625,731	1,025,000	-	-	-	-	-	-	-	1,025,000
Shares issued for legal retainer (Note 16(a))	6,300,000	567,000	-	-	-	-	-	-	-	567,000
Equity portion of convertible debenture	-	-	-	135,985	-	-	-	-	-	135,985
Share based payments	-	-	-	-	-	563,521	-	-	-	563,521
Net loss and comprehensive loss	-	-	-	-	-	-	(402,453)	203,201	(5,398,167)	(5,597,419)
Balance, March 31, 2023	**387,892,187**	**41,786,685**	**96,482**	**135,985**	**10,701,239**	**3,829,428**	**278,617**	**44,584**	**(30,530,190)**	**26,342,830**

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

RED LIGHT HOLLAND CORP.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the years ended March 31, 2023 and 2022

	2023	2022
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	$ (5,800,620)	$ (14,695,173)
Items not affecting cash:		
Amortization and depreciation (Note 7, 8 and 12)	630,041	523,691
Share based payments (Note 16)	563,521	3,198,720
Impairment loss (Note 8 and 9)	443,896	5,937,015
Provision for (recovery of) sales tax receivable	(205,636)	433,358
Realized gain on sale of marketable securities (Note 5)	(12,890)	(93,823)
Unrealized change in fair value of marketable securities (Note 5)	364,672	317,639
Change in fair value of convertible debenture (Note 10)	56,616	(328,444)
Change in fair value of contingent consideration (Note 11)	205,965	-
Change in fair value of call option (Note 4)	82,498	-
Interest and accretion	33,869	12,491
Shares issued for services (Note 16(a))	25,000	50,398
Gain on decommissioned lease (Note 13)	-	(1,134)
Acquisition expense (Note 4)	-	189,000
Deferred tax gains (Note 24)	(97,267)	(246,404)
Movements in working capital:		
Accounts receivable	(75,245)	(187,218)
Sales tax receivable	49,751	(205,328)
Income tax receivable	(66,014)	(15,638)
Inventory	(167,248)	98,383
Prepaid expenses	(263,720)	(91,585)
Accounts payable and accrued liabilities	(153,883)	227,711
Cash flows used in operating activities	(4,386,694)	(4,876,341)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sale of marketable securities (Note 5)	147,593	161,610
Purchase of marketable securities (Note 5)	(199,996)	-
Acquisition of subsidiaries-net of cash acquired (Note 4)	(957,975)	(337,358)
Acquisition earn out payment (Note 11)	(100,000)	-
Acquisition of property, plant and equipment (Note 7)	(2,064,367)	(406,994)
Cash flows used in investing activities	(3,174,745)	(582,742)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Exercise of warrants	-	56,000
Exercise of options	50,000	197,485
Loans and advances	-	286,355
Lease payments (Note 13)	(164,163)	(88,078)
Cash flows (used in) from financing activities	(114,163)	451,762
Effect of changes in foreign currency rates on cash	68,508	(84,424)
CHANGE IN CASH AND CASH EQUIVALENTS	(7,607,094)	(5,091,749)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	26,093,738	31,185,487
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 18,486,644	$ 26,093,738
SUPPLEMENTAL INFORMATION:		
Shares issued for services	$ 1,592,000	$ 50,938
Shares issued for acquisitions	190,754	5,429,061
Shares issued for contingent consideration	250,000	-

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Red Light Holland Corp. ("RLHC" or the "Company") is 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC") for all period presented.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on July 29, 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 consolidated financial statements include the accounts of the Company and all its subsidiaries. Intercompany accounts and balances are eliminated upon consolidation.

Name of subsidiary	Country of Incorporation	Functional Currency	2023 Percentage Ownership	2022 Percentage Ownership
RLH Netherlands BV	Netherlands	EUR	100%	100%
RLH Farms BV	Netherlands	EUR	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%
Wellness World Oss BV	Netherlands	EUR	100%	-
Wellness World Utrecht BV	Netherlands	EUR	100%	-
Minichamp BV	Netherlands	EUR	100%	-

Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical accounting judgements, estimates and assumptions

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

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

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

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

Assessment of Cash Generating Units

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The Company applies judgement in assessing the smallest group of assets that comprise a single CGU. The Company has six CGU's being SR Wholesale (wholesale distribution of psychedelics and cannabis related products), Happy Caps (sale of home-grow mushroom kits in North America), Minichamp (sale of home-grow mushroom kits in Europe), AEM (wholesale of functional mushrooms in North America), RLH Farms (production and sale of psilocybin truffles) and Wellness World (comprised of the two retail stores in Oss and Utrecht, Netherlands).

Assessment of Net Realizable Value of Inventory

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

Recovery of Accounts Receivable and Deposits

The Company estimates the collectability and timing of collection of its receivables and deposits, classifying them as current assets or long-term assets, and applies provisions for collectability when necessary. Determining an allowance for expected credit losses ("ECL") for amounts receivable and all debt financial assets not held at fair value through profit or loss ("FVTPL") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

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

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

Assessment of indicators of impairment

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

Goodwill and indefinite life intangible asset impairment

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred taxes

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

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Forecasted cash flows from operations are based on expected business activity in future periods, which are internally developed and reviewed by management. Weight is attached to tax planning opportunities that are within the Company's control and are feasible and implementable without significant obstacles.

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

Determination of Functional Currency

Foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position in. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour, material and other costs for each consolidated entity.

Equity-settled share-based payments

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

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

Fair value of convertible debenture

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

Contingencies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

a. Identifying whether a contract includes a lease

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

b. Incremental borrowing rate

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

c. Estimate of lease term

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

Business combinations

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

Judgement is required to determine if the acquisition represented either a business combination or an asset purchase. A key determining factor of the acquisition of a business is evidence of an integrated set of activities with inputs, processes and outputs. For acquisitions where it was concluded that the acquisitions were purchase of assets, there was no goodwill recognized on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed. The fair values of the net assets acquired were determined using estimates and judgment. Refer to Note 4 for additional information on the Company's asset acquisitions.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Changes in estimates and assumptions about these inputs could affect the reported fair value. Refer to Note 5 for further details.

Going concern

At each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing the Company's performance, resources, and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends, and are consistent with those used to evaluate the impairment of goodwill and intangible assets as at March 31, 2023. Management believes there is sufficient cash inflow to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows and the Company's cash position at year-end.

(b) Foreign currency translation

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

(c) Cash and cash equivalents

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

(d) Inventory

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

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

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

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

(f) Intangible assets

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

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

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

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

Non-compete agreement	3 years
Customer relationships	3 years
Trade name	4 years

(g) Depreciation and amortization

Property, plant and equipment are recorded initially at cost and subsequently at cost less accumulated deprecation/amortization and accumulated impairment losses (if any). Depreciation and amortization commences when title and ownership have transferred to the Company and the asset is readily available for its intended use and is provided over an asset's expected useful life using the following methods and annual rates:

Building (plant)	4% declining balance
Furniture and equipment	20% declining balance
Computer equipment	55% declining balance
Vehicles	20% declining balance
Leasehold improvements	over term of lease
Right-of-use assets	over term of lease

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(h) Convertible debentures

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

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

In circumstances where an equity component is identified, the liability component is recognized at the fair value of a similar liability that does not have a conversion option and the equity component is recognized as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Transaction costs are allocated to the liability and equity components in proportion to the initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition. The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognized in profit or loss.

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

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

(i) Share-based payments

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(j) Issued capital

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

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

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

(k) Financial instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either fair value through profit and loss ("FVPL") or fair value through other comprehensive income ("FVOCI"), and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Subsequent measurement – Financial assets at FVOCI
Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of loss and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

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

Impairment of financial assets
The Company's only financial assets subject to impairment are other amounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, amounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities
Initial recognition and measurement
Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of debt, net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost
After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of loss and comprehensive loss.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of loss and comprehensive loss.

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

Financial liabilities:	Classification IFRS 9
Accounts payable and accrued liabilities	Amortized cost
Loans and advances payable	Amortized cost
Convertible debenture	Amortized cost
Contingent consideration	FVTPL
Derivative liability	FVTPL

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Expected credit loss impairment model
Under IFRS 9, the Company recognizes a provision for ECL on financial assets that are measured on amortized cost. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due. The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

(l) Impairment of non-financial assets

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

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

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

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

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

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

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

(m) Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company had no material provisions at March 31, 2023 and March 31, 2022.

(n) Income Taxes

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

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

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

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

(o) Loss per share

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

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

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

(p) Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(q) Leases

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

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

(r) Marketable Securities

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

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

(s) Comparative figures

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Accounting pronouncements not yet adopted

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

Future accounting standards

As at the date of authorization of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain new pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its 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.

Presentation of Financial Statements (Amendments to IAS 1)
The IASB has published Disclosure of Accounting Policies (Amendments to IAS 1) which clarifies the guidance on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their material accounting policies instead of their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

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

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

(Expressed in Canadian Dollars)

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 were placed in escrow for a period of 18 months from Closing, and the shares issued are subject to a 24-month lock-up.

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

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

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

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

(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 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 were subject to a statutory hold period that expired 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, 2023, the achievement of earn out milestones resulted in cash payments totaling $100,000 and the issuance of Red Light Shares awarded with a value of $150,000 which were recorded as a reductions in contingent consideration. During the prior year ended March 31, 2022, the first earn out milestone was achieved and the associated payment of $50,000 was recorded as a reduction in contingent consideration. See Note 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.

(Expressed in Canadian Dollars)

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:

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

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

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

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

The intangible asset comprised of the tradename has 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 which can be settled in cash has been classified as financial liability. For the share portion, as the total number of Red Light Shares payable under the contingent consideration arrangement is a variable number of shares, 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 the Happy Caps acquisition on the date of acquisition. The key inputs included in the model are: (i) variability in revenue of 56%; (ii) discount rate of 19%; (iii) risk free rate of 0.31%.

From the date of acquisition to March 31, 2022, Happy Caps contributed $282,147 to the Company’s revenues and $15,435 of net profit. Had the acquisition occurred on April 1, 2021, the Company’s revenue and net loss for the year ended March 31, 2022 would have increased by $56,429 and $3,087 respectively.

The financial asset comprised of the Call Option with a fair value of $28,110 (March 31, 2022 - $110,608) was determined using a black scholes model. The key assumptions used in the model related to the call option include: (i) volatility of 100%; (ii) risk free rate: 3.02%; (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 year ended March 31, 2023 a change in the fair value of the Call Option of $82,498 (2022 - $nil) was recorded in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

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, a Canadian gourmet mushroom production facility co-owned by leading Canadian mushroom farming groups.

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

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

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

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

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition such as assembled workforce and synergies that do not qualify for separate recognition. No goodwill for the 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 the 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%.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITIONS (continued)

From the date of acquisition to March 31, 2022, AEM contributed $7,039 to the Company's revenues and $220,808 to the net loss. Had the acquisition occurred on April 1, 2021, the Company's revenue and net loss for the year ended March 31, 2022 would have increased by $5,509 and $172,741 respectively.

(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 Scarlette Lillie Sciences and Innovation, the successful prescription and sale of iMicrodose truffles to at least five patients in SVG or the successful administration of iMicrodose truffles to at least five participants in a scientific study or trial in SVG, the extraction and testing of the iMicrodose truffles, the successful export of iMicrodose truffles from SVG to another jurisdiction, and the final implementation of SVG's regulatory framework for the psychedelics industry.

The remaining 6,300,000 Red Light Shares are held in escrow by the Company's legal counsel and will only be issued to the vendors of Mera when the milestones are met. As at March 31, 2023 and March 31, 2022, such milestone events have not been met.

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

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

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

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

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

On March 17, 2023, the Company entered into a Share Exchange Agreement whereby the original vendors of the Acquisition Agreement repurchased 100% of the Class A common shares of Mera in exchange for a Termination Agreement whereby the Original Acquisition Agreement of Mera and the Escrow Agreement related to the 6,300,000 Red Light Shares were terminated releasing the Company and the Escrow Agent of all further obligations pursuant to the original transactions (Note 16(a)(viii)).

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITIONS (continued)

(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. The acquisitions were completed effective August 1, 2022, pursuant to the terms of the definitive asset purchase agreements.

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 in 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 the Company (the "Red Light Shares") with a fair value of $117,649. The Red Light Shares issued 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.

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:

Net assets acquired	**$**
Cash	1,163
Inventory	55,638
Equipment	8,390
Right of use asset	190,607
Accounts payable and accrued liabilities	(1,162)
Lease liability	(190,607)
Net assets as at August 1, 2022	**64,029**

Consideration	**$**
Cash	274,511
Common shares	117,649
	392,160

Purchase price allocation	**$**
Net identifiable assets acquired	64,029
Goodwill	328,131
	392,160

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 March 31, 2023, Wellness World contributed $192,344 to the Company's revenue and $68,482 to the Company's net loss. Had the acquisition occurred on April 1, 2022, the Company's revenue and net loss for the year ended March 31, 2023 would have increased by $97,762 and $34,807, respectively.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITIONS (continued)

(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 acquisition was completed effective October 4, 2022, pursuant to the terms of the definitive agreement, pursuant to which the Company acquired 100% of the issued and outstanding shares of Minichamp for $854,563. The consideration was comprised of $743,381 (€550,000) in cash and 981,466 common shares of the Company with a fair value of $73,105. The common shares 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, are subject to sale restrictions and have been discounted from their face value for the inability to liquidate the shares during this period. The Acquisition Agreement provides for up to €100,000 of earn out payments to be made to the Vendor subject to reaching certain sales milestones. The fair value assigned to the future earn out payments was $38,077 on the acquisition date. During the year ended March 31, 2023, the first earn out milestone was not achieved.

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.

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

Net assets acquired	**$**
Cash	58,754
Accounts receivable	62,032
Inventory	135,972
Equipment	47,932
Right of use assets	197,079
Lease liabilities	(197,079)
Accounts payable and accrued liabilities	(62,368)
Net assets as at October 4, 2022	**242,322**
Consideration	**$**
Cash	743,381
Contingent consideration	38,077
Common shares	73,105
	854,563
Purchase price allocation	**$**
Net identifiable assets acquired	242,322
Goodwill	612,241
	854,563

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.

The contingent consideration has been classified as a financial liability as the earn out payments, upon achievement of the milestones, are to be settled in cash.

The Company has used the monte carlo model to estimate the fair value of contingent consideration on the date of acquisition. The key inputs included in the model are: (i) variability in future EBITDA of 68.8%, (ii) discount rate of 19.1%, and (iii) risk free rate of 3.8%.

(Expressed in Canadian Dollars)

4. BUSINESS ACQUISITIONS (continued)

From the date of acquisition to March 31, 2023, Minichamp contributed $236,455 to the Company's revenue and $7,878 to the Company's net earnings. Had the acquisition occurred on April 1, 2022, the Company's revenue and net earnings for the year ended March 31, 2023 would have increased by $248,411 and $8,276, respectively.

5. MARKETABLE SECURITIES

	Number of Securities	Cost	Value
PharmaDrug Inc. – common shares (level 1)	1,500,000	62,995	18,750
PharmaDrug Inc. – warrants (level 2)	12,000,000	392,596	26,748
Elevate Farms Inc. – shares (level 3)	45,976	299,996	865,268
Balance, March 31, 2023		755,587	910,766
Current Portion			45,498
Long-Term Portion			865,268
Total			910,766

	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
Lucid Psycheceuticals Inc. – shares (level 3)	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 March 31, 2023 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 1.3 years; expected volatility – 146%; expected interest rate – 3.78%. 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.

During the year ended March 31, 2023, the total amount of the 22,988 Elevate Farms warrants were exercised into common shares at $8.70 per warrant. 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 year ended March 31, 2023, the Company sold 1,993,000 shares of PharmaDrug and 41,200 shares of Lucid Psycheceuticals for proceeds of $65,339 and $82,254, respectively, resulting in a realized gain on sale of marketable securities of $12,890. During the year ended March 31, 2022, the Company sold 1,595,000 shares of PharmaDrug for proceeds of $161,610, resulting in a realized gain on sale on marketable securities of $93,823.

(Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES (continued)

	Level 1	Level 2	Level 3	Total
At March 31, 2022	$ 202,505	$ 325,308	$ 682,332	$ 1,210,145
Proceeds from disposal	(147,593)	-	-	(147,593)
Exercise of warrants	-	-	199,996	199,996
Realized gain on sale of securities	12,890	-	-	12,890
Revaluation to fair market value	(49,052)	(298,560)	(17,060)	(364,672)
At March 31, 2023	$ 18,750	$ 26,748	$ 865,268	$ 910,766
At March 31, 2021	$ 483,360	$ 912,211	$ 200,000	$ 1,595,571
Transfer from Level 3 to Level 1	100,000	-	(100,000)	-
Proceeds from disposal	(161,610)	-	-	(161,610)
Realized gain on sale of securities	93,823	-	-	93,823
Revaluation to fair market value	(313,068)	(586,903)	582,332	(317,639)
At March 31, 2022	$ 202,505	$ 325,308	$ 682,332	$ 1,210,145

For the year ended March 31, 2023 the unrealized change in fair value of marketable securities amounted to a loss of $364,672 (2022 – a loss of $317,639), which is recorded in the consolidated statement of net loss and comprehensive loss.

Fair value hierarchy
The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that 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 assetor liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

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

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

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at March 31, 2023 and March 31, 2022:

Investments, at fair value	Level 1 Quoted market price	Level 2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total
March 31, 2023	$ 18,750	$ 26,748	$ 865,268	$ 910,766
March 31, 2022	$ 202,505	$ 325,308	$ 682,332	$ 1,210,145

Level 2 financial instruments includes warrants of public issuers.

(Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES (continued)

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

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

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

Description	Fair value at March 31, 2023	Valuation-technique / unobservable input	%of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	$ 865,268	Recent financing activity	95.0	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 +/- $216,317 change in the total fair value of the investments (2022 - $170,583).

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

	Mar 31, 2023	Mar 31, 2022
Raw materials	$ 18,109	$ 10,363
Packaging	145,619	19,249
Finished Goods	577,521	352,779
Inventory	$ 741,249	$ 382,391

For the year ended March 31, 2023, inventory recognized as an expense amounted to $2,242,815 (2022 - $1,606,083), which is included in cost of sales in the consolidated statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold improvement	Vehicle	Total
Cost	$	$	$	$	$	$
Balance, March 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, March 31, 2022	40,000	2,487,169	460,099	24,645	34,356	3,046,269
Acquisitions (Note 4)	-	-	51,883	-	4,439	56,322
Additions	1,527,635	478,817	57,915	-	-	2,064,367
Transfer	-	-	(10,799)	-	10,799	-
Disposal	-	-	-	(24,645)	-	(24,645)
Foreign currency adjustment	-	-	25,974	-	5,157	31,131
Balance, March 31, 2023	1,567,635	2,965,986	585,072	-	54,751	5,173,444

	Land	Buildings	Equipment	Leasehold improvement	Vehicle	Total
Accumulated Depreciation						
Balance, March 31, 2021	-	-	4,691	3,501	1,772	9,964
Foreign currency adjustment	-	-	42,094	(1,316)	(4,337)	36,441
Depreciation	-	71,474	18,128	22,460	10,504	122,566
Balance, March 31, 2022	-	71,474	64,913	24,645	7,939	168,971
Transfer	-	-	(10,799)	-	10,799	-
Disposal	-	-	-	(24,645)	-	(24,645)
Depreciation	-	98,821	109,980	-	9,575	218,376
Foreign currency adjustment	-	-	(1,330)	-	5,932	4,602
Balance, March 31, 2023	-	170,295	162,764	-	34,245	367,304
Carrying amount						
Balance, March 31, 2022	40,000	2,415,695	395,186	-	26,417	2,877,298
Balance, March 31, 2023	1,567,635	2,795,691	422,308	-	20,506	4,806,140

For the year ended March 31, 2023, depreciation expense related to property and equipment amounted to $218,376 (2022 - $122,566), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

As at March 31, 2023, buildings with a value of $478,817 (2022 - $nil) are under construction and not available for use and, as a result, no depreciation has been recorded against these assets.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

	Trade name	Virtual reality technology	Developed technology	Customer relationships	Non-compete agreement	IPR&D	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, March 31, 2021	-	40,317	140,623	811,745	221,385	-	1,214,070
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, March 31, 2022	130,269	-	-	718,594	-	-	848,863
Foreign currency adjustment	-	-	-	44,332	-	-	44,332
Balance, March 31, 2023	130,269	-	-	762,926	-	-	893,195

	Trade name	Virtual reality technology	Developed technology	Customer relationships	Non-compete agreement	IPR&D	Total
Accumulated Amortization							
Balance, March 31, 2021	-	-	-	8,002	2,181	-	10,183
Amortization	10,493	-	-	267,061	72,835	-	350,389
Impairment loss	-	-	-	(14,693)	(71,312)	-	(86,005)
Foreign currency adjustment	-	-	-	(16,767)	(3,704)	-	(20,471)
Balance, March 31, 2022	10,493	-	-	243,603	-	-	254,096
Amortization	32,567	-	-	235,901	-	-	268,468
Foreign currency adjustment	-	-	-	31,279	-	-	31,279
Balance, March 31, 2023	43,060	-	-	510,783	-	-	553,843
Carrying amount							
Balance, March 31, 2022	119,776	-	-	474,991	-	-	594,767
Balance, March 31, 2023	87,209	-	-	252,143	-	-	339,352

For the year ended March 31, 2023, amortization expense related to intangible assets amounted to $268,468 (2022 - $350,389), which are included in general and administrative expenses in the consolidated statement of loss and comprehensive loss.

For the year ended March 31, 2023, impairment loss related to intangible assets amounted to $nil (2022 - $4,178,113), which are included in the consolidated statement of loss and comprehensive loss. During the prior year ended March 31, 2022, management identified certain impairment indicators in relation to various intangible assets largely related to adverse changes in market demands for certain technology products.

(Expressed in Canadian Dollars)

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)	940,372
Impairment loss	(443,896)
Foreign currency adjustment	95,066
Balance, March 31, 2023	1,314,534

As at March 31, 2023, the Company assessed the goodwill recorded in connection with the acquisitions of Happy Caps, AEM, Wellness World and Minichamp. The Company performs goodwill impairment analysis annually by comparing recoverable amount of the CGUs calculated using the value in use approach with the carrying amount. The key assumptions used in the discounted cash flow models included various significant unobservable inputs.

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

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

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

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

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

CGU Group	SR CGU	Happy Caps CGU	AEM CGU	Wellness World CGU	Minichamp CGU	Total
	$	$	$	$	$	$
At March 31, 2021	944,570	-	-	-	-	944,570
Additions upon acquisition	-	443,896	729,096	-	-	1,172,992
Impairment loss	(962,830)	-	(450,000)	-	-	(1,412,830)
Foreign currency adjustment	18,260	-	-	-	-	18,260
At March 31, 2022	-	443,896	279,096	-	-	722,992
Additions upon acquisition	-	-	-	328,131	612,241	940,372
Impairment loss	-	(443,896)	-	-	-	(443,896)
Foreign currency adjustment	-	-	-	41,068	53,998	95,066
At March 31, 2023	-	-	279,096	369,199	666,239	1,314,534

(i) SR CGU

During the prior year ended March 31, 2022, the key unobservable inputs used by the Company when assessing the impairment of SR CGU are as follows: (i) discount rate – 35%; (ii) terminal growth rate – 2%; (iii) revenue growth rate: 8% to 20%; (iv) gross margin: 28.5% to 35%.

Furthermore, during the prior year ended March 31, 2022, the Company noted that the recoverable amount was less than the carrying value so an impairment loss has been recorded on goodwill in the amount of $962,830, and on the intangible assets in the amount of $165,132, which are included in the consolidated statements of loss and comprehensive loss for the year ended March 31, 2022. The net book value of SR goodwill at March 31, 2023 was $Nil (2022 - $nil).

(Expressed in Canadian Dollars)

9. GOODWILL (continued)

(ii) Happy Caps CGU

The key unobservable inputs used by the Company when assessing the impairment for Happy Caps CGU are as follows: (i) discount rate – 32%; (ii) terminal growth rate – 2.0%; (iii) revenue growth rate – Year one: 31.9%, Years two to four: 2.5% to 10.0%, respectively; (iv) EBITDA margin: 5.0% to 9.1%.

The Company noted that the recoverable amount was less than the carrying value and an impairment loss has been recorded in the amount of $443,896 for the Happy Caps CGU as at March 31, 2023. The net book value of the Happy Caps CGU goodwill at year end was $nil (2022 - $443,896).

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

Happy Caps CGU			
Unobservable input	Sensitivity	Potential additional impairment	
Revenue growth rate	Decrease by 5%	$	727
EBITDA margin	Decrease by 3%	$	74,648
Weighted average cost of capital	Increase by 5%	$	4,130

(iii) AEM CGU

The key unobservable inputs used by the Company when assessing the impairment for AEM CGU are as follows: (i) discount rate – 12%; (ii) terminal growth rate – 2.0%; (iii) revenue growth rate – Year one: 51.7%, Years two to five: 2.5% to 15.0% respectively; (iv) EBITDA margin – 26.0% to 34.0%.

The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required for goodwill in the amount of $279,096. The net book value of AEM goodwill at year end was $279,096 (2022 - $279,096).

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

AEM CGU			
Unobservable input	Sensitivity	Potential impairment	
Revenue growth rate	Decrease by 5%	$	nil
EBITDA margin	Decrease by 5%	$	354,310
Weighted average cost of capital	Increase by 3%	$	217,140

(iv) Wellness World CGU

The key unobservable inputs used by the Company when assessing the impairment for Wellness World CGU are as follows: (i) discount rates – 20.7% to 21.8%; (ii) terminal growth rate – 2.0%; (iii) revenue growth rate – Year one: 111% to 152%, Years two to four: 10.0%, 5.0%, and 2.0% respectively; (iv) EBITDA margin – 14.0% to 21.0%.

The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required for goodwill in the amount of $369,199. The net book value of Wellness World goodwill at year end was $369,199 (2022 - $nil).

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

Wellness World CGU			
Unobservable input	Sensitivity	Potential impairment	
Revenue growth rate	Decrease by 5%	$	nil
EBITDA margin	Decrease by 5%	$	nil
Weighted average cost of capital	Increase by 5%	$	nil

(Expressed in Canadian Dollars)

9. GOODWILL (continued)

(iv) Minichamp CGU

The key unobservable inputs used by the Company when assessing the impairment for Minichamp CGU are as follows: (i) discount rate – 17%; (ii) terminal growth rate – 2.0%; (iii) revenue growth rate – 22.4%, 10.0%, 10.0%, 5.0% and 5.0% respectively; (iv) EBITDA margin – 18.0% to 30.0%.

The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required for goodwill in the amount of $612,241. The net book value of Minichamp goodwill at year end was $612,241 (2022 - $nil).

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

	Wellness World CGU		
Unobservable input	Sensitivity	Potential impairment	
Revenue growth rate	Decrease by 5%	$	nil
EBITDA margin	Decrease by 5%	$	nil
Weighted average cost of capital	Increase by 3%	$	nil

10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES

On March 19, 2023 the unsecured convertible promissory note payable due to the previous owner of SR Wholesale and in the amount of €300,000 became due. On March 31, 2023, this note was derecognized as a replacement debt instrument was issued to a new debenture holder pursuant to an assignment agreement, terms as outlined below. The derecognized note has a value of $442,055 on the date of derecognition resulting is a loss on the change of in fair value of convertible debentures in the amount of $56,712 (2022 – gain of $328,444).

On March 31, 2023, the Company entered into a debt settlement agreement in connection with the original unsecured convertible promissory note payable, resulting in the issuance of $491,173 of secured debentures with a term of one year and due by March 31, 2024. The major terms of the debentures are as follows:

(a) The principal amount of the debenture does not bear interest. Notwithstanding the foregoing, upon and from the date on which there occurs and event of default, which is continuing, the principal amount will bear interest at a rate of 22% per annum. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in units at the conversion price in effect on the date of such payment.

(b) The debentures are convertible into Units of the Company at a conversion price of $0.105 per Unit and will mature one year from the date of issuance. Each Unit consists of one common share of the Company and a ¼ warrant, with each whole warrant exercisable into one common share at a price of $0.1575 until March 31, 2025. The debenture holder has the right, from time to time and at any time while any portion of the principal amount or any accrued and unpaid interest on the debenture is outstanding, to convert all or a portion of the outstanding principal and interest (if any) into common shares of the Company.

(c) The convertible debentures are secured by way of a general and continuing interest in certain assets of the Company.

(d) On closing, the Company issued to the purchasers of the convertible debentures 1,052,515 warrants (Note 16(f)). The warrants are exercisable for a period of two years from issuance into common shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of $0.1575 per common share.

As a result of the contractual terms that may result in a potential adjustment to the exercise price of the warrants, the share purchase warrants have been accounted for as derivative liabilities. As a result of the fixed conversion price, the "fixed-for-fixed" condition was met resulting in the conversion feature being accounted for as an equity instrument. The effect is that the convertible debenture host debt instrument has been accounted for at amortized cost, with the warrant derivative liability being measured at fair value with changes in value being recorded in profit and loss.

There is an equity portion of the convertible debenture recorded in the amount of $135,985 as at March 31, 2023 (2022 - $nil).

(Expressed in Canadian Dollars)

10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES (continued)

	Convertible debenture	Derivative liability: share purchase warrants	Total
Balance, Mar 31, 2021	713,886	-	713,886
Change in fair value of convertible debenture	(328,446)	-	(328,446)
Balance, Mar 31, 2022	385,440	-	385,440
Change in fair value of convertible debenture	56,615	-	56,615
Derecognition of convertible debenture	(442,055)	-	(442,055)
Fair value on issuance	306,812	48,376	355,188
Transaction costs	(49,117)	-	(49,117)
Balance, Mar 31, 2023	257,695	48,376	306,071

11. CONTINGENT CONSIDERATION

	Happy Caps	**AEM**	**Minichamp**	**Total**
	$	**$**	**$**	**$**
Balance, March 31, 2021	-	-	-	-
Issued upon acquisition (Note 4)	141,655	202,380	-	344,035
Cash payment	(50,000)	-	-	(50,000)
Balance, March 31, 2022	91,655	202,380	-	294,035
Issued upon acquisition (Note 4)	-	-	38,077	38,077
Cash payment	(100,000)	-	-	(100,000)
Shares issued for contingent consideration	-	(250,000)	-	(250,000)
Change in fair value of contingent consideration	158,345	47,620	-	205,965
Balance, March 31, 2023	150,000	-	38,077	188,077

a) Contingent consideration issued in Happy Caps acquisition

As detailed in Note 4, the Company is required to make certain pro-rata earn-out payments, payable in shares and cash, to former shareholders of Happy Caps as additional purchase consideration. These payments are based on Happy Caps' ability to meet certain sales in unit targets, with a minimum gross margin requirements on products sold, as follows:

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

Upon Happy Caps achieving an average sale of over 200 units a week during the second six-month period subsequent to the acquisition ("Earn Out Period 1"), the Company will pay $50,000 in cash to the previous owners. During the year ended March 31, 2023, this condition was met and the cash payment has been paid out.

Upon Happy Caps achieving an average sale of over 200 units a week during the third six-month period subsequent to the acquisition ("Earn Out Period 2"), the Company will pay $50,000 in cash to the previous owners. During the year ended March 31, 2023, this condition was met and the cash payment has been paid out.

Upon Happy Caps achieving an average sale of over 600 units a week during the Earn Out Period 1 and Earn Out Period 2, the Company will issue additional $100,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day volume weighted average price ("VWAP") of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares. During the year ended March 31, 2023, this condition was not met and the milestone has expired.

11. CONTINGENT CONSIDERATION (continued)

Upon Happy Caps achieving an average sale of over 800 units a week during the Earn Out Period 1 and Earn Out Period 2, the Company will issue additional $150,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day VWAP of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares. During the year ended March 31, 2023, this condition was not met and the milestone has expired.

Upon Happy Caps achieving an average sale of over 1,000 units a week during any consecutive three-month span of Earn Out Period 2, or the forth six-month period subsequent to the acquisition ("Earn Out Period 3"), the Company will issue additional $150,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share equal to the 10-day VWAP of the Red Light Shares on the CSE ending on the date prior to the date of issuance of the Red Light Shares. During the year ended March 31, 2023, this condition was met and the share issuance of 1,543,208 Red Light Shares occurred subsequent to the year end.

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

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

As of March 31, 2023, the Earn Out Period 1, Earn Out Period 2 and Earn Out Period 3 have expired and, with the exception of the aforementioned share payment made subsequent to year end, the Company has no further cash or share payment obligations to the former shareholders of Happy Caps.

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

As at March 31, 2023, the balance of contingent consideration represents the value of the milestone achieving an average sale of over 1,000 units a week during a consecutive three-month span during Earn Out Period 2 and Earn Out Period 3 valued at $150,000 worth of Red Light Shares. As at March 31, 2022, the balance of contingent consideration represents the probability-weighted discounted value of subsequent share issuance expected to occur during the earn out periods, based on management's best estimate of the probability of Happy Caps meeting each of the targets. Over the contractual terms, the total cumulative earn out could be $nil in cash and nil shares (undiscounted value of $nil) to $100,000 payable in cash and $450,000 worth of Red Light Shares (undiscounted value of $550,000).

The fair value of the Happy Caps contingent consideration is determined to be $150,000 (2022 - $141,655). As at the prior year end, the Company used the monte carlo model to estimate the fair value of contingent consideration from the Happy Caps acquisition. The key inputs included in the model are: (i) variability in revenue of 14%; (ii) discount rate of 2%; (iv) risk free rate of 0.27%. A +/- 25% change in the key assumptions would result in a change in fair value of $35,414.

b) Contingent consideration issued in AEM acquisition

As detailed in Note 4, the Company is required to make certain pro-rata earn-out payments, payable in shares, to former shareholders of AEM as additional purchase consideration. These payments are based on operational milestones, including operationalization of the facility, and production milestone.

Upon AEM achieving operationalize the facility with respect to the commercial production of shiitake mushrooms within twelve months from the acquisition date, as determined by the Company in its sole discretion, the Company will issue $250,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share of $0.261, indicating a total of 957,853 Red Light Shares issuable. During the year ended March 31, 2023, this condition was met and the share issuance of 957,853 Red Light Shares was satisfied.

Upon AEM achieving an average sale of 4,500 pounds of shiitake mushrooms a week, at a minimum price of $6.00 per pound, over any four-week span for the twelve months period subsequent to the acquisition date, the Company will issue $250,000 worth of Red Light Shares. The shares issuable upon meeting this milestone will have a deemed price per share of $0.261, indicating a total of 957,854 Red Light Shares issuable. During the year ended March 31, 2023, this condition was not met and the milestone has expired.

As of March 31, 2023, the earn out period has ended, and therefore the Company has no further obligations of share payments to the former shareholders of AEM on the above milestones.

(Expressed in Canadian Dollars)

11. CONTINGENT CONSIDERATION (continued)

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

As at March 31, 2022, the fair value of the AEM contingent consideration was determined to be $202,380. The Company has used the monte carlo model to estimate the fair value of the contingent consideration from the AEM acquisition. The key inputs included in the model are: (i) variability in revenue of 14%; (ii) discount rate of 2%; (iv) risk free rate of 0.27%. A +/- 25% change in the key assumptions would result in a change in fair value of $50,595.

c) Contingent consideration issued in Minichamp acquisition

As detailed in Note 4, the Company is required to make certain earn-out payments, payable in cash, to former shareholders of Minichamp as additional purchase consideration. These payments are based on operational milestones, specifically earnings before interest, tax, depreciation, and amortization (EBITDA), for the calendar years 2022, 2023 and 2024.

Upon Minichamp achieving an operational result, defined as EBITDA, in the amount of €144,101 for each of the individual calendar years 2022, 2023 and 2024, the Company will pay €33,333 in cash to the former shareholders of Minichamp. During the year ended March 31, 2023, the Company assessed the operational result of the year ended December 31, 2022 and this condition was not met.

As of March 31, 2023, the earn out periods of the years ending December 31, 2023 and 2024 remain, and the Company has potential future obligations of cash payments to the former shareholders of Minichamp on the above milestones.

The contingent consideration has been classified as financial liability as the potential future payments will be made in cash.

The fair value of the Minichamp contingent consideration is determined to be $38,077 (2022 - $nil). The Company used the monte carlo model to estimate the fair value of contingent consideration from the Minichamp acquisition. The key inputs included in the model are: (i) variability in EBITDA of 68.8%; (ii) discount rate of 19.1%; (iv) risk free rate of 3.8%. A +/- 25% change in the key assumptions would result in a change in fair value of $9,519.

12. RIGHT OF USE ASSET

	$
Balance, March 31, 2021	149,749
Additions - leases	124,005
Acquired upon acquisition (Note 4)	31,440
Disposition lease	(22,486)
Depreciation	(50,735)
Foreign currency adjustment	(29,907)
Balance, March 31, 2022	202,066
Additions – leases	90,858
Acquired upon acquisition (Note 4)	387,686
Depreciation	(143,197)
Foreign currency adjustment	44,519
Balance, March 31, 2023	581,932

For the year ended March 31, 2023, depreciation expense related to right of use assets amounted to $143,197 (2022 - $50,735), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

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

(Expressed in Canadian Dollars)

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	90,858
Acquired upon acquisition (Note 4)	387,686
Interest expense	33,869
Lease payments	(164,163)
Foreign currency adjustment	44,474
Balance, March 31, 2023	602,437

Allocated as:	**Mar 31, 2023**	**Mar 31, 2022**
Current	179,819	59,294
Long term	422,618	150,419
Balance	602,437	209,713

On March 19, 2021, through the acquisition of SR, the Company assumed a leased premises and the associated lease liability with a fair value of $48,646. The lease term is indefinite with a six-month termination notice period. The lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands. As at March 31, 2022, the Company terminated this lease and the resulting lease liability was disposed of on that date in the amount of $23,619.

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

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

On April 1, 2022, the Company entered into a new lease for SR consisting of an office and warehouse facilities with an associated lease liability fair value of $70,010. The lease term is until March 31, 2024 with a renewal option. The lease payments of €2,300 per month 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 two leased premises consisting of two retail store locations and an associated lease liability fair value of $190,606. The lease term for the Oss and Utrecht locations is until August 31, 2027 and July 31, 2027, respectively. The total lease payments of €3,000 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

On October 4, 2022, through the acquisition of Minichamp, the Company assumed a leased premise consisting of an office, production facility and warehouse and an associated lease liability fair value of $197,080. The lease term for the premise is until July 31, 2025. The total lease payments of €3,000 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

On February 1, 2023, the Company entered into a new lease for Happy Caps consisting of an office and warehouse facilities with an associated lease liability fair value of $20,848. The lease term is until January 31, 2024. The lease payments of $2,120 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada.

(Expressed in Canadian Dollars)

13. LEASE LIABILITIES (continued)

For the year ended March 31, 2023, interest and accretion expense related to lease liabilities amounted to $33,869 (2022 - $12,491), which are included in interest expense in the consolidated statements of loss and comprehensive loss.

As at March 31, 2023, future minimum annual lease payments for premises and vehicles are as follows:

	$
2024	179,819
2025	129,699
2026	116,539
2027	116,872
2028	59,508
Total lease payments	602,437

14. LOANS AND ADVANCES

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

15. NON-CONTROLLING INTEREST

	Happy Caps $	**AEM** $	**Total** $
Balance, March 31, 2021	-	-	-
Non-controlling interest acquired	114,397	894,719	1,009,116
Net loss attributable to non-controlling interest	(2,556)	(325,490)	(328,046)
Balance, March 31, 2022	111,841	569,229	681,070
Net loss attributable to non-controlling interest	(132,783)	(269,670)	(402,453)
Balance, March 31, 2023	(20,942)	299,559	278,617

(Expressed in Canadian Dollars)

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
Balance March 31, 2021	**332,888,764**	**31,221,429**
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
Balance, March 31, 2022	**358,165,282**	**38,286,226**
Shares issued on acquisition of Wellness World (Note 4)	1,423,963	117,649
Shares issued on acquisition of Minichamp BV (Note 4)	981,466	73,105
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
Shares issued on exercise of options (vii)	833,333	93,213
Shares issued for a legal retainer	6,300,000	567,000
Balance, March 31, 2023	**387,892,187**	**41,786,685**

(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 (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.

(iv) During the year ended March 31, 2023, 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 in the amount of $1,000,000.

(v) During the year ended March 31, 2023, 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 in the amount of $25,000.

(vi) During the year ended March 31, 2023, the Company issued 1,423,963 common shares pursuant to the acquisition of Wellness World and 981,466 common shares pursuant to the acquisition of Minichamp (Note 4).

(vii) During the year ended March 31, 2023, 833,333 options were exercised for proceeds of $50,000. The options had a recorded value of $43,213. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.

(viii) During the year ended March 31, 2023, the Company issued 6,300,000 common shares in lieu of a legal retainer. The shares issued were measured based on the fair value of legal services to be received in the amount of $567,000. The shares relate to the termination of an Escrow Agreement (Note 4).

(Expressed in Canadian Dollars)

16. CAPITAL STOCK (continued)

(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 38,789,219 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 – 175%; Interest rate – 3.14%.

The following table reflects the continuity of options for the year ended March 31, 2023 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
Exercised	(833,333)	(43,213)	0.06
Expired	(1,000,000)	-	0.38
Granted	700,000	644,395	0.08
Balance, March 31, 2023	15,766,667	3,551,945	0.11

As at March 31, 2023, the weighted average remaining life of the outstanding stock options was 1.4 years (2022 – 2.3 years). Of the outstanding options, 14,300,000 (2022 – 9,200,000) were fully vested, exercisable, and had a weighted average remaining useful life of 1.3 years (2022 – 1.7 years).

(Expressed in Canadian Dollars)

16. CAPITAL STOCK (continued)

The following table reflects continuity of options for the year ended March 31, 2023:

		Number of Options					
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Options Forfeited**	**Closing Balance**
May 27, 2025	$0.06	2,500,000	-	(833,333)	-	-	1,666,667
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	(833,333)	(1,000,000)	-	15,766,667

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

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

For the year ended March 31, 2023, $563,521 has been recorded as share based payments in the consolidated statements of loss (2022 - $3,198,720).

(Expressed in Canadian Dollars)

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 years ended March 31, 2023 and 2022.

(d) *Loss per share data*

The effect of outstanding common share purchase options, RSUs, warrants and convertible debentures on the net loss for the years ended March 31, 2023 and 2022 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 Year Ended March 31, 2023

Position	# Granted	Grant Date	Vesting	FMV	$
Consultant	246,774	Dec 12, 2022	Upon grant	0.085	20,976
Consultant	1,312,460	Dec 12, 2022	25% upon grant; then over 3 months	0.085	111,559
Consultant	238,709	Dec 12, 2022	Upon grant	0.085	20,290
Consultant	300,000	Dec 12, 2022	33% upon grant; then at 6, 12, 18 months	0.085	25,500
Consultant	111,593	Dec 12, 2022	Upon grant	0.085	9,485
Consultant	251,288	Dec 12, 2022	Over 5 months	0.085	21,359
Consultant	164,096	Dec 12, 2022	Upon grant	0.085	13,948
	2,624,920				232,117

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
	15,312,232				4,446,471

(Expressed in Canadian Dollars)

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	2,624,920	197,575
Vested	(6,556,520)	(1,457,240)
Forfeited	(2,675,000)	(815,875)
Balance March 31, 2023	300,516	-

During the year ended March 31, 2023, 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 March 31, 2023, 1,135,077 RSU's (2022 – 183,116) valued at $96,482 (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	76,968,127	10,701,239	0.47
Issued	1,052,514	-	-
Balance, March 31, 2023	78,020,641	10,701,239	0.46

As at March 31, 2023, warrants outstanding were as follows:

		Warrants Outstanding and Exercisable	
Expiry Date	**Exercise Price**	**Number of Warrants**	**Average Remaining Contractual Life (Years)**
May 27, 2023	$0.06	1,300,000	0.16
February 24, 2024	$0.70	26,450,000	0.90
February 24, 2024	$0.44	1,804,705	0.90
June 8, 2024	$0.26	1,272,727	1.19
June 16, 2024	$0.26	1,579,346	1.21
July 16, 2024	$0.26	5,541,060	1.29
July 28, 2024	$0.38	37,983,600	1.33
July 28, 2024	$0.26	1,036,689	1.33
March 31, 2025	-	1,052,514	2.00
		76,968,127	1.16

(Expressed in Canadian Dollars)

16. CAPITAL STOCK (continued)

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

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

17. REVENUE

	2023	2022
Wholesale product sales	2,112,132	2,041,127
Wholesale mushroom sales	783,442	7,059
Mushroom grow kit sales	860,712	269,930
Retail sales	192,344	-
Other	1,037	7,473
	3,949,667	2,325,589

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

(Expressed in Canadian Dollars)

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 $91,077.

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 Wholesale, Minichamp and Wellness World operate.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than the Canadian dollar. As at March 31, 2023, the Company has $2,665,887 of net assets and liabilities that are denominated in currencies other than Canadian dollar. A 10% change in the value of net assets and liabilities that are denominated in currencies other than the Canadian dollar as a result in changes in foreign exchange rates would change the Company's net loss by $266,588.

Liquidity risk

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The Company manages liquidity risk by reviewing the amount of cash available to ensure that it can meet its current obligations.

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at March 31, 2023:

	Payments due by period			
Liabilities and obligations	Total contractual payments	< 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,292,333	1,292,333	-	-
Loans and advances	905,059	905,059		
Lease liability	701,899	221,125	295,243	185,531
Convertible debenture	257,695	257,695	-	-
	3,156,986	2,676,212	295,243	185,531

(Expressed in Canadian Dollars)

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	March 31, 2023	March 31, 2022
Accounts payable	$ 623,504	$ 458,960
Professional fee accruals	282,122	436,225
Consulting and payroll accruals	75,791	81,302
Other accruals	310,916	406,199
	$ 1,292,333	$1,382,686

Credit risk

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

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

The Company has trade accounts receivable from customers, and sales tax receivable. The Company's credit risk arises from the possibility that a counterpart which owes the Company money is unable or unwilling to meet its obligations in accordance with the terms and conditions in the contracts with the Company, which would result in a financial loss to the Company. These specific customers may be affected by economic factors and government and legal factors which may impact accounts receivable. Credit risk for accounts receivable is assessed on a case-by-case basis and a provision is recorded where required. As of March 31, 2023, the Company estimated expected credit losses to be $49,123 (2022 - $nil).

Accounts receivable aging is as follows:

	March 31, 2023	March 31, 2022
Current	$ 378,109	$ 248,918
30 to 60 Days Overdue	128,088	14,990
60 to 90 Days Overdue	2,831	6,752
Over 90 Days Overdue	9,118	110,209
	$ 518,146	$ 380,869

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

(Expressed in Canadian Dollars)

21. RELATED PARTY TRANSACTIONS

During the years ended March 31, 2023 and 2022, compensation, paid or payable, to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

	March 31, 2023	March 31, 2022
Salary	$ 586,667	$ -
Consulting fees	410,104	810,292
Car allowances	13,200	13,200
Other	267,150	26,400
	$ 1,277,121	$ 849,892

During the year ended March 31, 2023, payments relating to the tax impact of certain executive management personnel electing to receive vested RSUs on a net of tax basis, resulting in the expense and remittance of related tax withholdings in the amount of $240,750 (2022 - $nil), were included in general and administrative expenditures in the consolidated statement of loss and comprehensive loss and recorded in other in the above table.

As at March 31, 2023, $17,937 (2022 - $26,267) was due to related parties and included in accounts payable and accrued liabilities.

Equity Transactions
Shares issued during the years ended March 31, 2023 and 2022 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

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

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

Option Grant Date	Options Granted #	Option Value $
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

	2023	2022
Advertising and promotions	275,664	455,279
Amortization and depreciation	630,041	523,691
Consulting and management fees	1,028,267	1,619,554
Investor and public relations	46,184	117,235
Legal, audit and other professional fees	892,064	1,889,013
Office and general	1,343,708	728,835
Payroll	1,681,234	370,792
Regulatory	98,991	36,802
	5,996,153	5,741,201

(Expressed in Canadian Dollars)

23. CONTRACTUAL BREAK FEE

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

24. INCOME TAXES

(a) Provision for income taxes

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

	2023 $	2022 $
Loss before income taxes	(5,960,122)	(14,941,577)
Expected income tax recovery based on statutory rate	(1,579,423)	(3,959,518)
Adjustment to expected income tax recovery:		
Share based compensation	149,333	847,660
Impairment loss	117,632	1,479,345
Gain on sale of investments	(3,441)	-
Difference in tax rates and other	(241,033)	105,442
Change in benefit of tax assets not recognized	1,397,430	1,280,667
Income tax recovery	(159,502)	(246,404)
Current tax (recovery) expense	(62,235)	48,940
Deferred tax recovery	(97,267)	(295,344)
Total income tax recovery	(159,502)	(246,404)

(b) Deferred income tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. The following table summarizes the components of deferred tax:

	2023 $	2022 $
Deferred tax assets:		
Non-capital loss carry-forwards – Canada	283,862	305,338
Right of use assets and lease liabilities	1,844	-
Deferred tax liabilities:		
Intangible assets and inventory	(152,487)	(105,980)
Marketable securities	(20,561)	(138,248)
Net book value / unallocated capital cost	(619,134)	(664.853)
Total	(506,476)	(603,743)

(Expressed in Canadian Dollars)

24. INCOME TAXES (continued)

Unrecognized deferred tax assets

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

	2023 **$**	**2022** **$**
Non-capital loss carry-forwards – Canada	39,678,668	32,227,575
Share issue costs	2,283,915	3,469,318
Intangible asset	180,941	180,941
Mineral property costs	4,193,946	4,232,000
Reserves	-	639,671
Non-capital loss carry-forwards – Netherlands	125,777	296,667
Capital losses carried forward	106,010,419	105,916,252
Net book value / unallocated capital cost	613,202	947,001
Total	153,182,744	147,909,425

(c) Deferred tax liabilities

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

	2023 **$**	**2022** **$**
Movement in net deferred tax liabilities:		
Opening deferred tax liabilities	(603,743)	(301,156)
Recognized through profit & loss	97,267	295,344
Recognized through goodwill	-	(597,931)
Ending deferred tax liabilities	(506,476)	(603,743)

(d) Tax loss carryforwards

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

2027	3,327,334
2028	-
2029	3,188,588
2030	2,710,297
2031	2,111,236
Thereafter	29,136,200
	40,473,655

Non-capital losses in the amount of $502,105 may be utilized to reduce taxable income in the Netherlands in future years and would not expire.

(Expressed in Canadian Dollars)

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 RLH Netherlands BV, SR, RLH Farms, Minichamp and Wellness World 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).

The following tables present financial information by segment for the years ended March 31, 2023 and 2022:

	Year ended March 31,	
Revenue for year ended	**2023**	**2022**
Netherlands	$ 2,540,930	$ 2,028,910
Canada	1,408,737	296,679
USA	-	-
	$ 3,949,667	$ 2,325,589

	Year ended March 31,	
Net loss and comprehensive loss for year ended	**2023**	**2022**
Canada	$ 4,948,254	$ 9,096,993
USA	175,653	4,467,370
Netherlands	473,512	1,273,479
	$ 5,597,419	$ 14,837,842

Total Assets as at	**March 31, 2023**	**March 31, 2022**
Canada	$ 26,490,488	$ 30,970,739
Netherlands	3,525,412	1,642,131
USA	127,383	325,795
	$ 30,143,283	$ 32,938,665

Total liabilities as at	**March 31, 2023**	**March 31, 2022**
Canada	$ 2,813,545	$ 3,298,584
Netherlands	857,711	445,828
USA	129,197	36,264
	$ 3,800,453	$ 3,780,676

(Expressed in Canadian Dollars)

26. SUBSEQUENT EVENTS

On April 5, 2023, the company issued 952,380 common shares and 238,095 warrants as a conversion of $100,000 debentures (Note 10).

On April 10, 2023, 984,305 RSUs vested and issued.

On April 24, 2023 the Company's Board of Directors approved the granting of 18,135,000 Options, with an exercise price of $0.10 per option, and 5,975,000 Restricted Share Units ("RSUs") to Directors, Officers, employees and consultants of the Company. A total amount of 2,175,000 RSUs vested upon grant and were exercised into common shares of the Company. The options and RSUs vest on the following terms:

Participant	#	Vesting Terms
Options		
Directors, Officers and Consultants	14,800,000	1/3 upon grant; 1/3 after 12 months; 1/3 after 24 months from the issuance date
Employees and Consultants	2,135,000	Immediate upon grant
Consultants	1,200,000	1/6 after each of 3 months, 6 months, 9 months, 12 months, 15 months and 18 months form the issuance date
RSUs		
Directors and Officers	4,950,000	1/3 upon grant; 1/3 after 12 months; 1/3 after 24 months from the issuance date
Consultants	1,000,000	1/2 upon grant; 1/4 after 12 months; 1/4 after 24 months from the issuance date
Consultants	25,000	Immediate upon grant

On April 25, 2023, the company paid out Earn-out shares of 1,543,208 common shares in connection with the milestone achievement related to Happy Caps.

On May 18, 2023 a total of 200,000 warrants were exercised for gross proceeds of $12,000.

On May 26, 2023 a total of 1,500,000 options were excessive for gross proceeds of $90,000.

On June 27, 2023 the Company's Board of Directors authorized the repurchase under a normal course issuer bid ("NCIB") of up to 19,762,354 common shares in the capital of the Company from time to time over the next 12 months, through the facilities of the Canadian Securities Exchange or alternative trading systems, at prevailing market prices in order to allow the Company to use its excess cash reserves to strategically return value to shareholders. Purchase under the NCIB may commence as of July 4, 2023 and will end on the earlier of: (i) July 24, 2024; or (ii) the date on which the Company has purchased the maximum number of common shares to be acquired under the NCIB. The Company may terminate the NCIB earlier if it feels it is appropriate to do so.