

RED LIGHT HOLLAND CORP.

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2024 AND 2023**

(Expressed in Canadian Dollars)

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)
As at June 30, 2024 and March 31, 2024

	June 30, 2024	March 31, 2024
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 13,365,391	\$ 14,172,324
Restricted cash (Note 10)	762,500	200,000
Accounts receivable (Note 20)	491,625	524,410
Sales tax receivable	596,235	515,197
Prepaid expenses and deposits (Note 16(a))	452,500	778,901
Inventory (Note 6)	876,133	874,265
TOTAL CURRENT ASSETS	16,544,384	17,065,097
NON-CURRENT ASSETS		
Property, plant and equipment (Note 7)	5,653,252	5,267,580
Marketable securities – long term (Note 5)	1,023,141	1,023,141
Right of use asset (Note 12)	456,823	394,405
Intangible assets (Note 8)	46,499	54,641
Goodwill (Note 9)	279,096	279,096
TOTAL ASSETS	\$ 24,003,195	\$ 24,083,960
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 20)	\$ 1,657,392	\$ 1,682,036
Loans and advances (Note 14)	1,105,059	905,059
Convertible debenture (Note 10)	210,266	391,173
Income tax payable	42,495	2,236
Derivative liability (Note 10)	9,971	9,971
Lease liability – current portion (Note 13)	217,132	128,790
TOTAL CURRENT LIABILITIES	3,242,315	3,119,265
NON-CURRENT LIABILITIES		
Lease liability (Note 13)	265,355	291,084
Deferred tax liability (Note 23)	396,189	411,309
TOTAL NON-CURRENT LIABILITIES	661,544	702,393
TOTAL LIABILITIES	3,903,859	3,821,658
SHAREHOLDERS' EQUITY		
Share capital (Note 16(a))	42,903,021	42,439,190
Shares to be issued (Note 16(a))	207,002	32,694
Equity portion of convertible debenture (Note 10)	147,527	113,614
Warrants (Note 16(f))	11,017,314	10,697,260
Contributed surplus	5,216,060	4,927,822
Non-controlling interest (Note 15)	235,688	192,107
Accumulated other comprehensive income	24,155	17,086
Accumulated deficit	(39,651,431)	(38,157,471)
TOTAL SHAREHOLDERS' EQUITY	20,099,336	20,262,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 24,003,195	\$ 24,083,960
NATURE OF OPERATIONS (Note 1)		
PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 19)		
SUBSEQUENT EVENTS (Note 25)		

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

	Three months ended June 30,	
	2024	2023
REVENUE (Note 17)	\$ 1,558,779	\$ 1,201,678
COST OF SALES (Note 6)	934,106	678,581
GROSS PROFIT	624,673	523,097
OPERATING EXPENSES		
General and administrative (Note 22)	1,520,477	1,555,437
Share based payments (Note 16(b))	733,905	911,939
Interest expense	35,872	46,475
Research	10,923	30,024
	2,301,177	2,543,875
LOSS BEFORE OTHER ITEMS AND TAXES	(1,676,504)	(2,020,778)
OTHER ITEMS		
Unrealized fair value change of marketable securities (Note 5)	-	(35,492)
Realized gain on sale of property, plant and equipment	-	13,138
Gain on termination of contract (Note 20)	161,924	-
Foreign exchange (loss) gain	(6,572)	5,666
Change in fair value of convertible debenture	113,615	35,955
Change in fair value of derivative liability (Note 10)	-	13,727
Change in fair value of call option	-	(28,110)
Contract termination fee (Note 20)	(171,883)	-
Interest income	136,672	127,691
NET LOSS BEFORE TAXES	(1,442,748)	(1,888,203)
Income tax (expense) recovery (Note 23)	(7,630)	10,835
NET LOSS	(1,450,378)	(1,877,368)
NET LOSS ATTRIBUTABLE TO:		
Shareholders of Red Light Holland Corp.	(1,423,275)	(1,876,030)
Non-controlling Interests (Note 15)	(27,103)	(1,338)
NET LOSS	(1,450,378)	(1,877,368)
Foreign currency translation loss	-	(46,927)
COMPREHENSIVE LOSS	(1,450,378)	(1,924,295)
LOSS PER SHARE – Basic and diluted (Note 16(d))	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 16(d))	397,908,757	392,942,337

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

	Common Shares #	Common Shares \$	Shares to be Issued \$	Equity Portion of Convertible Debenture \$	Warrants \$	Contributed Surplus \$	Non- controlling Interest \$	Accumulated Other Compre- nsive Income (Loss) \$	Deficit \$	Shareholders' Equity \$
Balance, March 31, 2024	393,785,080	42,439,190	32,694	113,614	10,697,260	4,927,822	192,107	17,086	(38,157,471)	20,262,302
Shares issued on previously vested RSUs	251,258	21,359	(21,359)	-	-	-	-	-	-	-
Shares to be issued on vested RSUs	-	-	195,667	-	-	(195,667)	-	-	-	-
Shares and warrants issued on conversion of debentures (Note 10)	1,666,666	100,000	-	-	-	-	-	-	-	100,000
Shares and warrants issued as cost of financing (Note 10)	2,375,000	92,472	-	33,913	320,054	-	-	-	-	446,439
Share based payments	957,853	250,000	-	-	-	483,905	-	-	-	733,905
Acquisition of non-controlling interest (Note 15)	-	-	-	-	-	-	70,684	-	(70,684)	-
Net loss and comprehensive loss	-	-	-	-	-	-	(27,103)	7,069	(1,423,276)	(1,443,310)
Balance, June 30, 2024	399,035,857	42,903,021	207,002	147,527	11,017,314	5,216,060	235,688	24,155	(39,651,431)	20,099,336
Balance, March 31, 2023	387,892,187	41,786,685	96,482	135,985	10,701,239	3,829,428	278,617	44,584	(30,530,190)	26,342,830
Exercise of RSUs (Note 16(e))	3,159,305	301,166	(69,455)	-	-	(231,711)	-	-	-	-
Exercise of warrants (Note 16(f))	200,000	22,371	-	-	(10,371)	-	-	-	-	12,000
Exercise of stock options (Note 16(b))	1,500,000	167,783	-	-	-	(77,783)	-	-	-	90,000
Shares issued for contingent consideration (Note 11)	1,543,208	150,000	-	-	-	-	-	-	-	150,000
Shares and warrants issued on conversion of debentures (Note 10)	952,380	15,979	-	(22,371)	6,392	-	-	-	-	-
Change in fair value of equity portion of convertible debenture	-	-	-	(35,955)	-	-	-	-	-	(35,955)
Share based payments	-	-	-	-	-	911,939	-	-	-	911,939
Net loss and comprehensive loss	-	-	-	-	-	-	(1,338)	(46,927)	(1,876,030)	(1,924,295)
Balance, June 30, 2023	395,247,080	42,443,984	27,027	77,659	10,697,260	4,431,873	277,279	(2,343)	(32,406,220)	25,546,519

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss for the year	\$ (1,450,378)	\$ (1,877,368)
Items not affecting cash:		
Amortization and depreciation (Note 7, 8, 10 and 12)	207,772	169,695
Share based payments (Note 16)	733,905	911,939
Unrealized change in fair value of marketable securities (Note 5)	-	35,492
Change in fair value of convertible debenture (Note 10)	(113,614)	(35,955)
Change in fair value of derivative liability (Note 10)	-	(13,727)
Change in fair value of call option	-	28,110
Gain on termination of contract (Note 20)	(161,924)	-
Gain on sale of property, plant and equipment	-	(13,043)
Interest and accretion	35,788	45,851
Shares issued for services (Note 16(a))	-	25,000
Deferred tax gains (Note 23)	(15,120)	(22,656)
Movements in working capital:		
Accounts receivable	7,724	73,347
Sales tax receivable	(81,037)	(125,628)
Income tax receivable	40,259	55,107
Inventory	(1,868)	(47,483)
Prepaid expenses and deposits	326,401	(221,583)
Accounts payable and accrued liabilities	162,233	96,403
Cash flows used in operating activities	(309,859)	(941,499)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	19,593
Acquisition of property, plant and equipment (Note 7)	(444,228)	(94,009)
Cash flows used in investing activities	(444,228)	(74,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of warrants	-	12,000
Exercise of options	-	90,000
Proceeds from convertible debentures	358,826	-
Loan proceeds	200,000	-
Lease payments (Note 13)	(55,516)	(55,233)
Cash flows from financing activities	503,310	46,767
Effect of changes in foreign currency rates on cash	6,344	(22,029)
CHANGE IN CASH AND CASH EQUIVALENTS	(244,433)	(991,177)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14,372,324	18,486,644
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 14,127,891	\$ 17,495,467
SUPPLEMENTAL INFORMATION:		
Shares issued for contingent consideration	\$ -	\$ 150,000
Share based payments	250,000	-
Shares issued on conversion of debentures	100,000	-

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

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

1. NATURE OF OPERATIONS

Red Light Holland Corp. ("RLHC" or the "Company") is engaged in the production, growth and sale of functional mushrooms and mushroom home grow kits in North America and Europe, and a premium brand of psilocybin truffles to the legal, recreational market within the Netherlands. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. The Company's common shares are listed on the Canadian Securities Exchange (the "CSE") under the ticker symbol "TRIP".

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's March 31, 2024 audited annual consolidated financial statements.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 29, 2024.

Principles of consolidation

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

Name of subsidiary	Country of Incorporation	Functional Currency	2024 Percentage Ownership	2023 Percentage Ownership
Red Light Holland (Subco 1) Inc.	Canada	CAD	100%	100%
Red Light Holland (Subco 2) Inc.	Canada	CAD	100%	100%
4316747 Nova Scotia Limited ("Happy Caps") (Note 25)	Canada	CAD	100%	80%
Acadian Exotic Mushrooms Ltd. ("AEM")	Canada	CAD	51%	51%
Red Light Acquisition Inc.	United States	USD	100%	100%
Radix Motion Inc.	United States	USD	100%	100%
RLH Netherlands BV	Netherlands	EUR	100%	100%
RLH Farms BV	Netherlands	EUR	100%	100%
SR Wholesale B.V.	Netherlands	EUR	100%	100%
Wellness World Oss BV	Netherlands	EUR	100%	100%
Wellness World Utrecht BV	Netherlands	EUR	100%	100%
Minichamp BV	Netherlands	EUR	100%	100%

Functional and presentation currency

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

3. MATERIAL ACCOUNTING POLICIES

(a) Critical accounting judgements, estimates and assumptions

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

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

These critical judgements and estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively in the period in which the estimate is revised. Significant judgements, estimates and assumptions within these condensed interim consolidated financial statements remain the same as those applied to the consolidated financial statement for the year ended March 31, 2024.

(b) Accounting policies

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's March 31, 2024 annual consolidated financial statements, except for the adoption of new standards and interpretations as of April 1, 2024.

Future accounting standards

As at the date of authorization of these condensed interim consolidated financial statements, the IASB and the IFRS Interpretations Committee had issued certain new pronouncements that are mandatory for the Company's accounting periods commencing on or after January 1, 2024. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact upon the adoption of the following amendments on its consolidated financial statements:

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

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

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

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

Presentation of Financial Statements (Amendments to IAS 1)

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

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

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

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

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

4. BUSINESS ACQUISITIONS

(i) Wellness World Utrecht BV and Wellness World Oss BV (“Wellness World”)

On July 26, 2022, the Company established two newly formed and wholly owned subsidiaries, Wellness World Utrecht BV and Wellness World Oss BV. The subsidiaries were incorporated to acquire two SmartShop retail stores located in Utrecht and Oss, Netherlands, two of the Netherlands premiere retail shops for quality psychedelic truffles. Concurrently with the formation of Wellness World Utrecht BV and Wellness World Oss BV, the Company entered into two asset purchase agreements to acquire each of the retail stores. The acquisitions were completed effective August 1, 2022, pursuant to the terms of the definitive asset purchase agreements.

The acquisition in Utrecht had total consideration of €200,000 consisting of €140,000 paid in cash and €60,000 satisfied through the issuance of shares. The acquisition in Oss had total consideration of €100,000 consisting of €70,000 paid in cash and €30,000 satisfied through the issuance of shares.

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

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

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

Net assets acquired	\$
Cash	1,163
Inventory	55,638
Equipment	8,390
Right of use asset	190,607
Accounts payable and accrued liabilities	(1,162)
Lease liability	(190,607)
Net assets as at August 1, 2022	64,029
Consideration	\$
Cash	274,511
Common shares	117,649
	392,160
Purchase price allocation	\$
Net identifiable assets acquired	64,029
Goodwill	328,131
	392,160

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

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

(ii) Minichamp BV (“Minichamp”)

On October 4, 2022, the Company acquired 100% of the issued and outstanding shares of MiniChamp B.V., located in Horst, The Netherlands, a producer of grow at home mushroom kits with existing distribution channels throughout the European Union.

The acquisition was completed effective October 4, 2022, pursuant to the terms of the definitive agreement, pursuant to which the Company acquired 100% of the issued and outstanding shares of Minichamp for \$854,563. The consideration was comprised of \$743,381 (€550,000) in cash and 981,466 common shares of the Company with a fair value of \$73,105.

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
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4. BUSINESS ACQUISITIONS (continued)

The common shares with a deemed price of \$0.1009 per share, being the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the acquisition, are subject to sale restrictions and have been discounted from their face value for the inability to liquidate the shares during this period. The Acquisition Agreement provides for up to €100,000 of earn out payments to be made to the Vendor subject to reaching certain financial milestones. The fair value assigned to the future earn out payments was \$38,077 on the acquisition date. The Company has used the monte carlo model to estimate the fair value of contingent consideration on the date of acquisition. The key inputs included in the model are: (i) variability in future EBITDA of 68.8%, (ii) discount rate of 19.1%, and (iii) risk free rate of 3.8%.

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

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

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

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

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

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

The contingent consideration had been classified as a financial liability as the earn out payments, upon achievement of the financial milestones, were to be settled in cash. As at March 31, 2024, the two of three earn out milestones were not achieved and the third, related to calendar year 2024, is not expected to be realized (See Note 11(c)).

RED LIGHT HOLLAND CORP.
Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
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For the three months ended June 30, 2024 and 2023

5. MARKETABLE SECURITIES

	Number of Securities	Cost	Value
PharmaDrug Inc. – warrants (level 2)	1,714,286	392,596	-
Elevate Farms Inc. – shares (level 3)	45,976	299,996	1,023,141
Balance, June 30, 2024		692,592	1,023,141
Current Portion			-
Long-Term Portion			1,023,141
Total			1,023,141
PharmaDrug Inc. – warrants (level 2)	1,714,286	392,596	-
Elevate Farms Inc. – shares (level 3)	45,976	299,996	1,023,141
Balance, March 31, 2024		692,592	1,023,141
Current Portion			-
Long-Term Portion			1,023,141
Total			1,023,141

Effective October 24, 2023, the PharmaDrug Inc. common shares were consolidated on the basis of seven pre-consolidated common shares into one post-consolidated common share. The number of PharmaDrug Inc. common shares and warrants have been updated in the above table in accordance with the terms of the consolidation.

Based on management's intention and ability, the investment in Elevate Farms Inc. has been classified as non-current. Elevate is not a publicly traded company; therefore, the fair value was classified as level 3 within the fair value hierarchy. The fair value of Elevate's shares have been estimated based on the value at which a recent financing was done by the investee company.

During the three months ended June 30, 2024, the Company bought nil shares and sold nil shares of PharmaDrug Inc. During the year ended March 31, 2024, the Company sold 214,285 shares, its remaining position, of PharmaDrug Inc. for proceeds of \$10,544 resulting in a realized loss on sale of marketable securities of \$1,242.

	Level 1	Level 2	Level 3	Total
At March 31, 2024	\$ -	\$ -	\$ 1,023,141	\$ 1,023,141
Proceeds from disposal	-	-	-	-
Realized loss on sale of securities	-	-	-	-
Revaluation to fair market value	-	-	-	-
At June 30, 2024	\$ -	\$ -	\$ 1,023,141	\$ 1,023,141
At March 31, 2023	\$ 18,750	\$ 26,748	\$ 865,268	\$ 910,766
Revaluation to fair market value	(11,250)	(24,242)	-	(35,492)
At June 30, 2023	\$ 7,500	\$ 2,506	\$ 865,268	\$ 875,274

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Notes to the Condensed Interim Consolidated Financial Statements (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2024 and 2023

5. MARKETABLE SECURITIES (continued)

For the three months ended June 30, 2024, the unrealized change in fair value of marketable securities amounted to a gain of \$Nil (2023 – a loss of \$35,492), which is recorded in the consolidated statement of net loss and comprehensive loss.

Fair value hierarchy

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

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

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

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at June 30, 2024 and 2023:

Investments, at fair value	Level 1	Level 2	Level 3	Total
	Quoted market price	Valuation technique - observable market inputs	Valuation technique - non-observable market inputs	
June 30, 2024	\$ -	\$ -	\$ 1,023,141	\$ 1,023,141
March 31, 2024	\$ -	\$ -	\$ 1,023,141	\$ 1,023,141

Level 2 financial instruments includes warrants of public issuers.

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

Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2.

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

Description	Fair value at June 30, 2024	Valuation-technique / unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	\$ 1,023,141	Recent financing activity	100.0	Additional recent financing activity

Description	Fair value at March 31, 2024	Valuation-technique / unobservable input	% of Investments	Sensitivity to changes in significant unobservable inputs
Unlisted private equities	\$ 1,023,141	Recent financing activity	100.0	Additional recent financing activity

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5. MARKETABLE SECURITIES (continued)

For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- \$255,785 change in the total fair value of the investments (March 31, 2024 - \$255,785).

While this illustrates the overall effect of changing the values of the unobservable inputs by a set percentage, the significance of the impact and the range of reasonably possible alternative assumptions may differ significantly between investments, given their different terms and circumstances.

The sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of this investment. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of this investment. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

6. INVENTORY

	Jun 30, 2024	Mar 31, 2024
Raw materials	\$ 6,864	\$ 14,400
Packaging	137,231	100,099
Finished Goods	732,038	759,766
Inventory	\$ 876,133	\$ 874,265

For the three months ended June 30, 2024, inventory recognized as an expense amounted to \$626,673 (2024 - \$678,581), which is included in cost of sales in the consolidated statements of loss and comprehensive loss.

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment	Leasehold improvement	Vehicle	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, March 31, 2023	1,567,635	2,965,986	585,072	-	54,751	5,173,444
Additions	-	103,912	591,130	-	-	695,042
Disposal	-	-	(13,254)	-	(32,656)	(45,910)
Foreign currency adjustment	-	-	6,478	-	386	6,864
Balance, March 31, 2024	1,567,635	3,069,898	1,169,426	-	22,481	5,829,440
Additions	374,454	22,277	47,497	-	-	444,228
Disposal	-	-	-	-	-	-
Foreign currency adjustment	-	-	1,311	-	102	1,413
Balance, June 30, 2024	1,942,089	3,092,175	1,218,234	-	22,583	6,275,081

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7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment	Leasehold improvement	Vehicle	Total
Accumulated Depreciation						
Balance, March 31, 2023	-	170,295	162,764	-	34,245	367,304
Disposal	-	-	(5,383)	-	(26,106)	(31,489)
Depreciation	-	98,625	117,956	-	4,155	220,736
Foreign currency adjustment	-	-	4,736	-	573	5,309
Balance, March 31, 2024	-	268,920	280,073	-	12,867	561,860
Depreciation	-	24,609	33,720	-	1,046	59,375
Foreign currency adjustment	-	-	540	-	54	594
Balance, June 30, 2024	-	293,529	314,333	-	13,967	621,829
Carrying amount						
Balance, March 31, 2024	1,567,635	2,800,978	889,353	-	9,614	5,267,580
Balance, June 30, 2024	1,942,089	2,798,646	903,901	-	8,616	5,653,252

For the three months ended June 30, 2024, depreciation expense related to property, plant and equipment amounted to \$59,375 (2023 - \$52,400), which are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

As at June 30, 2024, buildings with a value of \$603,605 and equipment with a value of \$314,809 (March 31, 2024 – buildings with a value of \$581,329) are under construction and not available for use and, as a result, no depreciation has been recorded against these assets.

8. INTANGIBLE ASSETS

	License	Trade name	Customer relationships	Total
Cost	\$	\$	\$	\$
Balance, March 31, 2023	-	130,269	762,926	893,195
Addition	1,250,000	-	-	1,250,000
Impairment charge	(1,006,944)	-	-	(1,006,944)
Foreign currency adjustment	-	-	(6,011)	(6,011)
Balance, March 31, 2024	243,056	130,269	756,915	1,130,240
Addition	-	-	-	-
Impairment charge	-	-	-	-
Foreign currency adjustment	-	-	-	-
Balance, June 30, 2024	243,056	130,269	756,915	1,130,240
Accumulated Amortization				
Balance, March 31, 2023	-	43,060	510,783	553,843
Amortization	243,056	32,568	250,715	526,339
Foreign currency adjustment	-	-	(4,583)	(4,583)
Balance, March 31, 2024	243,056	75,628	756,915	1,075,599
Amortization	-	8,142	-	8,142
Foreign currency adjustment	-	-	-	-
Balance, June 30, 2024	243,056	83,770	756,915	1,083,741
Carrying amount				
Balance, March 31, 2024	-	54,641	-	54,641
Balance, June 30, 2024	-	46,499	-	46,499

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8. INTANGIBLE ASSETS (continued)

For the three months ended June 30, 2024, amortization expense related to intangible assets amounted to \$8,142 (2023 - \$70,800), which are included in general and administrative expenses in the consolidated statement of loss and comprehensive loss. During the year ended March 31, 2024, the license was determined to be impaired given the projected sales did not support its recoverability.

9. GOODWILL

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

	\$
Balance, March 31, 2023	1,314,534
Impairment loss	(1,032,151)
Foreign currency adjustment	(3,287)
Balance, March 31, 2024	279,096
Impairment loss	-
Foreign currency adjustment	-
Balance, June 30, 2024	279,096

10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES

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

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

- (a) The principal amount of the debenture does not bear interest. Notwithstanding the foregoing, upon and from the date on which there occurs and event of default, which is continuing, the principal amount will bear interest at a rate of 22% per annum. If the debenture holder elects, in its sole and absolute discretion, interest may be paid in units at the conversion price in effect on the date of such payment.
- (b) The debentures are convertible into Units of the Company at a conversion price of \$0.105 per Unit and will mature one year from the date of issuance. Each Unit consists of one common share of the Company and a ¼ warrant, with each whole warrant exercisable into one common share at a price of \$0.1575 until March 31, 2025. The debenture holder has the right, from time to time and at any time while any portion of the principal amount or any accrued and unpaid interest on the debenture is outstanding, to convert all or a portion of the outstanding principal and interest (if any) into common shares of the Company.
- (c) The convertible debentures are secured by way of a general and continuing interest in certain assets of the Company.
- (d) On closing, the Company issued to the purchasers of the convertible debentures 1,052,515 warrants (Note 16(f)). The warrants are exercisable for a period of two years from issuance into common shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of \$0.1575 per common share.

On April 8, 2024, the Company closed an extension of the March 2021 convertible debentures that matured on March 31, 2024, per the March 2023 Debt Settlement Agreement, with the holder agreeing to increase their investment in the Company. The April 2024 Offering of April 2024 Debenture Units were for aggregate gross proceeds of \$750,000, at a price of \$1,000 per April 2024 Debenture Unit. Each April 2024 Debenture Unit consisted of: (i) a \$1,000 principal secured convertible debenture; and (ii) 16,666.67 Common Share purchase warrants exercisable for 16,666.67 common shares. The principal of the debenture may be converted into Common Shares at a conversion price of \$0.06 per common share.

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10. CONVERTIBLE DEBENTURE AND DERIVATIVE LIABILITIES (continued)

Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.10 per Common Share for a period of 24 months from the date of issuance. The debentures will mature on April 8, 2025, and do not bear interest. The Company also agreed to issue to the holder 2,375,000 April 2024 settlement units. Each April 2024 Settlement Unit comprised of (i) one Common Share; and (ii) one Warrant, at a deemed price of \$0.05 per April 2024 Settlement Unit, as an extension fee to the holder who had agreed to settle their March 2021 Note that matured on March 31, 2024 as part of their subscription in the April 2024 Offering, and for agreeing to reduce the interest rate on the debenture to zero. The Company used the net proceeds from the Offering, after settling the March 2021 Note, for the ongoing development of the Company's business model and for general working capital purposes. The Common Shares issued as part of the April 2024 Settlement Units and all warrants issued pursuant to the April 2024 Offering (including securities into which they may be converted or exercised) are subject to a statutory hold period of four months and one day from the date of issuance thereof in accordance with applicable securities law.

The Company was required to post a 75% security deposit of \$562,500 which is being held in trust. This amount is shown as restricted cash on the balance sheet.

As a result of the fixed conversion price, the "fixed-for-fixed" condition was met resulting in the conversion feature being accounted for as an equity instrument. The effect is that the convertible debenture host debt instrument has been accounted for at amortized cost.

As a result of the conversion feature being accounted for as an equity instrument, there is an equity portion of the convertible debenture recorded in the amount of \$147,527 as at June 30, 2024 (March 31, 2024 - \$113,614).

	Convertible debenture	Conversion feature	Total
Balance, March 31, 2023	257,695	113,614	371,309
Interest accretion	217,499	-	217,499
Share and warrants issued on conversion of debenture	(84,021)	-	(84,021)
Balance, March 31, 2024	391,173	113,614	504,787
Interest accretion	26,872	-	26,872
Modification of convertible debenture	188,602	56,610	245,211
Deferred financing cost	(412,990)	-	(412,990)
Deferred financing cost amortization	93,913	-	93,913
Shares issued on conversion of debenture	(77,303)	(22,697)	(100,000)
Balance, June 30, 2024	210,266	147,527	357,793

During the three months ended June 30, 2024, the Company issued 1,666,666 common shares as a conversion of debentures with a value of \$100,000.

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11. CONTINGENT CONSIDERATION

	Happy Caps \$	AEM \$	Minichamp \$	Total \$
Balance, March 31, 2023	150,000	-	38,077	188,077
Shares issued for contingent consideration	(150,000)	-	-	(150,000)
Change in fair value of contingent consideration	-	-	(38,077)	(38,077)
Balance, March 31, 2024 and June 30, 2024	-	-	-	-

a) Contingent consideration issued in Happy Caps acquisition

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

During the prior year ended March 31, 2023, upon achieving an average sale of over 1,000 units a week during any consecutive three-month span of Earn Out Period 2 and Earn Out Period 3, the Company was obliged to issue an additional \$150,000 worth of RLHC Shares. The shares issuable upon meeting this milestone had a deemed price per share equal to the 10-day VWAP of the RLHC Shares on the CSE ending on the date prior to the date of issuance of the RLHC Shares. During the year ended March 31, 2024, the Company issued 1,543,208 RLHC Shares to satisfy this obligation.

As of March 31, 2024, all earn out periods have expired, and therefore the Company has no further obligations of share payments or cash payments to the former shareholders of Happy Caps related to contingent consideration milestones.

b) Contingent consideration issued in AEM acquisition

As of March 31, 2024, all remaining earn out periods have expired, and therefore the Company has no further obligations of share payments or cash payments to the former shareholders of AEM related to contingent consideration milestones.

c) Contingent consideration issued in Minichamp acquisition

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

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

As of March 31, 2024, the earn out period of the calendar year ending December 31, 2024 remains, however, the Company has assessed the achievement of the milestone, and the potential future obligation of a cash payment to the former shareholders of Minichamp, as remote. The fair value of the Minichamp contingent consideration is determined to be \$nil (March 31, 2023 - \$38,077).

The contingent consideration had been classified as a financial liability as the potential future payments would have been made in cash.

During the prior year ended March 31, 2023, the Company used the monte carlo model to estimate the fair value of contingent consideration from the Minichamp acquisition. The key inputs included in the model are: (i) variability in EBITDA of 68.8%; (ii) discount rate of 19.1%; (iii) risk free rate of 3.8%. A +/- 25% change in the key assumptions would result in a change in fair value of \$9,519.

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12. RIGHT OF USE ASSET

	\$
Balance, March 31, 2023	581,932
Depreciation	(184,133)
Foreign currency adjustment	(3,394)
Balance, March 31, 2024	394,405
Additions	107,113
Depreciation	(46,343)
Foreign currency adjustment	1,648
Balance, June 30, 2024	456,823

For the three months ended June 30, 2024, depreciation expense related to right of use assets amounted to \$46,343 (2023 - \$46,495), which are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

13. LEASE LIABILITIES

	\$
Balance, March 31, 2023	602,437
Interest expense	41,118
Lease payments	(220,133)
Foreign currency adjustment	(3,548)
Balance, March 31, 2024	419,874
Additions	107,113
Interest expense	9,274
Lease payments	(55,516)
Foreign currency adjustment	1,742
Balance, June 30, 2024	482,487

Allocated as:	Jun 30, 2024	Mar 31, 2024
Current	217,132	128,790
Long term	265,355	291,084
Balance	482,487	419,874

On April 1, 2022, the Company entered into a new lease for SR consisting of an office and warehouse facilities with an associated lease liability fair value of \$70,010. The lease term is until March 31, 2024 with a renewal option. The lease payments of €2,300 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands. Upon the expiration of the lease on the aforementioned date, the Company decided not to renew the lease arrangement and has agreed to a month-by-month extension until a new location can be determined.

On February 1, 2023, the Company entered into a new lease for Happy Caps consisting of an office and warehouse facilities with an associated lease liability fair value of \$20,848. The lease term is until January 31, 2024. The lease payments of \$2,120 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada. Upon the expiration of the lease on the aforementioned date, the Company decided not to renew the lease arrangement as production was relocated to a third-party facility.

On August 1, 2022, through the acquisition of Wellness World, the Company assumed two leased premises consisting of two retail store locations and an associated lease liability fair value of \$190,606. The lease term for the Oss and Utrecht locations is until August 31, 2027 and July 31, 2027, respectively. The total lease payments of €3,000 per month are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in the Netherlands.

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13. LEASE LIABILITIES (continued)

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

On June 1, 2024, the Company assumed a leased premise consisting of an office and an associated lease liability fair value of \$68,206. The lease term for the premise is until May 31, 2025. The total lease payments of \$6000 per month are discounted using an interest rate of 12%, which is the Company's incremental borrowing rate in Canada.

For the three months ended June 30, 2024, interest and accretion expense related to lease liabilities amounted to \$9,274 (2023 - \$11,300), which are included in interest expense in the consolidated statements of loss and comprehensive loss.

As at June 30, 2024, future minimum annual lease payments for premises and equipment are as follows:

	\$
2025	178,517
2026	133,279
2027	116,544
2028	54,147
Total lease payments	482,487

14. LOANS AND ADVANCES

The Company has total recorded loans in the amount of \$1,105,059. A loan in the amount of \$905,059 is unsecured, non-interest bearing with no specific terms of repayment. \$590,404 of the advances originated prior to the acquisition of AEM and the remaining \$314,655 represent funds deposited by the minority interest holders post-acquisition for the procurement of capital expenditures. An additional loan in the amount of \$200,000 matures June 7, 2025, interest only payments, interest at 7.2% and guarantee and postponement of claims by minority shareholders. These are both advances owing to the minority interest holders of AEM.

15. NON-CONTROLLING INTEREST

	Happy Caps \$	AEM \$	Total \$
Balance, March 31, 2023	(20,942)	299,559	278,617
Net loss attributable to non-controlling interest	(49,742)	(36,768)	(86,510)
Balance, March 31, 2024	(70,684)	262,791	192,107
Net loss attributable to non-controlling interest	-	(27,103)	(27,103)
Acquisition of non-controlling interest	70,684	-	70,684
Balance, June 30, 2024	-	235,688	235,688

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16. CAPITAL STOCK

(a) *Share capital*

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

Issued and Outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance, March 31, 2023	387,892,187	41,786,685
Shares issued for contingent consideration (Note 11)	1,543,208	150,000
Shares issued on conversion of debentures (Note 10)	952,380	100,000
Shares issued on exercise of RSUs (Note 16(e))	3,159,305	301,166
Shares issued on exercise of warrants (vii)	200,000	22,371
Shares issued on exercise of options (vi)	1,500,000	167,783
Shares purchased through normal course issuer bid (viii) (ix)	(1,462,000)	(88,815)
Balance, March 31, 2024	393,785,080	42,439,190
Shares issued on conversion of debentures (Note 10)	1,666,666	100,000
Shares issued as financing costs (Note 10)	2,375,000	92,472
Shares issued on exercise of RSUs (Note 16(e))	251,258	21,359
Shares issued for compensation (x)	957,853	250,000
Balance, June 30, 2024	399,035,857	42,903,021

- (i) During the year ended March 31, 2023, the Company issued 13,333,334 common shares to certain consultants of the Company in accordance with an IP agreement related to future marketing and branding commitments which have been recorded to prepaid expenses and deposits in the amount of \$1,000,000.
- (ii) During the year ended March 31, 2023, the Company issued 292,397 common shares in relation to a consulting service agreement. The shares issued were measured based on the fair value of shares issued on the issuance date in the amount of \$25,000.
- (iii) During the year ended March 31, 2023, the Company issued 1,423,963 common shares pursuant to the acquisition of Wellness World and 981,466 common shares pursuant to the acquisition of Minichamp (Note 4).
- (iv) During the year ended March 31, 2023, the Company issued 6,300,000 common shares in lieu of a legal retainer. The shares issued were measured based on the fair value of legal services to be received in the amount of \$567,000.
- (v) During the year ended March 31, 2023, 833,333 options were exercised for proceeds of \$50,000. The options had a recorded value of \$43,213. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (vi) During the year ended March 31, 2024, 1,500,000 options were exercised for proceeds of \$90,000. The options had a recorded value of \$77,783. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (vii) During the year ended March 31, 2024, 200,000 warrants were exercised for proceeds of \$12,000. The warrants had a recorded value of \$10,371. Upon exercise the recorded values were debited from contributed surplus and credited to share capital.
- (viii) During the year ended March 31, 2024, 1,462,000 shares with an acquired value of \$88,815 were repurchased and cancelled through a normal course issuer bid.

16. CAPITAL STOCK (continued)

- (ix) 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. Purchases 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.
- (x) On May 17, 2024, the Company issued 957,853 common shares with aggregate consideration of \$250,000 to Minority Shareholders of AEM as a bonus.

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 39,378,508 common shares.

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

On June 29, 2022, the Company issued 400,000 stock options to consultants exercisable at \$0.075 per share and expire five years from the date of issuance. 1/2 of the options vest on June 29, 2023 and the remainder vest on June 29, 2024. The options were valued at \$28,491 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 175%; Interest rate – 3.14%.

On April 24, 2023, the Company issued 14,800,000 stock options to directors, officers and consultants exercisable at \$0.100 per share and expire five years from the date of issuance. 1/3 of the options vest upon the grant date, 1/3 on April 24, 2024 and the remainder vest on April 24, 2025. The options were valued at \$1,119,648 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

On April 24, 2023, the Company issued 1,200,000 stock options to consultants exercisable at \$0.100 per share and expire three years from the date of issuance. 1/6 of the options vest upon each three-month anniversary of the grant date. The options were valued at \$76,119 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 100%; Interest rate – 3.6%. On October 10, 2023 these stock options were cancelled due to the termination of the consulting agreement and the related vesting of the options ceased on that date.

On April 24, 2023, the Company issued 2,135,000 stock options to employees and consultants exercisable at \$0.100 per share and expire five years from the date of issuance. The options fully vested upon the grant date. The options were valued at \$161,517 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 3.08%.

On October 30, 2023, the Company issued 2,050,000 stock options to officers and consultants exercisable at \$0.055 per share and expire five years from the date of issuance. The options vest in tranches equal to 1/3 of the grant on each six-month anniversary of the grant date. The options were valued at \$86,184 using the Black-Scholes option pricing model using the following assumptions: Term – 5 years; Volatility – 100%; Interest rate – 4.34%.

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16. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the three months ended June 30, 2024 and year ended March 31, 2024:

	Options #	Amount \$	Weighted Average Exercise Price \$
Balance, March 31, 2023	15,766,667	3,551,945	0.11
Exercised	(1,500,000)	(77,783)	0.06
Expired	(4,700,000)	-	0.09
Cancelled	(1,200,000)	-	0.10
Granted	20,185,000	1,443,468	0.10
Balance, March 31, 2024	28,551,667	4,917,630	0.11
Exercised	-	-	-
Expired	-	-	-
Cancelled	(1,500,000)	-	0.16
Granted	-	-	-
Balance, June 30, 2024	27,051,667	4,917,630	0.10

As at June 30, 2024, the weighted average remaining life of the outstanding stock options was 2.9 years (March 31, 2024 – 3.1 years). Of the outstanding options, 20,885,000 (March 31, 2024 – 16,218,334) were fully vested, exercisable, and had a weighted average remaining useful life of 2.6 years (March 31, 2024 – 2.3 years).

The following table reflects the continuity of options for the year ended June 30, 2024:

Expiry Date	Exercise Price	Opening Balance	Number of Options				Closing Balance
			Options Granted	Options Exercised	Options Expired	Options Cancelled	
May 27, 2025	\$0.06	1,666,667	-	-	-	-	1,666,667
Nov 2, 2024	\$0.185	1,000,000	-	-	(1,000,000)	-	-
Mar 7, 2025	\$0.12	6,600,000	-	-	(500,000)	-	6,100,000
May 10, 2024	\$0.09	300,000	-	-	-	-	300,000
Jun 29, 2027	\$0.075	400,000	-	-	-	-	400,000
Apr 24, 2026	\$0.10	-	-	-	-	-	-
Apr 24, 2028	\$0.10	16,535,000	-	-	-	-	16,535,000
Oct 30, 2028	\$0.055	2,050,000	-	-	-	-	2,050,000
		28,551,667	-	-	(1,500,000)	-	27,051,667

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16. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the year ended March 31, 2024:

Expiry Date	Exercise Price	Opening Balance	Options Granted	Number of Options			Closing Balance
				Options Exercised	Options Expired	Options Forfeited	
May 27, 2025	\$0.06	1,666,667	-	-	-	-	1,666,667
May 27, 2023	\$0.06	2,950,000	-	(1,500,000)	(1,450,000)	-	-
May 23, 2023	\$0.06	1,000,000	-	-	(1,000,000)	-	-
Jun 10, 2023	\$0.15	350,000	-	-	(350,000)	-	-
Jun 24, 2023	\$0.105	500,000	-	-	(500,000)	-	-
Jul 16, 2023	\$0.085	150,000	-	-	(150,000)	-	-
Dec 1, 2023	\$0.10	200,000	-	-	(200,000)	-	-
Dec 30, 2023	\$0.315	250,000	-	-	(250,000)	-	-
Mar 4, 2024	\$0.32	200,000	-	-	(200,000)	-	-
Sep 13, 2023	\$0.25	200,000	-	-	(200,000)	-	-
Nov 2, 2024	\$0.185	1,000,000	-	-	-	-	1,000,000
Mar 7, 2025	\$0.12	6,600,000	-	-	-	-	6,600,000
May 10, 2024	\$0.09	300,000	-	-	-	-	300,000
Jun 29, 2027	\$0.075	400,000	-	-	-	-	400,000
Apr 24, 2026	\$0.10	-	1,200,000	-	-	(1,200,000)	-
Apr 24, 2028	\$0.10	-	16,935,000	-	(400,000)	-	16,535,000
Oct 30, 2028	\$0.055	-	2,050,000	-	-	-	2,050,000
		15,766,667	20,185,000	(1,500,000)	(4,700,000)	(1,200,000)	28,551,667

For the three months ended June 30, 2024, \$733,905 has been recorded as share based payments (2023 - \$911,939) in the condensed interim consolidated statements of loss and comprehensive loss.

(c) *Employee share purchase plan*

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

There were no purchases under the ESPP for the years ended June 30, 2024 and 2023.

(d) *Loss per share data*

The effect of outstanding common share purchase options, RSUs, warrants and convertible debentures on the net loss for the three months ended June 30, 2024 and 2023 presented is not reflected as to do so would be anti-dilutive.

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

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

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16. CAPITAL STOCK (continued)

For the three months ended June 30, 2024 there were no options granted to officers, directors or consultants.

For the year ended March 31, 2024

Position	# Granted	Grant Date	Vesting	FMV	\$
Director	2,700,000	Apr 24, 2023	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	270,000
Director	1,500,000	Apr 24, 2023	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	150,000
Director	750,000	Apr 24, 2023	1/3 grant; 1/3 1yr; 1/3 2yr	0.10	75,000
Consultant	1,000,000	Apr 24, 2023	1/2 grant; 1/4 1yr; 1/4 2yr	0.10	100,000
Consultant	25,000	Apr 24, 2023	Upon grant	0.10	2,500
	5,975,000				597,500

	#	\$
Balance, March 31, 2023	300,516	-
Granted	5,975,000	597,500
Vested	(2,408,849)	(237,377)
Balance March 31, 2024	3,866,667	360,123
Granted	-	-
Vested	(1,966,667)	(216,983)
Balance June 30, 2024	1,900,000	143,140

As at June 30, 2024, 2,100,000 RSU's (March 31, 2024 – 384,621) valued at \$207,002 (March 31, 2024 - \$32,693) remained vested but unexercised and held as shares to be issued.

(f) *Warrants:*

	Warrants #	Amount \$	Weighted Average Exercise Price \$
Balance, March 31, 2023	78,020,641	10,701,239	0.46
Issued (Note 10)	238,095	6,392	0.16
Exercised	(200,000)	(10,371)	0.06
Expired	(29,354,705)	-	-
Balance, March 31, 2024	48,704,031	10,697,260	0.35
Issued (Note 10)	14,875,000	320,054	0.02
Expired	(2,852,073)	-	-
Balance, June 30, 2024	60,726,958	11,017,314	0.29

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16. CAPITAL STOCK (continued)

As at June 30, 2024, warrants outstanding were as follows:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable	
		Number of Warrants	Average Remaining Contractual Life (Years)
July 16, 2024	\$0.26	5,541,060	0.29
July 28, 2024	\$0.38	37,983,600	0.33
July 28, 2024	\$0.26	1,036,689	0.33
March 31, 2025	\$0.16	1,290,609	1.00
April 8, 2026	\$0.10	14,875,000	1.77
		60,726,958	0.50

As at March 31, 2024, warrants outstanding were as follows:

Expiry Date	Exercise Price	Warrants Outstanding and Exercisable	
		Number of Warrants	Average Remaining Contractual Life (Years)
June 8, 2024	\$0.26	1,272,727	0.19
June 16, 2024	\$0.26	1,579,346	0.21
July 16, 2024	\$0.26	5,541,060	0.29
July 28, 2024	\$0.38	37,983,600	0.33
July 28, 2024	\$0.26	1,036,689	0.33
March 31, 2025	\$0.16	1,290,609	1.00
		48,704,031	0.33

17. REVENUE

Three months ended June 30,	2024	2023
Wholesale product sales	\$ 867,866	\$ 674,389
Wholesale mushroom sales	160,956	232,635
Mushroom grow kit sales	455,201	213,003
Retail sales	74,756	75,785
Other	-	5,866
	\$ 1,558,779	\$ 1,201,678

18. CAPITAL MANAGEMENT

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

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

19. PROVISIONS, COMMITMENTS AND CONTINGENCIES

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

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial assets and financial liabilities

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

Other price risk

The Company is exposed to price risk through its investments in publicly traded and private marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by \$102,314.

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 convertible debentures note.

Foreign exchange risk

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

The Company's functional and reporting currency is the Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH NL, RL Farms, SR Wholesale, Minichamp and Wellness World operate.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than the Canadian dollar. As at June 30, 2024, the Company has \$1,972,928 of net assets and liabilities that are denominated in currencies other than Canadian dollar. A 10% change in the value of net assets and liabilities that are denominated in currencies other than the Canadian dollar as a result in changes in foreign exchange rates would change the Company's net loss by \$197,293.

Liquidity risk

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

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2024:

Liabilities and obligations	Total contractual payments	Payments due by period		
		< 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,657,392	1,657,392	-	-
Loans and advances	1,105,059	1,105,059	-	-
Lease liability	518,135	192,268	149,643	176,224
Convertible debenture	210,266	210,266	-	-
	3,490,852	3,164,985	149,643	176,224

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

	June 30, 2024	March 31, 2024
Accounts payable	\$ 1,005,710	\$ 921,350
Professional fee accruals	203,539	322,000
Consulting and payroll accruals	116,449	145,564
Other accruals	331,694	293,122
	\$ 1,657,392	\$ 1,682,036

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 June 30, 2024, the Company estimated expected credit losses to be \$18,803 (March 31, 2024 - \$18,718).

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20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Accounts receivable aging is as follows:

	June 30, 2024	March 31, 2024
Current	\$ 408,304	\$ 422,813
30 to 60 Days Overdue	34,995	26,068
60 to 90 Days Overdue	16,014	5,644
Over 90 Days Overdue	51,115	88,603
Less: Allowance for credit losses	(18,803)	(18,718)
	\$ 491,625	\$ 524,410

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.

On April 17, 2024, the Company and MISTERCAP entered into the Amended MISTERCAP IP Agreement, pursuant to which the parties have agreed to pivot the direction for its line of MISTERCAP'S mushroom grow kits towards retail and distribution channels. The Amended MISTERCAP IP Agreement removed all guaranteed payments payable to MISTERCAP, including monthly marketing fees, such that the consideration from the Company to MISTERCAP would be in the sole form of royalty payments, being 15% for all sales under MISTERCAP'S, except for sales that originate from the MISTERCAP'S website which would be subject to a 20% royalty fee. Other terms in the Amended MISTERCAP IP Agreement included: (i) the extension of the original MISTERCAP IP Agreement to a term of 5 years, (ii) the Company paying MISTERCAP a one-time catch-up payment in the amount of US\$175,000 owed by the Company, of which US\$87,500 had been paid and with the balance due within 45 days April 17, 2024, (iii) the removal of a marketing account; and (iv) the removal of the issuance of Common Shares as part of any consideration payable by the Company. With the Amended MISTERCAP IP Agreement in place, the Company would be able to allocate its resources more efficiently, focusing on the development of retail and distribution channels for MISTERCAP'S.

During the three months ended June 30, 2024, the Company recognized a gain on termination of contract of \$161,924 and a contract termination fee of \$171,883 related to the Amended MISTERCAP IP Agreement.

Summary of transactions as follows:

	June 30, 2024
Write-off of accounts payable	\$ 186,984
Write-off of accounts receivable	(25,060)
Gain on termination of contract	161,924
Contract termination fee	171,883
Net expense recognized	\$ 9,959

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21. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2024 and 2023, 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:

	June 30, 2024	June 30, 2023
Salary	\$ 189,506	\$ 358,750
Consulting fees	93,279	82,448
Car allowances	3,300	3,300
Other	6,000	8,200
	\$ 292,085	\$ 452,698

As at June 30, 2024, \$57,500 (March 31, 2024 - \$58,322) was due to related parties and included in accounts payable and accrued liabilities.

Equity Transactions

Share based payments issued during the three months ended June 30, 2024 and 2023 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

- a) On April 24, 2023, the Company issued 4,950,000 RSU's to directors of the Company valued at \$495,000 (Note 16).
- b) The Company issued the following stock options to directors and officers of the Company (see note 16(b)).

Option Grant Date	Options Granted #	Option Value \$
April 24, 2023	13,550,000	1,025,083
October 30, 2023	600,000	25,225

22. GENERAL AND ADMINISTRATIVE

Three months ended June 30,	2024	2023
Advertising and promotions	\$ 50,469	\$ 44,645
Amortization and depreciation	207,667	169,695
Consulting and management fees	170,698	213,333
Investor and public relations	4,475	7,247
Legal, audit and other professional fees	356,385	141,016
Office and general	298,065	368,462
Payroll	419,784	589,470
Regulatory	12,934	21,569
	\$ 1,520,477	\$ 1,555,437

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23. INCOME TAXES

Three months ended June 30,	2024	2023
Current tax (recovery) expense	\$ (22,750)	\$ 11,821
Deferred tax expense (recovery)	15,120	(22,656)
Total income tax recovery	\$ (7,630)	\$ (10,835)

24. SEGMENT INFORMATION

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

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

The following tables present financial information by segment for the three months ended June 30, 2024 and 2023 and as at June 30, 2023 and March 31, 2024:

	Three months ended June 30,	
Revenue for the period ended	2024	2023
Netherlands	\$ 1,046,137	\$ 782,295
Canada	512,642	414,223
USA	-	5,160
	\$ 1,558,779	\$ 1,201,678

	Three months ended June 30,	
Comprehensive loss for the period ended	2024	2023
Canada	\$ 1,504,393	\$ 1,726,858
USA	19,440	136,821
Netherlands	(80,524)	60,616
	\$ 1,443,309	\$ 1,924,295

	June 30,	March 31,
Total assets as at	2024	2024
Canada	\$ 21,451,036	\$ 21,500,004
Netherlands	2,470,999	2,504,543
USA	81,161	79,413
	\$ 24,003,196	\$ 24,083,960

	June 30,	March 31,
Total liabilities as at	2024	2024
Canada	\$ 3,324,627	\$ 2,987,364
Netherlands	568,149	679,513
USA	11,083	154,781
	\$ 3,903,859	\$ 3,821,658

25. SUBSEQUENT EVENTS

On July 4, 2024, the Company appointed Jon Szczur as the interim CFO.

On July 9, 2024, the Company announced the culmination of an innovative research collaboration with Professor David Nutt and Drug Science, the UK's preeminent independent scientific body on drug research. This landmark study, leveraging data from Red Light Holland's state-of-the-art microdosing application (<https://imicroapp.com>), provides anonymized, user-consented insights into the multifaceted applications and gender-specific effects of psilocybin microdosing.

On July 11, 2024, Happy Caps received an informal projection letter from Costco Canada indicating a prospective reorder of over 40,000 2kg "Mega Block" Mushroom Home Grow kits.

On July 16 and July 28, 2024, 5,541,000 and 39,020,289 warrants respectively expired.

On August 23, 2024, the Company announced that its wholly owned subsidiary, 4316747 Nova Scotia Limited o/a Happy Caps Mushroom Farms ("Happy Caps"), has received a substantial reorder from Costco Canada. This reorder includes 26,880 units of the popular Happy Caps "Mega Block" 2kg Mushroom Home Grow Kits, marking a 33.33% increase from the previous order of 20,160 units. This significant reorder, expected to be in stores nationwide in mid-September 2024 from Costco Canada.