



**RED LIGHT HOLLAND**

**RED LIGHT HOLLAND CORP.**

**Management's Discussion & Analysis**

**For the three months ended June 30, 2024, and 2023**

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MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED JUNE 30, 2024, AND 2023**

This management’s discussion and analysis (“**MD&A**”) was prepared as of August 29, 2024, and is provided to assist readers in understanding Red Light Holland Corp.’s financial performance for the three months ended June 30, 2024. It should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended June 30, 2024 (the “**Interim Financial Statements**”) and the audited consolidated financial statements for the fiscal years ended March 31, 2024 and 2023, together with the notes thereto (the “**Annual Financial Statements**”) and the management’s discussion and analysis prepared in conjunction with the Annual Financial Statements (the “**Annual MD&A**”). 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 Interim Financial Statements and 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 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 <http://www.sedarplus.ca/>.

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 Interim 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.

## Glossary of Terms

In this MD&A, unless otherwise indicated, or if the context otherwise requires, “**AEM Farm**” means AEM’s gourmet mushroom production facility in New Brunswick, Canada; “**AEM Ontario**” means the two mushroom production facilities with an aggregate footprint of 65,000 square feet that the Company is building on the Peterborough Farm. “**AEM**” means Acadian Exotic Mushrooms Ltd., which a 51% wholly owned subsidiary; “**Agro-Projects**” means Agro-Projects Export Sp. z o.o. Sp.k., a Polish firm renowned for its expertise in designing technologically advanced mushroom cultivation facilities; “**Amended Mistercap IP Agreement**” means the amended Mistercap IP Agreement effective April 17, 2024; “**April 2024 Debenture Unit**” means secured convertible debenture units of the Company issued pursuant to the April 2024 Offering; “**April 2024 Offering**” means the non-brokered private placement of April 2024 Debenture Units for aggregate gross proceed of \$750,000; “**April 2024 Settlement Unit**” means one Common Share and one Warrant, at a deemed price of \$0.05 per unit, as an extension fee to the holder who had agreed to settle the March 2021 Note; “**Business**” means the business carried on by the Company as at the date of this MD&A, and where the context so requires, includes the business carried on by the Company prior to the date of this MD&A; “**CCrest Laboratories**” means CCrest Laboratories Inc.; “**COVID-19**” means the Coronavirus pandemic which started in 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2); “**Happy Caps**” means 4316747 Nova Scotia Limited, doing business as Happy Caps Farm, incorporated under the *Companies Act* (Nova Scotia ) on April 16, 2021; “**Horst Facility**” means the approximately 3,000 square feet indoor growing, production, and distribution facility in Horst, the Netherlands; “**March 2021 Note**” means the convertible promissory note in the principal amount of €300,000 in relation to the SR Wholesale acquisition on March 19, 2021; “**March 2023 Debt Settlement Agreement**” means the debt settlement agreement entered into between the Company pursuant to which the March 2021 Note was cancelled and the Company issued the following: (i) a secured convertible debenture with a principal amount of C\$491,173.33, inclusive of an original issuance discount of 10%; (ii) an aggregate of 1,052,514 warrants; and (iii) a security agreement over specific equipment of the Company to the holder of the March 2021 Note; “**Microdosing Capsules**” means the Company’s homogenized natural psilocybin microdosing capsules developed by CCrest Laboratories from truffles imported from the Company’s Horst Facility; “**MiniChamp**” means MiniChamp B.V., is a mushroom farm located in Horst, the Netherlands, specializing in the field of home cultivation packages for mushrooms. It was acquired by RLH Netherlands and became the Company’s wholly owned subsidiary on October 4, 2022; “**Mistercap IP Agreement**” means the intellectual property licensing agreement the Company entered into with Mistercap on June 29, 2022, as amended; “**MISTERCAP’S**” means the mushroom wellness brand founded in 2022 to create innovative functional mushroom wellness products, and is affiliated with multi-platinum-selling, GRAMMY® and Golden Globe® Award-nominated recording artist Wiz Khalifa, who provides marketing advisory services to the Company through Mistercap; “**Mistercap**” means Mistercap, LLC, a limited liability company; “**Options**” means the incentive stock options to purchase Common Shares granted pursuant to the Stock Option Plan; “**Peterborough Farm**” means the 100 acres of farmland located in the Township of Cavan-Monaghan in Peterborough, Ontario; “**PharmAla**” means PharmAla Biotech Holdings Inc.; “**Psilocybin**” means 3-[2-(dimethylamino)ethyl]-4-phosphoryloxyindole and any salt thereof, as defined in the CDSA; “**R&D**” means research and development; “**Radix Motion**”

means Radix Motion Inc., a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. Radix Motion was incorporated under the laws of Delaware on October 18, 2018; “**RLH Farms**” mean RLH Farms B.V., a wholly owned subsidiary incorporated under the laws of the Netherlands on February 26, 2021; “**RLH Netherlands**” means RLH Netherlands B.V., a wholly owned subsidiary of the Company incorporated under the laws of the Netherlands on August 5, 2020; “**SEDAR+**” means the System for Electronic Document Analysis and Retrieval Plus; “**SmartShops**” means the brick-and-mortar retail stores authorized under Applicable Laws (where required) and located and operated within the Netherlands. SmartShops are retail establishments focused on the sale of psychoactive substances, generally including psychedelics and truffles, as well as related literature and paraphernalia; “**SR Wholesale**” means SR Wholesale B.V., a limited liability company incorporated under the laws of the Netherlands and acquired by the Company on March 19, 2021; “**truffles**” or “**magic truffles**” means psilocybin truffles, which are the sclerotia (the compact mass of hardened, vegetative part of a fungus or fungus-like bacterial colony which contain food reserves) of psilocybin mushrooms; “**Wellness World OSS**” means Wellness World OSS B.V., a wholly owned subsidiary incorporated under the laws of the Netherlands on July 26, 2022; “**Wellness World Utrecht**” means Wellness World Utrecht B.V., a wholly owned subsidiary incorporated under the laws of the Netherlands on July 26, 2022; and “**Wisdom Truffle**” is a figurine centered around the Company’s brand, capable of integrating with the Company’s future augmented reality application(s).

## 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

(Unaudited)	Three months ended Jun 30	
	2024	2023
Revenue	1,558,779	1,201,678
Cost of sales	934,106	678,581
Gross profit	624,673	523,097
<i>Gross profit as a % of sales</i>	40.1%	43.5%
General and administrative	1,520,477	1,555,437
Share based payments	733,905	911,939
Interest expense	35,872	46,475
Research	10,923	30,024
Loss before other items and taxes	(1,676,504)	(2,020,778)
Realized gain on sale of marketable securities	-	-
Change in fair value of marketable securities	-	(35,492)
Realized gain on sale of property, plant and equipment	-	13,138
Gain on termination of contract	161,924	-
Change in fair value of convertible debenture	113,615	35,955
Change in fair value of derivative liability	-	13,727
Change in fair value of call option	-	(28,110)
Contract termination fee	(171,883)	-
Foreign exchange (loss) gain	(6,572)	5,666
Interest income	136,672	127,691
Loss before taxes	(1,442,748)	(1,888,203)
Income tax (expense) recovery	(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	(27,103)	(1,338)
Net loss	(1,450,378)	(1,877,368)
Loss per share (basic and diluted)	(0.00)	(0.00)
Weighted average Common Shares outstanding	397,908,757	392,942,337

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Jun 30 2024	Mar 31 2024
Cash and cash equivalents	13,365,391	14,172,324
Restricted cash	762,500	200,000
Accounts receivable	491,625	524,410
Sales tax receivable	596,235	515,197
Prepaid expenses and deposits	452,500	778,901
Inventory	876,133	874,265
<b>Total Current Assets</b>	<b>16,544,384</b>	<b>17,065,097</b>
Property, plant and equipment	5,653,252	5,267,580
Marketable securities – non-current	1,023,141	1,023,141
Right of use assets	456,823	394,405
Intangible assets	46,499	54,641
Goodwill	279,096	279,096
<b>Total Assets</b>	<b>24,003,195</b>	<b>24,083,960</b>
Accounts payable and accrued liabilities	1,657,392	1,682,036
Loans and advances	1,105,059	905,059
Convertible debenture	210,266	391,173
Income tax payable	42,495	2,236
Derivative liability	9,971	9,971
Lease liability – current portion	217,132	128,790
<b>Total Current Liabilities</b>	<b>3,242,315</b>	<b>3,119,265</b>
Lease liability	265,3554	291,084
Deferred tax liability	396,189	411,309
<b>Total Liabilities</b>	<b>3,903,859</b>	<b>3,821,658</b>
<b>Total Shareholders' Equity</b>	<b>20,099,336</b>	<b>20,262,303</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>24,003,195</b>	<b>24,083,960</b>

## SUMMARY OF THE QUARTER ENDED JUNE 30, 2024

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, consumer packaged goods and, recently announced, fresh mushrooms to drive increased sales while being determined to grow both our business-to-business retail sales and direct-to-consumer business via brick-and-mortar shops and the online sales of all products.

During the three months ended June 30, 2024, 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 June 30, 2024

**April 1, 2024:** The Company had negotiated an extension of the March 2021 Note that matured on March 31, 2024, per the March 2023 Debt Settlement Agreement, with the holder agreeing to increase their investment in the Company. As such, the Company completed the April 2024 Offering of April 2024 Debenture Units for aggregate gross proceeds of up to \$750,000, at a price of \$1,000 per April 2024 Debenture Unit. Each April 2024 Debenture Unit will consist 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. Each warrant entitles the holder thereof to acquire one additional Common Share at a price of \$0.10 per Current Share for a period of 24 months from the date of issuance. The debentures will mature on April 8, 2025, and does not bear interest. The Company would use the net proceeds from the April 2024 Offering, after settling the March 2021 Note, for the ongoing development of the Company's business model and for general working capital purposes.

**April 2, 2024:** The Company completed a transaction to acquire the remaining 20% of Happy Caps. Accordingly, the Company now owns 100% of Happy Caps.

**April 4, 2024:** The Company partnered with Professor David Nutt and the organization, Drug Science. Professor Nutt is a globally recognized expert in psychedelic neuropsychopharmacology, and Drug Science is the UK's leading independent scientific body on drugs. This collaboration aims to analyze iMicroapp data and promote responsible regulations for Psilocybin microdosing. By focusing on data collected in a naturalistic and legal environment in the Netherlands, where the Company's Psilocybin truffles are sold responsibly, the initiative seeks to understand how microdosing can be used safely and effectively.

**April 8, 2024:** The Company closed its April 2024 Offering. The Company also agreed to issue to the holder 2,375,000 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 will use 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.

**April 8, 2024:** The Company issued 1,666,666 Common Shares for \$100,000 on conversion of the convertible debenture.

**April 8, 2024:** The Company had also initiated its export of 5 kg of natural Psilocybin truffles from the Company's Horst Facility to CCrest Laboratories. This shipment leveraged a fifth Health Canada approved Psilocybin import permit awarded to CCrest Laboratories.

**April 12, 2024:** The Company's export of 5 kg of natural Psilocybin truffles was received by CCrest Laboratories in Montreal.

**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.

**April 23, 2024:** The Company announced that CCrest Laboratories completed the initial testing and dehydration of Psilocybin truffles. Following this advancement, the dehydrated truffles were shipped to PharmAla's development laboratory, Chiral Labs, for the next phase of extraction and research. This extraction process was aimed at refining and stabilizing the



Psilocybin, which is essential for longer shelf life and developing a product intended for clinical research and emerging markets.

**May 15, 2024:** AEM partnered with Agro-Projects to embark on a \$5.5 million contract to construct AEM Ontario on the Peterborough Farm. Construction commenced with clearing, road work, and overall preparation currently underway.

**May 17, 2024:** The Company issued 957,853 Common Shares with aggregate consideration of \$250,000 to Minority Shareholders of AEM as a bonus.

**May 23, 2024:** Happy Cap's 2kg "Mega Block" home grow kit launched and was made available at 67 Costco locations across Canada. Costco Canada had secured an initial order of over 20,000 units of the 2kg "Mega Block" home grow kits. The distribution to Costco Canada included 18 locations in Alberta, 16 in Ontario, 14 in British Columbia, 12 in Quebec, 3 in Saskatchewan, 3 in Manitoba, and 1 in New Brunswick. Happy Caps 2kg "Mega Block" home grow kits can be purchased for \$19.99 (plus applicable taxes).

**May 27, 2024:** The Company completed the first phase natural Psilocybin extract at Chiral Labs. With this achievement, the laboratory would now commence an optimization and validation process aimed at refining the Psilocybin extraction procedure.

**June 7, 2024:** the Company announced PharmAla's successful completion of a comprehensive extraction protocol. This significant achievement marks the successful extraction and creation of a high-quality, concentrated Psilocybin extract at PharmAla's partner lab facilities, Chiral Labs.

**June 7, 2024:** The Company obtained a loan with RBC in amount of \$200,000 for AEM. The loan is secured with a \$200,000 GIC purchased on January 3, 2024, which is held by the bank. The GIC is shown on the balance sheet as restricted cash.

**June 12, 2024:** 251,258 RSUs vested and issued.

**June 21, 2024:** David Ascott resigned as CFO of the Company to pursue an opportunity in another industry. Mr. Ascott has served as the Company's CFO since November 2021.

## **Highlights of Key Events for the year ended June 30, 2024**

**April 1, 2024:** The Company had negotiated an extension of the March 2021 Note that matured on March 31, 2024, per the March 2023 Debt Settlement Agreement, with the holder agreeing to increase their investment in the Company. As such, the Company completed the April 2024 Offering of April 2024 Debenture Units for aggregate gross proceeds of up to \$750,000, at a price of \$1,000 per April 2024 Debenture Unit. Each April 2024 Debenture Unit will consist 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. Each

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## UPDATE ON OPERATIONS AND SIGNIFICANT PROJECTS

The Company expanded its operations internationally and now has operations in the Netherlands, in the European Union ("EU"), Canada, and the United States. With the view towards 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 EU, 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

### **Retail Stores located in Oss and Utrecht – MUSH ROOM & MORE:**

We continue to increase the number of products sold through these locations 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 rebrand, 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, while continuously introducing new health and wellness products, through both brick-and-mortar retail shops and online. On an ongoing basis, the Company continues to focus on growth strategies and monitor overall performance at both stores. The MUSHROOM & MORE location in Oss is now only open 2 days a week from 6 days a week, to help save on administration costs as the Company determines its next steps with the OSS location including closing it down or selling it, as penetrating a larger customer base has proven to be a challenge. The Company continues to focus on growing the retail location in Utrecht, while exploring acquiring or building other locations across the Netherlands as we are still confident in the overall retail brand and sector.

### **Psilocybin Truffles:**

The Company's iMicrodose and Maka magic truffles line, including the Hollandia, Makaanaut, Muskoka, Mexicana, Atlantis, Double Vision, Old Dutch and Utopia varieties, are designated as a "Responsible Use" Psychedelic. Both lines of truffles are currently being distributed through SR Wholesale and sold by a number of SmartShops across the Netherlands including our two retail stores located in Oss and Utrecht.

The Company's iMicrodose truffle line, including Minfuli, Triniti, Uniti, and Original, continues to be supported by the iMicroapp tele-counseling platform, with over 900 registered users who agreed to share their anonymous data for research and receive access to the company's licensed therapist.

### **SR Wholesale:**

Sales revenue and gross profit attributed to SR Wholesale continues to experience growth which is a result of an increase in interest and information available for the products that SR Wholesale carries amongst Europeans, and steady tourism in the Netherlands. This resulted in the expansion of both product lines and distribution channels.

### **MiniChamp:**

Since MiniChamp redesigned and rebranded its line of mushroom home grow kits, there has been an increased interest from the European market. MiniChamp continues to produce and package orders with a German distributor for its co-package and white label agreement of 80,000 mushroom home grow kits into 2025. MiniChamp continues to strategize on increasing business-to-business sales throughout Europe.

## CANADA

### **AEM Ontario (located on the Peterborough Farm):**

In January of 2024, the Company received the building permit from the Township of Cavan-Monaghan for its 80,000 square foot mushroom facility, AEM Ontario. The Company has completed significant road work and land clearing setting up the next stages for excavation and footings/foundation work. The Company continues to gather more aggressive quotes for future local work and anticipates this work to commence later this year. This is delayed from previous forecasted timelines, with the goal of reducing the overall cost of the project. The Company has paused its previously announced partnership with Agro-Projects, without a financial penalty, as we are considering other domestic options to construct the Peterborough Farm, with the goal of reducing overall costs. Excavation and construction are expected to start in early spring of 2025, as the Company's other primary focus is to continue exploring financing alternatives that best support the buildout to lower expenses for AEM Ontario's overall development and construction, as well as implement plans to ensure cash flows are managed appropriately.

The Company expects to integrate into the community, which includes looking for future employment from the local talent pool for AEM Ontario. Once completed, AEM Ontario 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.

The ability of AEM Ontario 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 hired and capable to do so; (g) the expected yield of AEM Ontario 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 AEM Farm (New Brunswick, Ontario):**

Following the Shiitake mushroom sales slowdown late last year at the AEM Farm the goal continues to be increasing shiitake sales from the farm. At full capacity, we expect to produce approximately 4,000 to 5,000 pounds of shiitake mushrooms per week with the aim of generating approximately \$24,000 and \$30,000 of revenue per week.

**The Happy Caps Farm:**

On April 2, 2024, Red Light Holland acquired the remaining 20% of Happy Caps. The production of Happy Caps mushroom kits has officially been moved from our leased facility in Halifax to a third-party facility in Ontario. The Halifax lease ended in January 2024, and the new production in Ontario is sourced through one of our farming partners. This change has resulted in increased production at a reduced cost per unit, which will allow for future scalability to meet increased demand.

Happy Caps products are now available in over 270 retail stores across Canada. Happy Caps had partnered with Van Noorts, a prominent distributor in the industry, to secure placement of its products in more than 270 stores, including in major retail chains and boutique health and garden stores across Canada.

Happy Cap's 2kg "Mega Block" home grow kit launched and was made available at 67 Costco Canada locations across Canada. Costco Canada had secured an initial order of over 20,000 units of the 2kg "Mega Block" home grow kits. The distribution to Costco Canada included 18 locations in Alberta, 16 in Ontario, 14 in British Columbia, 12 in Quebec, 3 in Saskatchewan, 3 in Manitoba, and 1 in New Brunswick. Happy Caps 2kg "Mega Block" home grow kits can be purchased for \$19.99 (plus applicable taxes).

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 August 23, 2024, the Company announced that its wholly owned subsidiary, 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.

The Company is currently planning a strategy around expanding the Happy Caps product offerings (including current R&D with samples for a projected future release of a functional mushroom gummy). The Company is also highly focused on expanding Happy Caps Mushroom Home Grow kits into both Europe and the United States.

**Psilocybin Research, Development and Distribution:**

The Company is no longer collaborating with PharmAla and its partner lab facilities Chiral Labs, after a successful partnership that created a high-quality, concentrated Psilocybin extract following the Health Canada approved import of naturally sourced psilocybin truffles from the Horst Facility. The process also effectively removed materials used for extraction, ensuring the product adheres to the requirements necessary for pharmaceutical ingredients. The Company is exploring next steps for R&D with other partners, as it looks to work with reputable companies, focusing on the commercialization of end products in emerging markets. We, however, continue to work closely with CCrest Laboratories in Montreal, Canada as their team consults weekly with the Company on future opportunities and continued R&D.

The Company, which had previously signed a distribution agreement with Allu Therapeutics, also continues to work towards an application for an import license for the homogenized microdosing capsules. The focus is solely on distribution and sales of Psilocybin products in Australia and New Zealand.

The Company will continue to be cautious of how it spends money on R&D, until a legal path to patients in emerging markets is more clearly defined as we build a supporting strategy with financial forecasts that are realistically achievable, as we focus on future profit in the medical access field, while advocating an adult's 'right to try' naturally occurring psilocybin.

## UNITED STATES

### **Wisdom Truffle:**

The Wisdom project, led by Radix Motion, which was intended to be a set of smart home figurines designed by Karim Rashid utilizing ideas from the mycelium network, has paused the development of future models and focused on finding sales avenues for Wisdom Moon. With the Moon model design completed, the initial manufacturing run of the first 100 units has been produced and delivered to Canada and the Netherlands. An additional 300 units have also been completed through the manufacturer in China, 80 of them are in the process of being shipped to the Netherlands with the rest of the shipment to be confirmed.

The Company continues to sell the Wisdom Truffle on [www.BringWisdomHome.com](http://www.BringWisdomHome.com) and is working on a marketing plan to target psychedelic therapists/facilitators and the Company plans to use Wisdom as a promotional and marketing tool for its brands and products in "Smart Shops".

### **MISTERCAP's:**

MISTERCAP's mushroom home grow kits, featuring shiitake, Lion's Mane, and oyster mushrooms are sold both direct-to-consumer and business-to-business. The Company is revisiting its Amazon strategy due to difficult vendor management, distribution, and profit margins. In addition to being selected by Urban Outfitters for retail distribution across their stores in the United States earlier this year, the Company continues to explore retail distribution channels. This will allow the Company and MISTERCAP's to expand the accessibility of legal mushroom cultivation to a wider audience, which aligns with our current strategy for the brand.

Notably, the Company and MISTERCAP's entered into the Amended MISTERCAP's 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's IP Agreement removed all guaranteed payments payable to MISTERCAP's, including monthly marketing fees, such that the consideration from the Company to MISTERCAP's 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's IP Agreement included: (i) the extension of the original MISTERCAP's IP Agreement to a term of 5 years, (ii) the Company paying MISTERCAP's 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. Payment is now complete; (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's 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.

## RESULTS OF OPERATIONS

### Revenue and Gross Profit

(Unaudited)	Three months ended Jun 30	
	2024	2023
Revenue	1,558,779	1,201,678
Cost of sales	934,106	678,581
Gross profit	624,673	523,097
<i>Gross profit as a % of sales</i>	40.1%	43.5%

Revenue for the three months ended June 30, 2024, resulted in an increase of 29.7% over the comparative period in the prior year. The Company benefited from the increased sales related SR Wholesale, which increased due to a spike in tourism in the Netherlands; an increase in Minichamp sales as production continued to grow; and an increase in Happy Caps sales related to sales channel penetration into the grocery market. These sales were offset by a decrease in AEM sales in the quarter which decreased due to harvesting cycle.

Gross profit for the three months ended June 30, 2024, resulted in an increase of 19.4% over the comparative period in the prior year. The increase in the quarter is related to improved sales revenue in the quarter while the gross profit as a percentage of sales decreased to 40.1% (2023 – 43.5%) which was related to the product mix within sales. Efficiencies gained through production improvements and product mix in the prior year fell slightly in the first quarter.

### Revenue by Geographical Segments

(Unaudited)	Three months ended Jun 30	
	2024	2023
Netherlands	1,046,137	782,295
Canada	512,642	414,223
United States	-	5,160
	1,558,779	1,201,678

For the three months ended June 30, 2024, revenue derived from the operations in the Netherlands predominantly consisted of the Company's farms' production and sale of psilocybin truffles; SR Wholesale's sale and distribution of products to "SmartShops" within the Netherlands; and the sale of kits from the MiniChamp mushroom home grow kit production facility. Revenue for the



quarter also included increased sales from the Canadian operations of Happy Caps which produces and distributes grow at home mushroom kits for the North American market which had a significant increase in Amazon sales. Sales revenue at the AEM farm which produces and sells functional mushrooms within the North American wholesale market was down during the quarter.

## General and Administrative

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

(Unaudited)	Three months ended Jun 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
<b>General and administrative</b>	<b>1,520,477</b>	<b>1,555,437</b>

General and administrative expenses decreased during the three months ended June 30, 2024, by \$34,960 (or 2.2%). This decrease was due to reduced consulting and management fees, office and general and payroll. The decrease in these categories was offset by increases in amortization and depreciation and legal and audit fees.

## Share Based Payments

Share based payments for the three months ended June 30, 2024, includes the value of Options and RSUs that vested during the period, and the value of shares issued to various consultants as compensation for services rendered.

## Research

The costs included in research relate to the product design costs associated with the Company's product line of Wisdom Truffle smart home figurines and research expenditures related to the psilocybin microdosing capsules being developed at the Company's laboratory partner, CCrest Laboratories.

## Other Items

(Unaudited)	Three months ended Jun 30	
	2024	2023
Realized gain on sale of marketable securities	-	-
Change in fair value of marketable securities	-	(35,492)
Realized gain on sale of property, plant and equipment	-	13,138
Gain on termination of contract	161,924	-
Change in fair value of convertible debenture	113,615	35,955
Change in fair value of derivative liability	-	13,727
Change in fair value of call option	-	(28,110)
Contract termination fee	(171,883)	-
Foreign exchange (loss) gain	(6,572)	5,666
Interest income	136,672	127,691
Other Items	233,755	132,575

For the three months ended June 30, 2024, the change in fair value of convertible debenture of \$113,615 (2023 - \$35,955) related to the modification and extension agreement closed during the quarter. The gain on termination of contract and contract termination fee of \$161,924 and (\$171,883) respectively, related to the Amended MISTERCAP IP Agreement signed April 17, 2024.

Interest income for the three months ended June 30, 2024 reflects interest earned on surplus funds. The Company has invested excess cash in short term redeemable GICs with Canadian banks and is earning interest income in line with current market yields.

## Net Loss

(Unaudited)	Three months ended Jun 30	
	2024	2023
Loss before taxes	(1,442,748)	(1,888,203)
Income tax (expense) recovery	(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	(27,103)	(1,338)
Net loss	(1,450,378)	(1,877,368)
Loss per share (basic and diluted)	(0.00)	(0.00)
Weighted average Common Shares outstanding	397,908,757	392,942,337

The net loss for the three months ended June 30, 2024, as compared to the prior year has been largely impacted by the aforementioned increase in sales revenue & gross profit, decrease in general and administrative costs and share based payments offset by improved non-operational results listed in “Other Items”. Net loss attributable to non-controlling interests is the results of operations, after tax, from AEM that are attributable to our minority partners.

## SUMMARY OF QUARTERLY RESULTS

\$ thousands, except per share amounts								
	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenue	1,559	1,276	1,291	983	1,202	1,246	1,175	736
Gross profit	934	506	546	445	523	537	587	288
Gross margin %	40.1%	40.0%	42.3%	45.2%	43.5%	43.1%	50.0%	39.1%
General and administrative	1,520	2,024	1,713	1,450	1,555	1,732	1,703	1,306
Share based payments	734	191	156	155	912	47	87	91
Interest expense	36	81	72	60	47	37	9	6
Research	11	3	2	16	30	(39)	113	130
Loss before other items and taxes	(1,677)	(1,793)	(1,397)	(1,236)	(2,021)	(1,239)	(1,325)	(1,245)
Realized gain (loss) on sale of marketable securities	-	(1)	-	-	-	32	-	(20)
Provision for sales tax receivable	-	-	-	-	-	-	205	-
Change in fair value of marketable securities	-	157	4	(2)	(36)	(18)	(99)	(47)
Realized gain (loss) on sale of property and equipment	-	(5)	-	-	13	-	-	-
Gain on termination of contract	162	-	-	-	-	-	-	-
Foreign exchange (loss) gain	(7)	(5)	(3)	(4)	6	(10)	(5)	(4)
Change in fair value of convertible debenture	114	-	-	(36)	36	-	(47)	(11)
Change in fair value of derivative liability	-	-	11	14	14	-	-	-
Change in fair value of call option	-	-	-	-	(28)	(81)	-	3
Change in fair value contingent consideration	-	38	-	-	-	-	(158)	(48)
Contract termination fee	(172)	-	-	-	-	-	-	-
Impairment of intangible assets	-	(2,030)	-	-	-	(444)	-	-
Interest income	137	131	136	137	128	102	55	34
Loss before taxes	(1,443)	(3,509)	(1,249)	(1,127)	(1,888)	(1,659)	(1,374)	(1,338)
Income tax (expense) recovery	(8)	-	29	19	11	11	62	33
Net Loss	(1,450)	(3,509)	(1,220)	(1,108)	(1,877)	(1,648)	(1,312)	(1,305)
Diluted loss per share	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

The Company reported a consolidated net loss of \$1,450,378 (\$0.00 per share) for the quarter ended June 30, 2024, as compared to a consolidated net loss of \$1,877,368 (\$0.00 per share) in the quarter ended June 30, 2023.

Comparing the results for the current quarter over the prior year, the aforementioned increase in sales and gross profit was offset by increases in general and administrative expenditures.

## STATEMENT OF FINANCIAL POSITION – SUMMARY

	Jun 30 2024	Mar 31 2024
Cash and cash equivalents	13,365,391	14,172,324
Restricted cash	762,500	200,000
Accounts receivable	491,625	524,410
Sales tax receivable	596,235	515,197
Prepaid expenses and deposits	452,500	778,901
Inventory	876,133	874,265
<b>Total Current Assets</b>	<b>16,544,384</b>	17,065,097
Property, plant and equipment	5,653,252	5,267,580
Marketable securities – non-current	1,023,141	1,023,141
Right of use assets	456,823	394,405
Intangible assets	46,499	54,641
Goodwill	279,096	279,096
<b>Total Assets</b>	<b>24,003,195</b>	24,083,960
Accounts payable and accrued liabilities	1,657,392	1,682,036
Loans and advances	1,105,059	905,059
Convertible debenture	210,266	391,173
Income tax payable	42,495	2,236
Derivative liability	9,971	9,971
Lease liability – current portion	217,132	128,790
<b>Total Current Liabilities</b>	<b>3,242,315</b>	3,119,265
Lease liability	265,3554	291,084
Deferred tax liability	396,189	411,309
<b>Total Liabilities</b>	<b>3,903,859</b>	3,821,658
<b>Total Shareholders' Equity</b>	<b>20,099,336</b>	20,262,303
<b>Total Liabilities and Shareholders' Equity</b>	<b>24,003,195</b>	24,083,960

Red Light Holland's primary asset is cash and cash equivalents. The Company also holds investments 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, plant and equipment 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 slightly over the comparative period as a result of the decrease in trade payables.

## LIQUIDITY

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

### Summary of Cash Inflows (Outflows)

(Unaudited)	Three months ended Jun 30	
	2024	2023
Net loss	(1,450,378)	(1,877,368)
Non-cash items and changes in working capital	1,140,519	935,869
Cash flows used in operating activities	(309,859)	(941,499)
Cash flows used in investing activities	(444,228)	(74,416)
Cash flows from financing activities	503,310	46,767
Change in foreign currency rates on cash	6,344	(22,029)
Change in cash	(244,433)	(991,177)
Cash, beginning of period	14,372,324	18,486,644
Cash, end of period	14,127,891	17,495,467

### Cash Flows from Operating Activities

The cash used in operating activities decreased over the prior year predominantly as a result of improved operational results, adjusted for non-cash items, more than offsetting further investments in working capital related predominately to increases in inventory and sales tax receivables.

### Cash Flows from Investing Activities

The cash used in investing activities in the current period is comprised of capital expenditures of \$444,228, which relate to roadwork and land preparation costs at the AEM site in Peterborough. These costs are classified as under construction. There were also some minor equipment purchases.

In the prior year, proceeds from the sale of property, plant and equipment of \$19,593 were offset by capital expenditures of \$94,009.

### Cash Flows from Financing Activities

Cash from financing activities in the current year relates to proceeds from the AEM loan of \$200,000 and proceeds from convertible debenture conversion of \$358,826. In the prior year, the cash outflows related to lease payments in the amount of \$55,233 which are similar to lease payments this quarter of \$55,516.

## Share Capital – Outstanding Shares

Changes in the number of issued and outstanding shares during the three months ended June 30, 2024 and the year ended March 31, 2024 were as follows:

	Three months ended Jun 30 2024	Year ended Mar 31 2024
Balance, opening	393,785,080	387,892,187
Exercise of warrants	-	200,000
Exercise of Options	-	1,500,000
Exercise of RSUs	-	3,159,305
Shares issued for contingent considerations	-	1,543,208
Shares issued on conversion of debentures	4,041,666	952,380
Shares purchased through normal course issuer bid	-	(1,462,000)
Share based payments	957,853	-
Shares issued on previously vested RSUs	251,258	-
Balance, closing	399,035,857	393,785,080

The following is selected share capital information related to the Company as at June 30, 2024 and March 31, 2024:

	Jun 30, 2024	Mar 31, 2024
Common Shares issued and outstanding	399,035,887	393,785,080
Options outstanding	27,051,667	28,551,667
Broker warrants and share purchase warrants outstanding	60,726,958	48,704,031
RSUs outstanding	1,900,000	3,866,667
Fully diluted shares outstanding	488,714,512	473,907,445

On July 13, 2023, the Company initiated the NCIB. During the period ended March 31, 2024, the Company repurchased 1,462,000 Common Shares under the NCIB at a total purchase value of \$77,510.

## CAPITAL RESOURCES

The capital managed by the Company includes the components of shareholders' equity as described in the Financial Statements for the period ended June 30, 2024. 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 a significant portion of 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 June 30, 2024, nor are any such arrangements outstanding as of the date of this MD&A.

**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:

	<b>Three months ended Jun 30</b>	
	<b>2024</b>	2023
Salary	189,506	358,750
Consulting fees	93,279	82,448
Car allowances	3,300	3,300
Other	6,000	8,200
	<b>292,085</b>	452,698

For the three months ended June 30, 2024, compensation decreased by \$160,613 or 35.5% from the prior period largely due to bonuses paid the prior period. This decrease was offset by a small increase in consulting fees.

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

Shares 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:

- On April 24, 2023, the Company issued 4,950,000 RSUs to Directors of the Company.
- The Company issued the following Options to Directors and Officers of the Company:

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

## SUBSEQUENT EVENTS

Other than as disclosed herein, there are no material subsequent events from July 1, 2024, to the reporting date of this MD&A.

**July 4, 2024:** The Company appointed Jon Szczur as the interim CFO.

**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.

**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.

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

**August 23, 2024:** The Company announced that 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.



## 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 June 30, 2024, 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 June 30, 2024, 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 \$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 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 June 30, 2024, the Company has \$1,972,928 of net assets and liabilities that are denominated in currencies other than the 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.

	Payments due by period			
	Total	< 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	-	-
	<b>3,490,852</b>	<b>3,164,985</b>	<b>149,643</b>	<b>176,224</b>

### Credit Risk

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

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

The Company has trade accounts receivable from customers, and sales tax receivable. The Company's credit risk arises from the possibility that a 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 its expected credit losses to be \$18,803 (March 31, 2024 - \$18,718).

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 the FLS 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, Canada and Horst, The Netherlands, 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 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 achieve, or that the Company’s existing strategic alliances will continue to achieve, 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 COVID-19. To the date of this MD&A, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods. 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.

FLS 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, and the development and staffing of AEM Ontario);
- the Company's future growth prospects and intentions to pursue one or more viable business opportunities in Canada, the United States, or the EU (including, but not limited to, AEM Ontario, and the development of its microdosing capsules);
- the Company's proposed plans to execute on its business plans 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, import licenses and the testing and development of the Company's microdosing capsules);

- 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 CCrest, and AEM, and the timelines thereto;
- the Company, in partnership with Radix Motion, building innovative technology (including, without limitation, to the Wisdom Truffle Moon) 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 AEM Ontario on its Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients;

- the Company hitting its forecasted revenue and sales projections for its current fiscal year and beyond;
- the stated terms and goals with respect to the Company’s engagement of consultants and advisors;
- the Company’s continuation of the expected product distribution plans and timelines for MISTERCAP products;
- the interpretation of results of stability tests for psilocybin microdosing capsules and determination of their shelf life; and
- the distribution and promotion of homogenized psilocybin microdosing capsules and the engagement of medical advisors for the same.
- the Company’s ability to achieve profitability in 2024;
- research results from the Company’s experimental research project to develop a process to commercialize an “active pharmaceutical ingredient” derived from the Company’s truffles;
- expectations of Happy Caps products continuing to be available in over 270 retail stores across Canada;
- the continued listing of the Company’s Common Shares on the CSE, Frankfurt Stock Exchange, and OTCQB;
- expectations that the Company’s mushroom production and distribution channels would increase;
- expectations that fresh mushroom products would drive increased sales for the Company;
- expectations that the Company would maintain its distribution of its fresh mushroom products to over 100 retail locations across Canada; and
- expectations that any contracts the Company enters into with celebrity figures would benefit the perception of the Company and its products.

FLS 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;
- 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'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 AEM Ontario on its the Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients;
- the Company's ability to carry out the stated terms and goals with respect to its engagement of consultants and advisors;
- the Company devoting resources to the protection of its intellectual property rights;
- the accuracy of the Company's interpretation of results of stability tests for psilocybin microdosing capsules and determination of shelf life; and
- the Company's ability to realize upon its plans for the distribution and promotion of homogenized psilocybin microdosing capsules and the engagement of medical advisors for the same.

Further, readers are cautioned that FLS 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 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
- 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 and staff AEM Ontario on the Peterborough Farm under the anticipated timelines and budgets and the anticipated benefits to the Company, its partners, and clients;
- the Company's manufacturers of the AEM Ontario and related production equipment inability to meet anticipated delivery and installation timelines and the costs related to the delay;
- the Company devoting resources to the protection of its;
- 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;
- the Company's ability to carry out the stated terms and goals with respect to its engagement of consultants and advisors;
- the Company's ability to launch, manufacture, distribute and sell all the products on the terms and timelines outlined herein;
- the inaccuracy of the Company's interpretation of results of stability tests for psilocybin microdosing capsules and determination of shelf life; and
- the Company's inability to realize upon its plans for the distribution and promotion of homogenized psilocybin microdosing capsules and the engagement of medical advisors for the same.

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) AEM Ontario'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 AEM Ontario becomes operational and the resulting strong profit margins and cash flow from operations; (v) the estimated cost of building AEM Ontario at \$12.0 million; and (vi) the expectations that the AEM farm in New Brunswick of generating approximately \$24,000 and \$30,000 of revenue per week being based on the ability of the AEM farm to continue to produce 4,000 to 5,000 pounds of shiitake mushrooms per week (given that its shiitake mushroom sales have slowed to approximately 3,000 pounds of mushrooms per week for the 2024 fiscal year) and for such yield to translate into the expected revenues of \$24,000 to \$30,000 per week is dependent on certain assumptions that management of the Company believes to be reasonable based on the information currently available to management, including the following assumptions: (a) the good working order of all equipment used for the production and distribution of the shiitake mushrooms

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 AEM Ontario on 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 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 MD&A. Except as required by Canadian securities laws, the Company does not intend, and does not assume any obligation, to update such FOFI.