



RED LIGHT HOLLAND

RED LIGHT HOLLAND CORP.

Management's Discussion & Analysis

For the years ended March 31, 2023 and 2022

**RED LIGHT HOLLAND CORP.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022**

This management’s discussion and analysis (this “MD&A”) was prepared as of July 31, 2023 and is provided to assist readers in understanding Red Light Holland Corp.’s financial performance for the year ended March 31, 2023. It should be read in conjunction with the audited consolidated financial statements for the fiscal years ended March 31, 2023 and 2022, together with the notes thereto (the “Annual Financial Statements”). This MD&A has been prepared in compliance with section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations*. The results reported herein have been derived from the Annual Financial Statements, prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (the “IASB”) and, unless otherwise indicated, are presented in thousands of Canadian dollars.

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

The Company’s common shares (“Common Shares”) trade on the Canadian Stock Exchange (“CSE”) under the symbol ‘TRIP’, on the Frankfurt Stock Exchange under the symbol “4YX” and on the OTCQB Venture Market (the “OTCQB”) under the symbol ‘TRUFF’. Additional information relating to RLHC is available at www.sedar.com.

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

The Board approves the Annual Financial Statements and this MD&A and ensures that the Company’s officers have discharged their financial responsibilities. The Board’s review is accomplished principally through the audit committee of the Company, which reviews and recommends all financial reports to the Board for approval prior to filing.

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

COMPANY OVERVIEW

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

CONSOLIDATED STATEMENTS OF NET LOSS

| | Three months ended Mar 31 | | Year ended Mar 31 | |
|--|------------------------------|-------------|----------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 1,252,918 | 622,467 | 3,949,667 | 2,325,589 |
| Cost of sales | 710,073 | 490,283 | 2,242,815 | 1,707,913 |
| Gross profit | 542,845 | 132,184 | 1,706,852 | 617,676 |
| <i>Gross profit as a % of sales</i> | 43.3% | 21.2% | 43.2% | 26.6% |
| General and administrative | 1,737,933 | 1,769,458 | 5,996,153 | 5,741,201 |
| Share based payments | 46,726 | 484,819 | 563,521 | 3,198,720 |
| Interest expense | 36,772 | 2,397 | 55,925 | 50,429 |
| Research and development | (39,113) | 753,181 | 305,624 | 753,181 |
| Loss before other items and taxes | (1,239,473) | (2,877,671) | (5,214,371) | (9,125,855) |
| Realized gain on sale of marketable securities | 32,254 | - | 12,890 | 93,823 |
| Change in fair value of marketable securities | (18,481) | 683,318 | (364,672) | (317,639) |
| Recovery / (provision) for sales tax receivable | - | (433,359) | 205,636 | (433,359) |
| Contractual break fee | - | - | - | 400,000 |
| Change in fair value of convertible debenture | 96 | 116,557 | (56,615) | 328,446 |
| Change in fair value of call option | (80,738) | - | (82,498) | - |
| Change in fair value of contingent consideration | - | - | (205,965) | - |
| Impairment loss | (443,896) | (5,937,015) | (443,896) | (5,937,015) |
| Foreign exchange loss | (10,295) | (4,507) | (19,478) | (13,526) |
| Interest income | 102,011 | 15,940 | 208,847 | 63,548 |
| Loss before taxes | (1,658,522) | (8,436,737) | (5,960,122) | (14,941,577) |
| Recovery of income taxes | 10,744 | 246,404 | 159,502 | 246,404 |
| Net loss | (1,647,778) | (8,190,333) | (5,800,620) | (14,695,173) |
| Net loss attributable to: | | | | |
| Shareholders of Red Light Holland Corp. | (1,325,398) | (7,888,758) | (5,398,167) | (14,367,127) |
| Non-controlling interests | (322,380) | (301,575) | (402,453) | (328,046) |
| Net loss | (1,647,778) | (8,190,333) | (5,800,620) | (14,695,173) |
| Loss per share (basic and diluted) | (0.00) | (0.02) | (0.02) | (0.04) |
| Weighted average Common Shares outstanding | 380,854,142 | 357,608,060 | 373,109,531 | 351,398,544 |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Mar 31 2023 | Mar 31 2022 |
|---|-------------------|-------------------|
| Cash and cash equivalents | 18,486,644 | 26,093,738 |
| Accounts receivable | 518,146 | 380,869 |
| Sales tax receivable | 283,397 | 127,512 |
| Income tax receivable | 81,652 | 15,638 |
| Marketable securities | 45,498 | 527,813 |
| Prepaid expenses and deposits | 2,051,361 | 220,641 |
| Inventory | 741,249 | 382,391 |
| Total Current Assets | 22,207,947 | 27,748,602 |
| Property and equipment | 4,806,140 | 2,877,298 |
| Marketable securities – non-current | 865,268 | 682,332 |
| Right of use assets | 581,932 | 202,066 |
| Call option | 28,110 | 110,608 |
| Intangible assets | 339,352 | 594,767 |
| Goodwill | 1,314,534 | 722,992 |
| Total Assets | 30,143,283 | 32,938,665 |
| Accounts payable and accrued liabilities | 1,292,333 | 1,382,686 |
| Loans and advances | 905,059 | 905,059 |
| Convertible debenture | 257,695 | 385,440 |
| Derivative liability | 48,376 | - |
| Lease liability – current portion | 179,819 | 59,294 |
| Total Current Liabilities | 2,683,282 | 2,732,479 |
| Lease liability | 422,618 | 150,419 |
| Contingent consideration | 188,077 | 294,035 |
| Deferred tax liability | 506,476 | 603,743 |
| Total Liabilities | 3,800,453 | 3,780,676 |
| Total Shareholders' Equity | 26,342,830 | 29,157,989 |
| Total Liabilities and Shareholders' Equity | 30,143,283 | 32,938,665 |

SUMMARY OF THE YEAR ENDED MARCH 31, 2023

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

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

During the year ended March 31, 2023, we focused on enhancing our existing business operations, explored new acquisitions, entered new sales channels, and made progress on the vertical integration of our operations.

Highlights of Key Events for the three months ended March 31, 2023

On January 11, 2023, the Company has engaged Cannabis License Experts Inc. (“CLE”) to assist the Company with an application for a Controlled Drugs and Substances Dealer’s License, which will be utilized for the purposes of psilocybin production, research and development at the Company’s mushroom production facility in New Brunswick.

On January 24, 2023, the Company provided an update to the development of the Peterborough Farm and an initial draft three-dimensional rendering of the farm. The Company continues to work with AEM (as defined below) to develop the Mushroom Facilities (as defined below). This development will enable the Company to dramatically expand its farm division.

The Company has had further productive conversations with the Township and is currently working with an expert mushroom farm design firm in the Netherlands and experienced Canadian engineers to finish its site plans.

With the design phase nearing completion, the Company intends to submit the finalized engineered stamped plan by the end of August 2023 (previously stated March 2023) to the Township (as defined below) in order to begin the approval process as the Company seeks to obtain permits for the construction of the Mushroom Facilities. The timeline has stretched as the Company has addressed further design and efficiency opportunities in the draft design plans. Once completed, the Peterborough Farm is expected to immediately generate revenues of approximately \$80,000 per week. As it ramps up to its full production capacity, the Company expects a revenue run rate of approximately \$16.0 to \$17.0 million per annum with strong profit margins and cash flows from operations. The ability of the Peterborough Farm to immediately generate revenues of approximately \$80,000 per week and a future run rate of approximately \$16.0 to \$17.0 million per annum with strong profit margins and cash flow from operations is dependent on certain assumptions that management of the Company believes to be reasonable based on the information currently available to management, including the following assumptions: (a) the ability of the mushroom farm design firm in the Netherlands to develop sufficient plans needed for permit applications (b) the ability of the Company to receive the necessary permits from the Township of

Cavan-Monaghan (c) the ability of the Company to finance the construction of the facilities following the grant of the permits (d) the ability of the Company to address unexpected setbacks which may delay the construction of the facilities (e) the growth process in respect of its production schedule being adequate to support the anticipated yield of mushrooms (f) the employees who cultivate, harvest, package and deliver to market the mushrooms on a timely basis are able to hire and capable to do so; (g) the expected yield of the Peterborough Farm provides an adequate basis for the production of new mushrooms; and (h) the current wholesale market for mushrooms will be able to absorb the additional production.

The facilities, as of the date of the MD&A, should take approximately 12 months to design and construct. The cost to build the Mushroom Facilities is budgeted around \$8.0 million which is contingent on permit approvals for the plans.

On March 13, 2023 the Company announced it signed a distribution agreement with MW Pharma Limited t/a NUBU Pharmaceuticals ("NUBU Pharmaceuticals"), a leading medical cannabis company based in New Zealand with distribution ties to Australia, to explore the possibility of legal import and distribution of Red Light Holland's psilocybin microdosing capsules to Australasia.

NUBU has completed the rigorous application process with New Zealand's Ministry of Health to secure a 'Licence to Deal in Controlled Drugs', a 'Licence to Wholesale Medicines', and now a Medicinal Cannabis Supply License from the Medicinal Cannabis Agency. NUBU Pharmaceuticals currently has distribution deals with six companies: ECS Botanics, Sciva International s.r.o., InterCure Ltd. (dba Canndoc), MGC Pharmaceuticals Ltd., and Australian Natural Therapeutics Group Pty Ltd. (ANTG), to supply medicinal cannabis products, as well as Canopy Growth Corporation's Storz & Bickel GmbH for medical cannabis vaporisers.

The psilocybin microdosing capsules are being developed by Red Light Holland's laboratory partner, CCrest Laboratories Inc. ("CCrest Laboratories"), a Montreal-based cGMP pharmaceutical laboratory that holds a Controlled Drugs & Substances Dealer's License from Health Canada. The capsules will be made out of natural psychoactive material (psilocybin + psilocin) and will be packaged in child-proof safety bottles. The capsules will undergo quality control testing, including those for dosage, certificate of analysis and stability.

The Company has mutually agreed, with Mera Life Sciences, to terminate the relationship previously announced via its press release dated August 31, 2021. 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.

Highlights of Key Events for the year ended March 31, 2023

On April 11, 2022, the Company entered into a purchase and sales agreement to acquire 100 acres of farmland located in the township of Cavan-Monaghan in Peterborough, Ontario (the “Township”) for \$1.85 million. The purchase and development of the farmland will create the ability to dramatically increase the Company’s production, packaging and distribution of a wide variety of fresh mushrooms.

On May 16, 2022, the Company completed the third export of the Company’s freshly harvested high-grade psilocybe truffles from the Netherlands to Canada under a Health Canada psilocybin import permit. The truffles were sent to the Company’s partner, CCrest Laboratory Inc. (“CCrest”), which received a total of 3kg of psilocybin truffles from the Company’s farm in Horst, The Netherlands.

On June 6, 2022, the Company’s Psilocybin Truffles, that are sold in the Netherlands, completed their first stability test under a Health Canada approved cGMP laboratory. The testing was performed by CCrest in Montreal, Canada and demonstrates the Company’s commitment to standardization, research and development in hopes of being able to advocate to Health Canada that their farm grown truffles could be an option of naturally occurring psychedelics for those patients in need under the new Special Access Program.

On June 20, 2022 the Company acquired 100 acres of farmland located in the Township (the “Peterborough Farm”) for \$1.85 million in cash. The Company is working with AEM to develop the Peterborough Farm with the construction of two mushroom production facilities consisting of approximately 65,000 sq. feet (the “Mushroom Facilities”). The acquisition represents a significant expansion of its farm division, which includes the Happy Caps Mushroom Farm in Halifax, Nova Scotia, AEM farms in New Brunswick, and the Company’s truffle farm in Horst, the Netherlands.

On June 30, 2022, in order to provide the Company with increased global brand recognition, it partnered with multi-platinum-selling, GRAMMY and Golden Globe Award-nominated recording artist Wiz Khalifa to launch a new mushroom wellness brand called ‘Mistercap’s’. Mistercap’s is a mushroom wellness brand founded in 2022 to create innovative functional mushroom wellness products and is affiliated with recording artist Wiz Khalifa, who provides marketing advisory services to the Company.

The partnership created by Red Light Holland and Mistercap LLC for Mistercap’s will initially launch with a functional mushroom home grow kit, allowing customers to grow their own legal mushrooms in the comfort of their own homes. It is expected to be sold later in calendar 2023. From there, the companies intend to expand to other legal, functional and innovative mushroom products, as well as a line of apparel and accessories, to be made available across the European Union and North America later in calendar 2023. Further, Mistercap LLC will be receiving marketing advisory services from Mr. Khalifa, who will leverage his social media presence to promote legal mushroom products. Mr. Khalifa will be promoting Mistercap’s on his social media by announcing the launch of Mistercap’s around Summer 2023. Mistercap’s designs are finalized, and we are going to further unveil the brand including box designs, with a launch in Summer 2023. For more details, visit www.Mistercap.com www.Instagram.com/Mistercap.

The Company will be working with their current Acadian Exotic Mushrooms Ltd. (“AEM”) partner, Holburne Farms to produce and supply the future Mistercap’s home grow kits for the North American marketplace. To facilitate the expected production increase, the Company has ordered and fully paid for an automated manufacturing line to assist in the production of home grow kits. The line is expected to be installed with initial production operations commencing before the end of August 2023. Upon receipt and installation of the automated manufacturing line, the Company will have the ability to produce the number of kits required to meet its forecasted sales within the North American market. The Company, through its most recent acquisition of MiniChamp, also has the opportunity to produce Mistercap’s home grow kits in the Netherlands with an existing distribution network across the European Union.

In connection with launching the Mistercap’s brand, Red Light Holland and Mistercap LLC entered into an intellectual property licensing agreement dated June 29, 2022 (the “IP Licensing Agreement”). Pursuant to the terms of the IP Licensing Agreement, Mistercap LLC exclusively licensed certain intellectual property held by Mistercap LLC to Red Light Holland to develop, cultivate, process, package, distribute and sell mushroom and/or truffle-related products under the Mistercap’s brands. The initial term of the IP Licensing Agreement is for three years and is automatically renewable for one-year successive terms upon Red Light Holland continuing to hit certain benchmark sales targets. As partial consideration for the license, Mistercap LLC was paid (i) \$250,000 in cash and (ii) \$1,000,000, which was satisfied through the issuance of Common Shares at a price of \$0.075 per Common Share. In addition, Mistercap LLC will: (x) receive monthly royalty payments paid over the term of the IP Licensing Agreement, calculated based on the sale of products developed pursuant to the partnership and (y) be paid a monthly marketing fee. Additional payments are due in the event future markets are available to sell in pursuant to the terms of the IP Licensing Agreement. The Company budgeted \$1,000,000 per year to fulfill royalty fees, marketing expenses and additional payment obligations owed to Mistercap LLC pursuant to the terms of the IP Licensing Agreement.

On July 26, 2022, the Company established two newly formed and wholly owned subsidiaries, Wellness World Utrecht B.V. and Wellness World Oss B.V. The subsidiaries were incorporated to acquire two brick-and-mortar retail stores (referred to in the Netherlands as “SmartShops”) located in Utrecht and Oss, Netherlands. Concurrently with the formation of the wholly owned subsidiaries, the Company entered into two asset purchase agreements to acquire each of the SmartShop retail stores. On August 1, 2022, the acquisitions were finalized. The acquisition in Utrecht had total consideration of €200,000, which consisted of a cash payment of €140,000 and €60,000, which was satisfied through the issuance of Common Shares at a price of \$0.0826 per Common Share. The acquisition in Oss had total consideration of €100,000, which consisting of a cash payment of €70,000 and €30,000, which was satisfied through the issuance of Common Shares at a price of \$0.0826 per Common Share.

The Company has completed an interior renovation of the SmartShop in Utrecht and has rebranded the location under the operating name “Mush Room & More”. The exterior signage is expected to be completed by the end of August 2023. The Mush Room & More official opening will follow in September 2023. Regarding the SmartShop in Oss, the Company plans on doing less extensive renovations while still rebranding the location under the same banner of Mush Room & More which an expected September 2023 completion date. The SmartShop’s continue to operate and business is not expected to be interrupted during the renovation period.

On October 4, 2022, the Company's wholly owned subsidiary, RLH Netherlands B.V. completed the acquisition of MiniChamp B.V. ("MiniChamp"), a home grow mushroom farm, one of The Netherlands' premiere mushroom home grow kit businesses, which offers a wide variety of quality and exotic mushrooms. MiniChamp is a profitable business servicing consumers across 20+ European countries. The acquisition was completed pursuant to the terms of a definitive agreement, pursuant to which Red Light Holland acquired 100% of the issued and outstanding shares of MiniChamp for €625,000. The aggregate consideration was comprised of €550,000 in cash and 981,466 Common Shares with a deemed price of \$0.1009 per Common Share. The Common Shares are subject to a contractual hold period of up to two years, with 25% released every six months. In addition, the agreement provides for up to €100,000 of earn out payments to be made to the vendor, subject to MiniChamp reaching certain sales milestones.

On December 13, 2022, the Company announced that their subsidiary, Happy Caps Mushroom Farm ("Happy Caps"), expanded their distribution of Mushroom Home Grow Kits to over 70 retail stores across Canada, including 13 Loblaws' Real Canadian Superstores.

Effective December 19, 2022, the Common Shares were up listed from trading on the Pink Open Market of the OTC Markets Group Inc. to the OTCQB under the same symbol it previously traded under, "TRUFF".

Effective December 21, 2022, the Company changed its auditor from MNP LLP to Clearhouse LLP.

UPDATE ON SIGNIFICANT PROJECTS

The Company expanded its operations internationally and now has operations in the Netherlands, Canada and the United States of America. With the view of further expansion, the Company is closely and continuously looking for viable opportunities to expand operations of functional mushroom production and distribution as well as psilocybin production and sales across both North America and the European Union if and when regulations permit. The Company also has plans to expand operations into other geographical regions should regulations permit.

The following is an update on our current significant projects:

Netherlands

The Company acquired two SmartShops, SmartShop Oss and SmartShop Utrecht, on August 1, 2022. For a summary of the transaction and an update on the progress of the operations and rebrand of the retail stores, please see "Highlights of Key Events for the year ended March 31, 2023". The Company's rebrand of its retail stores in Oss and Utrecht is expected to increase the number of products it sells to align the brand to the holistic view of mind and body health while executing on customer experience initiatives. With the completion of the aforementioned acquisitions, the Company considers itself to be fully vertically integrated as the Company is able to produce, package, distribute and sell its own brand of truffles directly to customers through both brick-and-mortar retail shops and online.

The Company's Maka magic truffles line, including the Hollandia, Makanaut, Muskoka, Mexicana, Atlantis, Double Vision, Old Dutch and Utopia varieties, are designated as a Responsible Use Psychedelic. The Maka line of truffles is currently being distributed through SR Wholesale B.V., the Company's wholly owned subsidiary ("SR Wholesale"), and sold by a number of SmartShops across the Netherlands, however, the distribution and sale through the Maka website (www.WorldofMaka.com) has been deferred while the Company assesses options for online payment processing. Management expects the website to be operational during the latter part of calendar 2023 (previously stated first half of calendar 2023).

The Company completed the acquisition of Minichamp BV on October 4, 2022. For a summary of the transaction and an update on the progress of the operations, please see "Highlights of Key Events for the year ended March 31, 2023".

Canada

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

As of the date of this MD&A, the Company, in collaboration with CCrest Laboratories, has developed dehydrated, homogenized psilocybin microdosing capsules from its natural psilocybin truffles imported from our Netherlands farm. The capsules have begun stability and accelerated stability testing and are being designed, in part, to satisfy the distribution agreement with NUBU Pharmaceuticals. For more information on the distribution agreement, please see "Highlights of Key Events for the three months ended March 31, 2023".

As of the date of this MD&A, the AEM farm in New Brunswick is operating at 80-90 percent capacity and expects to be producing approximately 5,000 pounds of shiitake mushrooms per week on a go-forward basis, generating approximately \$30,000 and \$32,500 of revenue per week.

For an update on the development on the Peterborough Farm and Mushroom Facilities, please see "Highlights of Key Events for the three months ended March 31, 2023".

United States

Radix Motion Inc. ("Radix Motion") is creating 'Wisdom', a set of smart home devices utilizing ideas from the mycelium network. Their first device, the Wisdom Truffle designed by Karim Rashid and powered by Radix Motion technology, is a smart figurine that helps people build healthy patterns using meditation, monitoring their phone usage and helping them take positive action to reduce their carbon footprint. Wisdom is a companion figurine that will help people connect to themselves, to each other and to the environment. There are currently three Wisdom Truffle models:

- **Moon:** a handheld, first-of-its-kind, meditation aid and biorhythm communication device which allows for insights into the autonomic nervous system by responding to a user's

heartbeat. Heart rate data can be added to the iMicro Journal app to keep track of physiological changes correlated to micro dosing and/or meditation. In addition, Moon supports a multiplayer mode allowing for group meditation and/or connection.

- **Star:** a lamp-size figurine that helps build a healthier relationship with mobile devices by promoting presence and focus. Star will allow for connection with the iMicro Journal app and will allow for the tracking of phone-usage and the rewarding of healthy breaks. Star will also bring added light and superb sound quality to any room.
- **SuperNova:** expected to be a 1-meter tall, life-sized figurine, and will include artificial intelligence technology that will detect and understand users' body movements. This Wisdom Truffle creates unique interactive audiovisual experiences based on dances, stretches and more. In addition, SuperNova will support multiplayer mode for galleries, conventions, stores and more.

As at the date of this MD&A, the Moon model design is complete, and the initial manufacturing run of the first 100 units has been produced and delivered to Canada and the Netherlands. An additional production run of 400 units is nearing completion with an expected shipment date in August 2023. The units can be purchased directly online or through the retail stores in the Netherlands. The Star model has also completed its design phase and has passed the required testing and certification milestones required before its initial manufacturing run, which is expected before year-end. The engineering, design and production of the SuperNova model has been deferred for 12 to 18 months to focus sales and marketing efforts on the other two models.

The Company has deferred both its initial production and sales timelines and believes that the following events and circumstances may reasonably be likely to cause actual results with respect to the timing of the production run and sales launch to differ materially from those currently anticipated by the Company and expressed in this MD&A: the manufacturing delays caused by recent Covid lockdowns in China, related supply chain issues and challenging shipping arrangements, and other unanticipated setbacks which may materialize following the date of this MD&A, including, among other things, changes in the rules and regulations relating to the use of psychedelics in the relevant jurisdictions.

There are still significant milestones required to be met to enable the delivery of future manufacturing orders of units from the factories in China and to launch full sales programs for both the Moon and Star units. The anticipated timeline for completing this objective is based on, among others, the following material assumptions: (i) the demand for, and benefits of, the introduction of the Wisdom Truffle being materially accurate in light of the Company's assessment of market and competitive conditions, and (ii) the persons necessary to manufacture and distribute the Wisdom Truffle continue to be readily available in the jurisdictions chosen by the Company, and willing to enter into favourable contractual arrangements with the Company in respect thereof. The Company notes the following in respect of the foregoing material assumptions: (1) The Company's assumption in respect of the demand for the Wisdom Truffle are based on the Company's informal assessment of the market and competitive conditions, and in particular in respect of the recent, growing popularity of the "KAWS" figurines globally, and (2) Following such time as the Company determines economically viable jurisdictions within which to launch the Wisdom Truffle the Company intends to work with local legal counsel to review, and to the

extent required ensure that its requisite partners possess, all approvals, permits, and/or licenses which may be required in the relevant jurisdiction in order to undertake such activities. The Company would like to highlight that the amount of Wisdom's expected manufacturing cost per unit has also significantly increased from the original quotes from factories overseas due to inflation, rising production, packaging and shipping costs.

The timeline might also be affected by global shortages of specific materials due to COVID-19, factory delays, shipping delays and potential unforeseen technology issues.

St. Vincent and the Grenadines

Based upon the Company's evaluation of the future viability of its wholly owned subsidiary, Scarlette Lillie Science and Innovation ("Scarlette Lillie") (formerly, Mera Life Sciences LLC), to operate including, but not limited to: the importation of truffles to St. Vincent and the Grenadines from the Netherlands, prescription or clinical administering of truffles to patients and participants, extraction, testing of truffles and the export of truffles, the Company has mutually agreed, with Mera Life Sciences ("Mera"), to terminate the relationship. For a summary of the termination agreement, please see "Highlights of Key Events for the three months ended March 31, 2023".

As an alternative to the initial strategy of operating in St. Vincent and the Grenadines, the Company is working closely with its partner CCrest to participate in segments of the medical psychedelic markets moving forward. The Company has furthered its collaboration with CCrest to develop homogenized microdosing capsules aimed at emerging legal markets. In January 2023, the Company announced that 3,000 grams of natural psilocybin truffles, grown in the Netherlands at the Company's facility in Horst, the Netherlands had been approved by Health Canada to import to CCrest's laboratories in Montreal for the purposes of product development of homogenized powder for microdosing capsules. CCrest, which holds a Controlled Drugs and Substances Dealer's License, has announced plans to use its newly amended license, recently approved by Health Canada, to include assembly and packaging of the homogenized microdosing capsules. Furthermore, The Company has engaged Cannabis License Experts Inc. ("CLE") to assist the Company with an application for a Controlled Drugs and Substances Dealer's License, which will be utilized for the purposes of psilocybin production, research and development at the Company's mushroom production facility in New Brunswick.

RESULTS OF OPERATIONS

Revenue and Gross Profit

| | Three months ended Mar 31 | | Year ended Mar 31 | |
|-------------------------------------|------------------------------|---------|----------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | 1,252,918 | 622,467 | 3,949,667 | 2,325,589 |
| Cost of sales | 710,073 | 490,283 | 2,242,815 | 1,707,913 |
| Gross profit | 542,845 | 132,184 | 1,706,852 | 617,676 |
| <i>Gross profit as a % of sales</i> | 43.3% | 21.2% | 43.2% | 26.6% |

Revenue for the three months and year ended March 31, 2023 resulted in an increase of 101.3% and 69.8%, respectively, over the comparative periods in the prior year. The Company benefited from the increased sales related to the prior year's acquisitions of Happy Caps and AEM farms and the current year's acquisitions of two SmartShops and MiniChamp.

Gross profit for the three months and year ended March 31, 2023 resulted in an increase of 310.7% and 176.3%, respectively, over the comparative periods in the prior year. The increase is as a result of the improved sales activity noted above and efficiencies gained through production improvements and product mix which have increased gross profit as a percentage of sales to 43.3% and 43.2% (2022 – 21.2% and 26.6%).

Revenue by Geographical Segments

| | Three months ended Mar 31 | | Year ended Mar 31 | |
|---------------|------------------------------|---------|----------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| Netherlands | 818,157 | 514,196 | 2,540,930 | 2,028,910 |
| Canada | 434,761 | 108,271 | 1,408,737 | 296,679 |
| United States | - | - | - | - |
| | 1,252,918 | 622,467 | 3,949,667 | 2,325,589 |

For the three months and year ended March 31, 2023, revenue derived from the operations in the Netherlands predominately consisted of the Company's farms' production and sale of psilocybin truffles and SR Wholesale's sale and distribution of products to SmartShops within the Netherlands. The latter half of the year also includes the results of the newly acquired and wholly owned SmartShops in Oss and Utrecht and newly acquired and wholly owned MiniChamp mushroom home grow kit production facility. Revenue for the quarter also included sales from the Canadian operations of Happy Caps which produces and distributes grow at home mushroom kits for the North American market and AEM farm which produces and sells functional mushrooms within the North American wholesale market.

General and Administrative

The following table presents the components of general and administrative expenditures:

| | Three months ended | | Year ended | |
|--|--------------------|-----------|------------|-----------|
| | Mar 31 | | Mar 31 | |
| | 2023 | 2022 | 2023 | 2022 |
| Advertising and promotions | (21,763) | 216,565 | 275,664 | 455,279 |
| Consulting and management fees | 363,967 | 373,293 | 1,028,267 | 1,619,554 |
| Legal, audit and other professional fees | 456,241 | 544,766 | 892,064 | 1,889,013 |
| Office and general | 334,828 | 195,475 | 1,343,708 | 728,835 |
| Payroll | 311,921 | 184,359 | 1,681,234 | 370,792 |
| Regulatory | 75,465 | 26,802 | 98,991 | 36,802 |
| Investor and public relations | 30,955 | 37,001 | 46,184 | 117,235 |
| Amortization and depreciation | 186,319 | 191,197 | 630,041 | 523,691 |
| General and administrative | 1,737,933 | 1,769,458 | 5,996,153 | 5,741,201 |

General and administrative expenses decreased slightly during the three months ended March 31, 2023 by \$31,525 (or 1.8%), predominately as a result of a decrease in advertising and promotion related expenses and legal, audit and other professional fees. Management had reassessed the recognition of deferred promotional costs during the current quarter which resulted in a reversal of previously recognized expenditures.

General and administrative expenses increased during the year ended March 31, 2023 by \$254,952 (or 4.4%) predominately as a result of an increase in office and general related expenses and payroll related expenses. The increase in office and general expenditures relates to the increase in the number of business locations we operate and a general increase in business activity. The decrease in consulting and management fees and increase in payroll is as a result of the certain members of the executive management team entering employment agreements as opposed to receiving management fees through contractual agreements. Payroll also includes the tax impact of certain executive management personnel electing to receive vested restricted share units (“RSUs”) on a net of tax basis resulting in the expense and remittance of the related tax withholdings.

Share Based Payments

Share based payments for the three months and year ended March 31, 2023 includes the value of stock options (“Options”) and RSUs that vested during the period, and the value of shares issued to various consultants as compensation for services rendered.

Research and Development

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

Other Items

| | Three months ended Mar 31 | | Year ended Mar 31 | |
|--|------------------------------|-------------|----------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Realized gain on sale of marketable securities | 32,254 | - | 12,890 | 93,823 |
| Change in fair value of marketable securities | (18,481) | 683,318 | (364,672) | (317,639) |
| Recovery / (provision) for sales tax receivable | - | (433,359) | 205,636 | (433,359) |
| Contractual break fee | - | - | - | 400,000 |
| Change in fair value of convertible debenture | 96 | 116,557 | (56,615) | 328,446 |
| Change in fair value of call option | (80,738) | - | (82,498) | - |
| Change in fair value of contingent consideration | - | - | (205,965) | - |
| Impairment loss | (443,896) | (5,937,015) | (443,896) | (5,937,015) |
| Foreign exchange loss | (10,295) | (4,507) | (19,478) | (13,526) |
| Interest income | 102,011 | 15,940 | 208,847 | 63,548 |
| Other Items | (419,049) | (5,559,066) | (745,751) | (5,815,722) |

During the three months and year ended March 31, 2023 the Company recorded an impairment loss related to its goodwill and intangible assets in the amount of \$443,896 (2022 - \$5,937,015).

For the three months and year ended March 31, 2023, the unrealized loss in fair value of marketable securities amounted to a loss of \$18,481 and \$364,672, respectively (2022 – a gain of \$683,318 and a loss of \$317,639, respectively), which is recorded in the consolidated statements of loss and comprehensive loss.

During the previous year ended March 31, 2022, the Company received net cash inflows of \$400,000 after accounting for the contractual break fee received in connection with the termination of the definitive agreement with Creso Pharma Limited.

Interest income for the three months and year ended March 31, 2023 reflects interest earned on surplus funds. The Company has invested excess cash in GICs with Canadian banks and is earning interest income in line with current market yields.

Net Loss

| | Three months ended Mar 31 | | Year ended Mar 31 | |
|--|------------------------------|-------------|----------------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Loss before taxes | (1,658,522) | (8,436,737) | (5,960,122) | (14,941,577) |
| Provision for income taxes | 10,744 | 246,404 | 159,502 | 246,404 |
| Net loss | (1,647,778) | (8,190,333) | (5,800,620) | (14,695,173) |
| Net loss attributable to: | | | | |
| Shareholders of Red Light Holland Corp. | (1,325,398) | (7,888,758) | (5,398,167) | (14,367,127) |
| Non-controlling interests | (322,380) | (301,575) | (402,453) | (328,046) |
| Net loss | (1,647,778) | (8,190,333) | (5,800,620) | (14,695,173) |
| Loss per share (basic and diluted) | (0.00) | (0.02) | (0.02) | (0.04) |
| Weighted average Common Shares outstanding | 380,854,142 | 357,608,060 | 373,109,531 | 351,398,544 |

The Net Loss for the three months and year ended March 31, 2023 as compared to the prior year has been largely impacted by the impairment loss of \$5,937,015 recorded in the previous year as compared to \$443,896 in the current year.

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

SUMMARY OF QUARTERLY RESULTS

| \$ thousands, except per share amounts | Q4 2023 | Q3 2023 | Q2 2023 | Q1 2023 | Q4 2022 | Q3 2022 | Q2 2022 | Q1 2022 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue | 1,253 | 1,175 | 736 | 785 | 622 | 622 | 486 | 595 |
| Gross profit | 543 | 587 | 288 | 289 | 132 | 233 | 157 | 96 |
| <i>Gross margin %</i> | 43.3% | 50.0% | 39.1% | 36.8% | 21.2% | 37.4% | 32.3% | 16.1% |
| General and administrative | 1,738 | 1,703 | 1,306 | 1,249 | 1,770 | 1,186 | 1,764 | 1,022 |
| Share based payments | 47 | 87 | 91 | 338 | 485 | 95 | 63 | 2,556 |
| Interest expense | 37 | 9 | 6 | 4 | 2 | 18 | 8 | 22 |
| Research and development | (39) | 113 | 130 | 102 | 753 | - | - | - |
| Loss before other items and taxes | (1,239) | (1,325) | (1,245) | (1,404) | (2,878) | (1,066) | (1,678) | (3,504) |
| Realized (loss) gain on sale of marketable securities | 32 | - | (20) | 1 | - | - | - | 93 |
| Provision for sales tax receivable | - | 205 | - | - | (433) | - | - | - |
| Change in fair value of marketable securities | (18) | (99) | (47) | (199) | 683 | (189) | (763) | (49) |
| Contractual break fee | - | - | - | - | - | - | 400 | - |
| Foreign exchange (loss) gain | (10) | (5) | (4) | (1) | (5) | (8) | (1) | - |
| Change in fair value of convertible debenture | - | (47) | (11) | 1 | 117 | 42 | 184 | - |
| Change in fair value of call option | (81) | - | 3 | (6) | - | - | - | - |
| Change in fair value contingent consideration | - | (158) | (48) | - | - | - | - | - |
| Impairment of intangible assets | (444) | - | - | - | (5,937) | - | - | (14) |
| Interest income | 102 | 55 | 34 | 18 | 16 | 15 | 16 | 17 |
| Income (loss) before taxes | (1,659) | (1,374) | (1,338) | (1,590) | (8,437) | (1,207) | (1,827) | (3,447) |
| Provision for income taxes | 11 | 62 | 33 | 55 | 247 | - | - | - |
| Net income (loss) | (1,648) | (1,312) | (1,305) | (1,535) | (8,190) | (1,207) | (1,827) | (3,447) |
| Diluted earnings (loss) per share | (0.00) | (0.00) | (0.00) | (0.00) | (0.02) | (0.00) | (0.01) | (0.01) |

The Company reported a consolidated net loss of \$1,647,778 (\$0.00 per share) for the quarter ended March 31, 2023 as compared to a consolidated net loss of \$8,190,333 (\$0.02 per share) in the quarter ended March 31, 2022.

Comparing the results for the current quarter over the prior year, the aforementioned increase in sales and gross profit, combined with a slight decrease in general and administrative expenditures, resulted in a strong year over year comparison of operating results. The net loss during the current quarter as compared to the prior year is largely impacted by the impairment loss of \$5,937,015 recorded in the previous year as compared to \$443,896 in the current year.

STATEMENT OF FINANCIAL POSITION – SUMMARY

| | Mar 31 2023 | Mar 31 2022 |
|---|-------------------|-------------------|
| Cash and cash equivalents | 18,486,644 | 26,093,738 |
| Accounts receivable | 518,146 | 380,869 |
| Sales tax receivable | 283,397 | 127,512 |
| Income tax receivable | 81,652 | 15,638 |
| Marketable securities | 45,498 | 527,813 |
| Prepaid expenses and deposits | 2,051,361 | 220,641 |
| Inventory | 741,249 | 382,391 |
| Total Current Assets | 22,207,947 | 27,748,602 |
| Property and equipment | 4,806,140 | 2,877,298 |
| Marketable securities – non-current | 865,268 | 682,332 |
| Right of use assets | 581,932 | 202,066 |
| Call option | 28,110 | 110,608 |
| Intangible assets | 339,352 | 594,767 |
| Goodwill | 1,314,534 | 722,992 |
| Total Assets | 30,143,283 | 32,938,665 |
| Accounts payable and accrued liabilities | 1,292,333 | 1,382,686 |
| Loans and advances | 905,059 | 905,059 |
| Convertible debenture | 257,695 | 385,440 |
| Derivative liability | 48,376 | - |
| Lease liability – current portion | 179,819 | 59,294 |
| Total Current Liabilities | 2,683,282 | 2,732,479 |
| Lease liability | 422,618 | 150,419 |
| Contingent consideration | 188,077 | 294,035 |
| Deferred tax liability | 506,476 | 603,743 |
| Total Liabilities | 3,800,453 | 3,780,676 |
| Total Shareholders' Equity | 26,342,830 | 29,157,989 |
| Total Liabilities and Shareholders' Equity | 30,143,283 | 32,938,665 |

Red Light Holland's primary asset is cash and cash equivalents. The Company also holds funds in marketable securities. Inventory is primarily wholesale products in our warehouse facility in the Netherlands and also includes materials and finished goods production from our mushroom and truffle growing facilities in Canada and the Netherlands. Prepaid expenses include the deferred marketing charges related to the initial costs associated with the Mistercap's brand intellectual property agreement.

Property and equipment of \$4.8 million includes the mushroom production facility in New Brunswick, valued at \$2.5 million, and the farmland in Ontario acquired for \$1.9 million.

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

LIQUIDITY

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

Summary of Cash Inflows (Outflows)

| | Year ended | |
|---|-------------|--------------|
| | Mar 31 | |
| | 2023 | 2022 |
| Net loss | (5,800,620) | (14,695,173) |
| Non-cash items and changes in working capital | 1,413,926 | 9,818,832 |
| Cash flows from operating activities | (4,386,694) | (4,876,341) |
| Cash flows from investing activities | (3,174,745) | (582,742) |
| Cash flows from financing activities | (114,163) | 451,762 |
| Change in foreign currency rates on cash | 68,508 | (84,424) |
| Change in cash | (7,607,094) | (5,091,749) |
| Cash, beginning of period | 26,093,738 | 31,185,487 |
| Cash, end of period | 18,486,644 | 26,093,738 |

Cash Flows From Operating Activities

The cash used in operating activities decreased over the prior year predominately as a result of improved operational results more than offsetting further investments in working capital related to increasing inventory and reduction in accounts payable and accrued liabilities.

Cash Flows From Investing Activities

The cash used in financing activities in the current year is comprised of capital expenditures of \$2,064,367, acquisition earn-out payments of \$100,000, the cash component of acquisition consideration of \$957,975, the purchase of marketable securities of \$199,996 offset by proceeds from the sale of marketable securities for \$147,593.

In the prior period, proceeds from the sale of marketable securities were \$161,610 offset by the cash component of acquisition consideration in the amount of \$337,358, acquisition earn-out payments of \$50,000, capital expenditures of \$406,994.

Cash Flows From Financing Activities

Cash outflows from investing activities in the current year relates to lease payments in the amount of \$164,163 offset by the proceeds generated from the exercise of options in the amount of

\$50,000. In the prior year, the cash inflows were predominately proceeds from the issue of shares and warrants offset by the value of the lease payments.

Share Capital – Outstanding Shares

Changes in the number of issued and outstanding shares during the years ended March 31, 2023 and 2022 were as follows:

| | Year ended Mar 31 2023 | Year ended Mar 31 2022 |
|---|---------------------------|---------------------------|
| Balance, opening | 358,165,282 | 332,888,764 |
| Shares issued per consulting and service agreements | 13,625,731 | 197,318 |
| Exercise of warrants | - | 933,333 |
| Exercise of Options | 833,333 | 2,166,666 |
| Exercise of RSUs | 5,604,559 | 4,222,000 |
| Shares issued for contingent considerations | 957,853 | - |
| Shares issued on acquisitions | 2,405,429 | 17,757,201 |
| Shares issued for legal retainer | 6,300,000 | - |
| Balance, closing | 387,892,187 | 358,165,282 |

The following is selected share capital information related to the Company as at March 31, 2023 and 2022:

| | Mar 31, 2023 | Mar 31, 2022 |
|---|-----------------|-----------------|
| Common Shares issued and outstanding | 387,892,187 | 358,165,282 |
| Options outstanding | 15,766,667 | 16,900,000 |
| Broker warrants and share purchase warrants outstanding | 78,020,641 | 76,968,127 |
| RSUs outstanding | 300,516 | 6,907,116 |
| Fully diluted shares outstanding | 481,980,011 | 458,940,525 |

CAPITAL RESOURCES

The capital managed by the Company includes the components of shareholders' equity as described in the financial statements for the period ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

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

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

OFF BALANCE SHEET TRANSACTIONS

The Company does not have any financial arrangements that are excluded from the Financial Statements as of March 31, 2023, nor are any such arrangements outstanding as of the date of this MD&A.

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:

- On June 13, 2021 and March 3, 2022, the Company issued 8,116,000 RSUs and 100,000 RSUs, respectively, to officer and directors of the Company.
- The Company issued the following Options to Directors and Officers of the Company:

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

SUBSEQUENT EVENT(S)

Other than as disclosed herein, there are no material subsequent events from April 1, 2023 to the reporting date of this MD&A.

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 from 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 announced that it has engaged world famous media personality, Mia Khalifa as an Advisor of the Company.

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 16, 2023 the Company announced that Happy Caps home grow kits are now available in 36 Canadian Tire stores and are now available in 110 retail stores in Canada. In addition, the Company satisfied certain earn-out obligation pursuant to the terms of the Acquisition Agreement (as defined in the June 10, 2021 press release) through the issuance of an aggregate of 1,543,208 common shares of the Company at a deemed price of \$0.0972 per common share, which are subject to the statutory hold period of four months and one day hold.

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.

CRITICAL ACCOUNTING ESTIMATES AND CHANGES TO ACCOUNTING POLICIES

Critical Accounting Estimates

All significant critical accounting estimates are fully disclosed in Note 3 of the Annual Financial Statements.

Future Accounting Standards

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1):

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

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

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

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.

COMMITMENTS, PROVISIONS AND CONTINGENCIES

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

DISCLOSURE CONTROLS AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings,

interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RISK MANAGEMENT

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

Fair Value of Financial Assets and Financial Liabilities

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

Other Price Risk

The Company is exposed to price risk through its investments in publicly traded and private marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by \$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 exposure is the Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH Netherlands BV, RLH Farms BV, SR Wholesale BV, Minichamp BV, Wellness World Oss BV and Wellness World Utrecht BV 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 less than 10% of total assets and liabilities that are denominated in currencies other than the Canadian dollar. Therefore, the Company does not have a material foreign exchange risk.

Liquidity Risk

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

| | Payments due by period | | | |
|--|------------------------|-----------|-----------|-----------|
| | Total | < 1 Year | 1-3 Years | 4-5 Years |
| Accounts payable and accrued liabilities | 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 |

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 its expected credit losses to be \$Nil (2022 - \$Nil).

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

RISK FACTORS

Due to the nature of the Company's business, its limited operating history, and its stage of development, an investment in the securities of the Company is highly speculative and involves significant risks and uncertainties. As the Company continues to develop its business, the Company will face numerous challenges, and additional risks and uncertainties not presently known to the Company, or which the Company believes to be immaterial. In the event that such risks and uncertainties materialize, the Company's business, financial condition, and results of operations could be materially adversely affected, and shareholders of the Company could lose all or part of their investment in the Company. Such risks and uncertainties could also cause actual

events to differ materially from those described in forward looking statements relating to the Company described in this MD&A and in certain documents incorporated by reference into this MD&A.

The following section summarizes certain of the risks and uncertainties relating to the business of the Company as of the date of this MD&A. The summary of such risks and uncertainties is not intended to be exhaustive, and such risks are in addition to the usual risks associated with investment in a business. Investors should carefully consider the following risks and uncertainties as well as the risk factors set out in the Company's listing statement dated May 25, 2020 and annual information form dated January 11, 2021, which can be accessed under the Company's SEDAR profile.

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

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

No Assurance of Commercial Success or Profitability

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

Limited Operating History in Truffles Industry

The Company began operations in the Netherlands in fiscal Q2 2020 and has a limited operating history within the truffles industry. As such, the Company will be subject to all of the business risks and uncertainties associated with any early staged enterprise, including the risks that it will be unable to: (i) successfully cultivate, produce, distribute truffles, (ii) establish a market for its

products, (iii) achieve its growth objectives and targets, and/or (iv) successfully assess and meet consumer demand and become profitable. The Company's future growth will depend substantially on its ability to address these and the other risks described in this section of this MD&A, and any failure to successfully address such risks could have a material adverse effect on the business, financial condition and operating results of the Company.

Difficulty to Forecast

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

Unfavourable Publicity or Consumer Perception

The Company's success within the truffles industry may be significantly influenced by consumer perception of truffles generally, or the Company's brand of truffles and future products, any of which can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of truffles and products produced or manufactured using truffles. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the truffles industry or any particular product offering of the Company, or consistent with earlier publicity. Any adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the business, financial condition, ability to finance and the operating results of the Company.

Reliance on Key Personnel

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

Liability, Enforcement Complaints, etc.

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

Reliance on Operations in Foreign Jurisdictions

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

Product Liability

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

Product Viability of Truffles

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

Product Recalls

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

Competitive Conditions

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

Liquidity and Future Financing

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

cease operating. Future financing conducted by issuing securities of the Company may result in shareholders suffering additional dilution.

Dependence on Third Parties

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

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

From time to time, the Company may enter into strategic alliances with third parties that the Company believes will complement or augment its business or will have a beneficial impact on the Company. Strategic alliances with third parties could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including the risk that significant amounts of management's time may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the Company incurring additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will be achieved, or that the Company's existing strategic alliances will continue to be achieved, the expected benefits to its business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on the business, financial condition and operating results of the Company.

Reliance on Informal Arrangements in the Truffle Market

As of the date of this MD&A, the Company has not entered into any binding written agreements with any of its existing industry partners. Instead, the Company's present business relationships with its current industry partners are based on informal arrangements of a nature customarily entered into by participants in the truffles industry within the Netherlands. As a result, in contrast to companies operating in other industries which may have written agreements with their respective industry partners, the Company is subject to the increased and unique risk that its

existing arrangements with its industry partners may be terminated. Any such termination could have an adverse effect on the business, financial condition and operating results of the Company.

Cash Flow from Operations

To the extent that the Company has negative cash flow in any future period, certain of the net proceeds from future offerings may be used to fund such negative cash flow from operating activities. If the Company experiences future negative cash flow, the Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Company. In addition, the Company expects to achieve positive cash flow from operating activities in future periods. However, this is based on certain assumptions and subject to significant risks.

Regulatory Compliance Risks

Achievement of the Company's business objectives is subject to compliance with regulatory requirements enacted and enforced by governmental entities and obtaining and maintaining all required regulatory approvals. The Company may incur costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting, license or approval requirements may result in enforcement actions hereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company cannot predict the timeline required to secure all appropriate regulatory approvals or licenses for its businesses or the extent of testing and documentation that may be required by governmental entities. Any delays in obtaining, or failing to obtain, required regulatory approvals or licenses may significantly delay or impact the research and development activities and could have a material adverse effect on the business, financial condition and operating results of the Company. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of the Company.

The impact of the various legislative regimes, on the Company's business plans and operations is uncertain. There is no guarantee that the applicable legislation regulating its business activities will create or allow for the growth opportunities the Company currently anticipates.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favorably, it could have a material adverse effect on the business, financial condition and operating results of the Company.

Public Company Consequences

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell its Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares. The increased price volatility could have a material adverse effect on the business, financial condition and operating results of the Company.

Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in their services that violate (a) various applicable laws, including healthcare laws, (b) applicable laws that require the true, complete and accurate reporting of financial information or data, or (c) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The Company cannot always identify and prevent misconduct by its employees and other third parties, including third party service providers, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown, unanticipated or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming from such misconduct. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal or administrative penalties, damages, monetary fines and contractual damages, reputational harm, diminished profits and future earnings or curtailment of its operations.

General Economic Risks

The operations of the Company could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the sales and profitability of the Company. Investors should further consider, among other factors, the prospects for success, of the Company, in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. The Company may not be able to effectively or successfully address such risks and uncertainties or successfully implement operating strategies to mitigate the impact of such risks and uncertainties. In the event that the Company fails to do so, such failure could have a material adverse effect on the business, financial condition and operating results of the Company.

Loss of Entire Investment

An investment in the Common Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high-risk investments and who can afford to lose their entire investment should consider an investment in the Company.

There can be no assurance regarding the amount of income to be generated by the Company. Common Shares are equity securities of the Company and are not fixed income securities. Unlike fixed income securities, there is no obligation of the Company to distribute to shareholders a fixed amount or any amount at all, or to return the initial purchase price of the Common Shares on any

date in the future. The market value of the Common Shares may deteriorate if the Company is unable to generate sufficient positive returns, and that deterioration may be significant.

Management of Growth

The Company may experience a period of significant growth that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

Conflicts of Interest

Certain of the Company's directors and officers may be involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors' and officers' conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests.

However, in conflict-of-interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavorable to the Company.

COVID-19 Pandemic

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

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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

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

- the Company’s performance, business objectives and milestones and the anticipated timing and effects of, and costs in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions, the launch, team, vision, supply, production and promotion of Mistercap’s and its products, the launch and production of Wisdom Truffle and Moon units, the development and roll out of the Wellness World brand), the development of the Mushroom Facilities, the expansion of other mushroom products, line apparel and accessories across the European Union and North America, the rebranding of its retail stores in Oss and Utrecht, the production at the AEM farms, the distribution under the distribution agreement with NUBU Pharmaceuticals);
- the Company’s future growth prospects and intentions to pursue one or more viable business opportunities;
- the Company’s proposed plans to execute on its business plan and obtain, maintain, and renew or extend, applicable licenses and authorizations, including the timing and impact of the receipt thereof;
- the development of the Company’s business and future activities following the date of this MD&A;
- expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- expectations with respect to economic, business, regulatory and/or competitive factors related to the Company and the industries within which it operates generally;
- the Company’s strategic investments and capital expenditures, and related benefits;
- the Company’s plans for growing its online retail and brick-and-mortar stores (including its SmartShops);
- the Company’s plans to harvest, package, distribute, expand and increase sales of its products (including, without limitation, under its brands iMicrodose, Maka, Happy Caps and Mistercap’s), leading to the Company’s increased revenue and brand exposure;

- the market for the Company's current and proposed product offerings, as well as its ability to market and brand its products, the proposed mediums of distribution, and the timelines thereof;
- the Company's expectations involving its partnership with CCrest (including, without limitation, product testing, product development, studies of psilocybin and import licenses);
- the Company's plans for developing intellectual property, conducting scientific studies and scaling up its commercialization of its current and future products;
- the Company producing, distributing, and increasing its manufacturing capabilities with respect to the anticipated demand of its products upon the timelines indicated herein;
- the Company's plans to expand and develop its production facilities, distribution network and partnerships within the timelines provided herein;
- the Company creating and executing on its production, manufacturing and distribution plans in accordance with applicable laws and regulations;
- the Company's plans to expand operations of its mushroom production and distribution, and psilocybin production and sales across both North America and the European Union if and when regulations permit;
- the anticipated benefits and terms of the Company's partnerships with Mistercap LLC, CCrest, and AEM, and the timelines thereto, including the Company's proposed marketing advisory services from Wiz Khalifa and the continued licensing agreement with Mistercap LLC;
- the Company, in partnership with Radix Motion, building innovative technology (including, without limitation, Moon, Star, and SuperNova) and increasing scientific data around microdosing that will provide the anticipated benefits to the Company and the Company's customers, within the timelines provided herein;
- the Company's intention to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;
- the Company providing future information on its brands and product launches;
- the development of the Company's business, brands and future activities following the date of this MD&A;
- the realization of cost savings, synergies or benefits from the Company's recent and proposed acquisitions, and the Company's ability to successfully integrate the operations of any business acquired within the Company's business;
- the Company's plans to generate cash flow from operations and from financing activities;
- the Company remaining as fully vertically integrated with respect to its truffle operations in the Netherlands;
- the Company's plans to develop the Mushroom Facilities on it's the Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients; and
- the Company hitting its forecasted revenue and sales projections for its current fiscal year and beyond.

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

- current and future members of the Company's management abiding by the business objectives and strategies from time to time established by the Company;
- the Company's ability to capitalize on future growth prospects and intentions to pursue one or more viable business opportunities;
- the Company retaining and supplementing its Board and management, or otherwise, engaging consultants and advisors having knowledge of the industries (or segments thereof) within which the Company may from time to time participate;
- the Company having sufficient working capital and the ability to obtain the financing required to develop and continue its business and operations;
- the Company's ability to execute on its business plan and obtain, maintain, and renew or extend, applicable licenses and authorizations, including the timing and impact of the receipt thereof;
- the Company continuing to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be;
- no adverse changes will be made in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future;
- the Company's ability to carry out its business and future activities following the date of this MD&A;
- the Company's ability to make accurate forecasts with respect to its expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- the Company's ability to make accurate forecasts with respect to its expectations on economic, business, regulatory and/or competitive factors related to the Company and the industries within which it operates generally;
- the Company's ability, in partnership with Radix Motion, to build innovative technologies;
- general, economic, financial, market, regulatory and political conditions, including the impact of COVID-19, will not negatively affect the Company or its business;
- the continuous demand for the Company's current and future product offerings;
- the Company effectively managing anticipated and unanticipated costs;
- the Company executing on its business strategy as anticipated (including, without limitation, the launch, team, vision, supply, production of Mistercap's and its products, the development and roll out of the Wellness World brand, and the Company's engagement with Mr. Khalifa);
- the Company generating cash flow from operations, including, where applicable, through the distribution and sale of its current and future products;
- the Company conducting its operations in a safe, efficient and effective manner;
- the Company hitting its forecasted revenue and sales projections for the third fiscal quarter of 2023 and beyond;
- the Company's ability to grow its online retail portfolio and brick-and-mortar store locations;
- the Company initiating the development, production, distribution, promotion and sale of its products within the timelines provided herein;
- continued approval of the Company's activities by the relevant governmental and/or regulatory authorities;
- product testing yielding favourable results;

- the Company expanding its production and distribution network and entering into and maintaining pertinent partnerships;
- the Company finding viable opportunities to expand its business to new jurisdictions;
- the Company's ability to launch, manufacture, distribute and sell all the products on the terms and timelines outlined herein;
- the Company's ability to remain as fully vertically integrated with respect to its truffle operations in the Netherlands;
- the Company's ability to carry out its plans to develop the Mushroom Facilities on it's the Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients; and
- the Company devoting resources to the protection of its intellectual property rights.

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

- the Company's inability to attract and retain qualified members of management to grow the business and/or its operations;
- unanticipated changes in general economic, business and market conditions or in applicable laws;
- the Company's inability to capitalize on future growth prospects and intentions to pursue one or more viable business opportunities;
- the Company's inability to execute on its business plan and obtain, maintain, and renew or extend, applicable licenses and authorizations, including the timing and impact of the receipt thereof;
- the impact of the publications of inaccurate or unfavourable research by securities analysts or other third parties;
- the Company's inability to carry out its business and future activities following the date of this MD&A;
- the Company's inability to make accurate forecasts with respect to its expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- the Company's inability to make accurate forecasts with respect to its expectations on economic, business, regulatory and/or competitive factors related to the Company and the industries within which it operates generally;
- the Company's inability, in partnership with Radix Motion, to build innovative technologies;
- the Company's inability to execute objectives, including expanding its production and distribution networks and entering into and/or maintaining requisite partnerships within the timelines outlined herein or at all;
- the Company's failure to complete future acquisitions or enter into strategic business relationships;

- unanticipated changes in the industries, regulations and jurisdictions within which the Company may from time to time conduct its business and operations, including the Company's inability to respond or adapt to such changes;
- the Company's inability to secure or maintain favourable lease arrangements or the required authorizations necessary to conduct the business and operations and meet its targets;
- the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company;
- the Company's inability to increase its revenue through the third fiscal quarter of 2023, and the remainder of the year, or that it will decrease and/or plateau;
- the Company will be unable to grow its online retail and brick-and-mortar store portfolio;
- fluctuation in foreign exchange or interest rates;
- the Company's inability to meet its performance, business objectives and/or milestones and/or realize the effects of, on the anticipated timing of or at all, in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions, the launch, team, vision, supply, production and promotion of Mistercap's and its products, the launch and production of Wisdom Truffle and Moon units, the development and roll out of the Wellness World brand, and the Company's focus on top line revenue growth and its conversion to the bottom line)
- the Company's inability to produce and distribute its product offerings and capture market share;
- liabilities inherent in the operations of the Company as a participant in the mushroom industry;
- the Company's inability to develop its business, brands and future activities following the date of this MD&A;
- the Company's inability to remain as fully vertically integrated with respect to its truffle operations in the Netherlands;
- the Company's inability to carry out its plans to develop the Mushroom Facilities on it's the Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients; and
- the Company devoting resources to the protection of its; and
- the Company's inability to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures.

Readers are cautioned that the foregoing lists of factors are not exhaustive. These FLS speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A and the Company does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

The FLS contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below

and elsewhere in this MD&A. As such, forward-looking statements included in this MD&A and in the documents incorporated by reference into this MD&A should not be unduly relied upon.

CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION

This MD&A and the documents incorporated by reference herein may contain future oriented financial information ("FOFI") within the meaning of Canadian securities legislation, about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, which FOFI is not presented in the format of a historical balance sheet, income statement or cash flow statement. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and has been prepared based on a number of assumptions including the assumptions discussed under the heading above entitled "Caution Regarding Forward Looking Information And Cautionary Statements" and assumptions with respect to the costs and expenditures to be incurred by the Company, capital expenditures and operating costs, taxation rates for the Company and general and administrative expenses. Management does not have, or may not have had at the relevant date, firm commitments for all of the costs, expenditures, prices or other financial assumptions which may have been used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not, or may not have been at the relevant date of the FOFI, objectively determinable.

Importantly, the FOFI contained in this MD&A and the documents incorporated by reference herein, are, or may be, based upon certain additional assumptions that management believes to be reasonable based on the information currently available to management, including, but not limited to, assumptions about: (i) the future pricing for the Company's products, (ii) the future market demand and trends within the jurisdictions in which the Company may from time to time conduct the Company's business, (iii) the Peterborough Farm's expected revenues of approximately \$80,000 per week upon being operational, (iv) the estimated revenue run rate of \$16.0 to \$17.0 million per annum when the Peterborough Farm becomes operational and the resulting strong profit margins and cash flow from operations; (v) the estimated cost of building the Mushroom Facilities at \$8.0 million; and (vi) the expectations that the AEM farm in New Brunswick generating approximately \$30,000 and \$32,500 of revenue per week being based on the ability of the AEM farm to continue to produce 5,000 pounds of shiitake mushrooms per week and for such yield to translate into the expected revenues of \$30,000 to \$32,500 per week is dependent on certain assumptions that management of the Company believes to be reasonable based on the information currently available to management, including the following assumptions: (a) the good working order of all equipment used for the production and distribution of the shiitake mushrooms and other exotic mushrooms) (b) the growth process presently employed by the AEM farm in respect of its production schedule being adequate to support the anticipated yield of mushrooms (c) the hiring of the necessary amount of employees who cultivate, harvest, package and deliver to market the mushrooms on a timely basis are able to continue to do so; (d) the historical yield of AEM farm provides an adequate basis for the production of new mushrooms; (e) the current wholesale market for shiitake mushrooms and other exotic mushrooms will be able to absorb the additional production; (f) the forecasted sales and projected revenue streams of the Peterborough Farm; (g) and the Company's continued mushroom sales of current products and anticipated growth in current and future mushroom products in Ontario and North America.

The FOFI or financial outlook contained in this in this MD&A do not purport to present the Company's financial condition in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and there can be no assurance that the assumptions made in preparing the FOFI will prove accurate. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in the analysis presented in any such document, and such variation may be material (including due to the occurrence of unforeseen events occurring subsequent to the preparation of the FOFI). The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments as at the applicable date. However, because this information is highly subjective and subject to numerous risks including the risks discussed under the heading above entitled "Cautionary Note Regarding Forward-Looking Statements" and under the heading "Risk Factors" in the Company's public disclosures, FOFI or financial outlook within this in this MD&A should not be relied on as necessarily indicative of future results.

Readers are cautioned not to place undue reliance on the FOFI, or financial outlook contained in this in this MD&A. Except as required by Canadian securities laws, the Company does not intend, and does not assume any obligation, to update such FOFI.