FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: RED LIGHT HOLLAND CORP. (the “Issuer”).

Trading Symbol: TRIP

This Quarterly Listing Statement must be posted on or before the day on which the Issuer’s unaudited interim financial statements are to be filed under the *Securities* Act, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer’s first, second and third fiscal quarters. This statement is not intended to replace the Issuer’s obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

(a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.

(b) The term “Issuer” includes the Listed Issuer and any of its subsidiaries.

(c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first and second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

Unaudited condensed interim consolidated financial statements of the Issuer for the three month period ended June 30, 2021, as filed with securities regulatory authorities, are attached to this Form 5 - Quarterly Listing Statement as Appendix “A”.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

(a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.

(b) A description of the transaction(s), including those for which no amount has been recorded.

(c) The recorded amount of the transactions classified by financial statement category.

(d) The amounts due to or from Related Persons and the terms and conditions relating thereto.

(e) Contractual obligations with Related Persons, separate from other contractual obligations.

(f) Contingencies involving Related Persons, separate from other contingencies.

With respect to related party transactions for information supplementary to that contained in the notes to the unaudited condensed interim consolidated financial statements, which are attached hereto, please refer to the Management’s Discussion & Analysis for the three month period ended June 30, 2021, as filed with securities regulatory authorities and attached to this Form 5 - Quarterly Listing Statement as Appendix “B”.

2. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

The following securities were issued during the period of April 1, 2021 to June 30, 2021:

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid
06/01/2021	Common shares	Exercise of warrants/options	833,334	$0.06	50,000	Cash	Not related	N/A
06/07/2021	Common shares	Exercise of warrants/options	250,000	$0.06	15,000	Cash	Not related	N/A
06/07/2021	Common shares	Acquisition	12,701,741	$0.306	3,898,030	Company acquisition	Not related	N/A
06/10/2021	Common shares	Acquisition	1,290,323	$0.31	400,000	Company acquisition	Not related	N/A
06/17/2021	Common shares	Exercise of warrants/options	333,334	$0.06	20,000	Services	Not related	N/A
06/22/2021	Common shares	Exercise of warrants/options	100,000	$0.06	6,000	Cash	Not related	N/A

(b) summary of options granted during the period of April 1, 2021 to June 30, 2021: NONE

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

Provide the following information in tabular format as at the end of the reporting period:

(a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,

As at June 30, 2021, the authorized capital of the Issuer consisted of an unlimited number of Common shares without par value, and without any special rights or restrictions, and 2,000,000 voting, convertible, redeemable preferred shares. As at June 30, 2021, 348,397,496 Common shares were issued and outstanding.

(b) number and recorded value for shares issued and outstanding,

Date	Number of common shares	Recorded value of common shares
As at June 30, 2021	348,397,496	$35,689,147

(c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and

Options: Options to purchase Common shares in the capital of the Issuer are granted by the Issuer's Board of Directors to eligible persons pursuant to the Issuer's Stock Option Incentive Plan.

As at June 30, 2021, the following options were outstanding entitling holders to purchase Common shares in the capital of the Issuer as summarized below:

		Number of Options				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
May 27, 2025	$0.06	2,500,000	-	-	-	2,500,000
May 27, 2023	$0.06	4,116,668	-	(916,668)	-	3,200,000
May 23, 2023	$0.06	1,500,000	-	-	-	1,500,000
June 10, 2023	$0.15	350,000	-	-	-	350,000
June 24, 2023	$0.105	500,000	-	-	-	500,000
July 16, 2023	$0.085	150,000	-	-	-	150,000
December 1, 2023	$0.10	200,000	-	-	-	200,000
December 8, 2021	$0.15	750,000	-	-	-	750,000
December 8, 2021	$0.20	750,000	-	-	-	750,000
December 30, 2023	$0.315	250,000	-	-	-	250,000
March 4, 2024	$0.32	200,000	-	-	-	200,000
March 18, 2023	$0.38	1,000,000	-	-	-	1,000,000
		12,266,668	-	(916,668)	-	11,350,000

Warrants: As at June 30, 2021, the following warrants were outstanding entitling holders to purchase Common shares in the capital of the Issuer as summarized below:

As at June 30, 2021, warrants outstanding were as follows:

Expiry Date	Exercise Price	Number of Warrants
December 12, 2021	$1.00	220,000
February 7, 2022	$0.06	43,500
March 13, 2022	$0.06	75,000
May 27, 2023	$0.06	1,633,334
February 24, 2024	$0.70	26,450,000
February 24, 2024	$0.44	1,804,705
June 8, 2024	$0.26	1,272,727
June 16, 2024	$0.26	1,579,346
July 16, 2024	$0.26	5,541,060
July 28, 2024	$0.38	37,983,600
July 28, 2024	$0.26	1,036,689
		77,639,961

Convertible Securities: an unsecured convertible promissory note issued for $442,770 (€300,000). The promissory note, denominated in euros carries an annual interest rate of 5% for 2 years and matures on March 19, 2023. The promissory note is convertible at the option of the holder at any time prior to the maturity date into common shares of the Company, at a price of $0.38 per share.

(d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

The Issuer has no shares subject to escrow or pooling agreements or any other restrictions on transfer

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name of Director/Officer	Position with Issuer
Todd Shapiro	Director and CEO
Kyle Appleby	CFO
Brad Lamb	Director
Binyomin Posen	Director
Ann Barnes	Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

Management's Discussion & Analysis for the three month period ended June 30, 2021, as filed with securities regulatory authorities, is attached to this Form 5 - Quarterly Listing Statement as Appendix "B".

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: August 30, 2021.

Kyle Appleby
Name of Director or Senior Officer

Signed: *"Kyle Appleby"*
Signature

Chief Financial Officer
Official Capacity

Name of Issuer Red Light Holland Corp.	For Quarter Ended June 30, 2021	Date of Report YY/MM/D 2021/08/30
Issuer Address 801, 1 Adelaide St. East		
City/Province/Postal Code Toronto/ ON/ M5C 2V9	Issuer Fax No. 416-869-0547	Issuer Telephone No. 647-204-7129
Contact Name Todd Shapiro	Contact Position CEO	Contact Telephone No.
Contact Email Address todd@redlighttruffles.com	Web Site Address https://redlighttruffles.com	

APPENDIX A

Red Light Holland Corp.

Unaudited condensed interim financial statements
for the three month period ended June 30,2021

APPENDIX B

Red Light Holland Corp.

Management's Discussion & Analysis
for the three month period ended June 30, 2021

RED LIGHT HOLLAND CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

(Expressed in Canadian Dollars)

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Financial Position (unaudited)
(Expressed in Canadian Dollars)
As at June 30, 2021 and March 31, 2021

	June 30, 2021	March 31, 2021
ASSETS		
CURRENT		
Cash and cash equivalents	$ 30,138,612	$ 31,185,487
Accounts receivable	317,907	186,057
Sales tax receivable	383,973	346,450
Marketable securities (Note 6)	1,478,976	1,595,571
Prepaid expenses and deposits	177,386	122,888
Finished goods inventory	442,487	438,495
TOTAL CURRENT ASSETS	32,939,341	33,874,948
NON-CURRENT ASSETS		
Property and equipment (Note 7)	123,973	121,942
Right of use asset (Note 11)	143,416	149,749
Intangible assets (Note 8)	5,724,687	1,203,887
Goodwill (Note 8)	944,570	944,570
TOTAL ASSETS	$ 39,875,987	$ 36,295,096
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 15)	$ 1,146,959	$ 1,072,392
Lease liability – current portion (Note 12)	52,146	52,146
TOTAL CURRENT LIABILITIES	1,199,105	1,124,538
NON-CURRENT LIABILITIES		
Lease liability (Note 12)	95,294	100,465
Convertible debenture (Note 10)	727,800	713,886
Deferred tax liability	301,156	301,156
TOTAL NON-CURRENT LIABILITIES	1,124,250	1,115,507
TOTAL LIABILITIES	2,323,355	2,240,045
SHAREHOLDERS' EQUITY		
Share capital (Note 11(a))	35,689,147	31,221,429
Warrants (Note 11(e))	10,985,019	11,016,132
Contributed surplus	5,106,577	2,598,334
Accumulated other comprehensive income	(7,457)	(15,948)
Accumulated Deficit	(14,220,654)	(10,764,896)
TOTAL SHAREHOLDERS' EQUITY	37,552,632	34,055,051
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 39,875,987	$ 36,295,096

PROVISIONS, COMMITMENTS AND CONTINGENCIES (Note 13)
SUBSEQUENT EVENTS (Note 21)

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2021 and 2020

	2021	2020
REVENUE	$ 595,137	$ -
COST OF SALES	499,407	-
GROSS PROFIT	95,730	-
OPERATING EXPENSES		
General and administrative (note 17)	1,022,023	610,363
Share based payments	2,555,818	883,718
Interest expense	21,760	-
	(3,599,601)	(1,494,081)
LOSS BEFORE OTHER ITEMS	(3,503,871)	(1,494,081)
OTHER ITEMS		
Realized gain on sale of marketable securities (Note 6)	93,823	110,124
Unrealized change in fair value of marketable securities (note 6)	(48,808)	528,000
Foreign exchange gain	74	-
Change in fair value of convertible debenture	(13,914)	-
Interest income	16,938	1,812
Net loss	(3,455,758)	(854,145)
Foreign currency translation	8,491	-
NET LOSS AND COMPREHENSIVE LOSS	$ (3,447,267)	$ (854,145)
LOSS PER SHARE – Basic and diluted (Note 11(d))	$ (0.01)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – Basic and diluted (Note 11(d))	334,059,100	80,925,926

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

RED LIGHT HOLLAND CORP.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2021 and 2020

	Common Shares #	Common Shares $	Shares to be Issued $	Warrants $	Contributed Surplus $	Accumulated Other Comprehensive Loss $	Deficit $	Shareholders' Equity (Deficiency) $
Balance, March 31, 2020	**851,335**	**4,016,634**	**1,849,535**	**260,972**	**1,848,632**	**-**	**(9,120,068)**	**(1,144,295)**
Shares issued on amalgamations	193,004,469	5,260,314	(1,849,535)	193,730	-	-	-	3,604,509
Shares issued per consulting agreements	3,000,000	180,000	-	-	-	-	-	180,000
Warrants issued per consulting agreements	-	-	-	448,557	-	-	-	448,557
Units issued on closing of private placement	23,215,333	2,076,130	-	1,754,400	-	-	-	3,830,530
Share issue costs	-	(469,907)	-	126,970	-	-	-	(342,937)
Exercise of warrants	500,000	49,943	-	(19,943)	-	-	-	30,000
Share based payments	-	-	-	-	255,161	-	-	255161
Net loss and comprehensive loss	-	-	-	-	-	-	(854,145)	(854,145)
Balance, June 30, 2020	**220,571,137**	**11,113,114**	**-**	**2,764,686**	**2,103,793**	**-**	**(9,974,213)**	**6,007,380**
Balance, March 31, 2021	332,888,764	31,221,429	-	11,016,132	2,598,334	(15,948)	(10,764,896)	34,055,051
Exercise of warrants (Note 13(e))	600,000	67,113	-	(31,113)	-	-	-	36,000
Exercise of stock options	916,668	102,575	-	-	(47,575)	-	-	55,000
Shares issued on acquisitions	13,992,064	4,298,030	-	-	-	-	-	4,298,030
Share based payments	-	-	-	-	2,555,818	-	-	2,555,818
Net loss and comprehensive loss	-	-	-	-	-	8,491	(3,455,758)	(3,477,267)
Balance, June 30, 2021	**348,397,496**	**35,689,147**	**-**	**10,985,019**	**5,106,577**	**(7,457)**	**(14,220,654)**	**37,552,632**

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

RED LIGHT HOLLAND CORP. (FORMERLY ADDED CAPITAL INC.)
Condensed Interim Consolidated Statements of Cash Flows (unaudited)
(Expressed in Canadian Dollars)
For the three months ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net loss for the period	$ (3,455,757)	$ (854,145)
Items not affecting cash:		
Unrealized change in fair value of marketable securities	48,808	(528,000)
Change in fair value of debenture	13,914	
Amortization and depreciation	99,563	-
Interest and accretion	2,049	-
Share based payments	2,555,818	883,718
Realized gain on sale of marketable securities	(93,823)	(110,124)
Foreign exchange loss	8,491	
Movements in working capital:		
Accounts receivable	(121,684)	-
Sales tax receivable	(37,523)	(101,164)
Inventory	2,391	-
Prepaid expenses	(54,498)	(331,392)
Accounts payable and accrued liabilities	(127,968)	193,369
Cash flows (used in) operating activities	(1,160,219)	(847,738)
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	161,610	150,124
Acquisition of Radix Motion	(70,500)	-
Acquisition of Happy Caps	(38,290)	-
Acquisition of property and equipment	(6,405)	-
Acquisition of intangible assets	(16,852)	-
Cash held in escrow	-	(1,804,290)
Cash flows (used in) investing activities	29,563	(1,954,414)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of common shares in subsidiary	-	24,772
Proceeds from issue of common shares and warrants	-	3,830,530
Costs of issuance	-	(342,937)
Exercise of warrants	36,000	30,000
Exercise of options	55,000	-
Lease payments	(7,219)	-
Cash flows from financing activities	83,781	3,542,365
CHANGE IN CASH	(1,046,872)	4,649,041
CASH, BEGINNING OF PERIOD	31,185,487	1,963,492
CASH, END OF PERIOD	$ 30,138,612	$ 6,612,533

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

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Red Light Holland Corp. ("RLHC" or the "Company") is establishing itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. The Company is governed by the Business Corporations Act (Ontario). The address of its registered office is 1 Adelaide Street East, Suite 801, Toronto, Ontario, Canada, M5C 2V9. On May 22, 2020, the Canadian Securities Exchange (the "CSE") provided the Company with approval to list its common shares and the Company commenced trading on May 28, 2020 under the ticker symbol "TRIP" (the "CSE Listing").

In March 2020, the outbreak of the novel strain of corona virus, specifically identified as "COVID19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Please see note 20 for the impact on the Company.

2. BASIS OF PRESENTATION

Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These unaudited interim condensed interim consolidated financial statements should be read in conjunction with the Company's March 31, 2021 audited annual consolidated financial statements.

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

These consolidated financial statements were authorized for issuance by the Company's Board of Directors on August 30, 2021.

Principles of consolidation

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. These consolidated financial statements include the accounts of the Company and all its subsidiaries with its principal subsidiaries being RLH Netherlands BV ("RLH NL"), Red Light Holland (Subco 1) Inc. ("Finco"), SR Wholesale BV ("SR") and Red Light Holland (Subco 2) Inc. ("Debtco"). Intercompany accounts and balances are eliminated upon consolidation.

Name of subsidiary	Country of Incorporation	Functional Currency	2021 Percentage Ownership	2020 Percentage Ownership
RLH Netherlands BV	Netherlands	EURO	100%	-
Red Light Holland (Subco 1)	Canada	CAD	100%	100%
Red Light Holland (Subco 2)	Canada	CAD	100%	100%
SR Wholesale BV	Netherlands	EURO	100%	-
Red Light Acquisition Inc.	United States	USD	100%	-
Radix Motion Inc.	United States	USD	100%	-
4316747Nova Scotia Limited (Happy Caps)	Canada	CAD	80%	-
Northern Securities Inc.	Canada	CAD	-	100%

Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Critical accounting judgements and estimates

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

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

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

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

Assessment of Cash Generating Units

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The Company applies judgement in assessing the smallest group of assets that comprise a single CGU. The Company has three CGU's being the RLN Netherlands BV (sale of iMicrodose kits), Red Light Holland (Subco 1) (sale of merchandise), and SR wholesale (wholesale of psychedelics and cannabis related products).

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

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

Assessment of indicators of impairment

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

Goodwill impairment

Goodwill impairment testing requires management to estimate the recoverable amount of the CGU to which goodwill has been allocated. On an annual basis, the Company tests whether goodwill is impaired, based on an estimate of its recoverable amount.

Current and deferred taxes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Equity-settled share-based payments

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

Fair value of convertible debenture

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

Leases

a. Identifying whether a contract includes a lease

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

b. Incremental borrowing rate

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

c. Estimate of lease term

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Judgment is used in determining whether an acquisition is a business combination or an asset acquisition.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities including assessing the fair value of any favourable or unfavorable lease terms. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

(b) Accounting policies

The accounting policies applied in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company’s March 31, 2021 annual financial statements, except for the adoption of new standards and interpretations as of April 1, 2021.

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.

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

4. AMALGAMATION TRANSACTIONS

On October 8, 2019, the Company incorporated Finco (under the laws of the province of Ontario), for the purpose of completing a transaction to eventually establish itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. On May 22, 2020, the Company closed the transaction (the “Transaction") with Finco and Debtco, both wholly owned subsidiaries of the Company. The Transaction was effected by way of two triangular amalgamations (the “Amalgamations”) among (a) the Company and Debtco, and a wholly-owned subsidiary of the Company, and (b) the Company and Finco another wholly-owned subsidiary of the Company. Concurrent with the Transaction, the Company effected a change of its name to "Red Light Holland Corp." from Added Capital Inc. Prior to completing the Transaction, and during fiscal 2020, the Company was inactive and evaluating business opportunities.

Through the Amalgamations and completion of the Transaction, (i) each shareholder of Finco received one common share of the Company (total 66,022,530 Shares) in exchange for each one Finco Share held, related to the subscription receipt financing (see below) (ii) each shareholder of Debtco received one common share of the Company (total 125,148,606 Shares) in exchange for each one common share in the capital of Debtco (each, a “Debtco Share”) held (related to the debt conversion), and (iii) all unexercised compensation warrants (4,816,802 warrants) were adjusted in accordance with their terms such that, each compensation warrant entitles the holder to acquire, upon exercise, one common share of the Company, on the same terms.

4. AMALGAMATION TRANSACTIONS (continued)

Debt restructuring

In January 2020, Red Light Holland completed a debt restructuring transaction (the "Debt Restructuring"), whereby it assigned, to its wholly owned subsidiary, Debtco, an aggregate of $1,577,623 in debt (the "Assigned Debt") owing by Red Light Holland to several third-party creditors. As part of the Debt Restructuring, in January 2020, Debtco completed a debt conversion (the "Debt Conversion"), whereby various debt holders elected to convert an aggregate of $196,563 of the Assigned Debt into Debtco Shares at a conversion price of $0.005 per Debtco Share, and an aggregate of $1,294,292 of the Assigned Debt into Debtco Shares at a conversion price of $0.02 per Debtco Share. In addition, Debtco accepted subscriptions for an aggregate of $14,583 for Debtco Shares at a price of $0.005 per Debtco Share, and an aggregate of $344,096 of for Debtco Shares at a price of $0.02 per Debtco Share. As the amalgamation had not yet taken place as at March 31, 2020, the resulting 125,148,606 common shares from the Debt Conversion and share subscriptions with a carrying value of $1,849,535 were presented as shares to be issued in the consolidated statement of financial position.

Subscription receipt financing

In May 2020, Finco completed a non-brokered private placement of 66,022,530 subscription receipts ("Subscription Receipt") at a price of $0.06 per Subscription Receipt for gross proceeds of $3,961,352. Each Subscription Receipt entitled the holder to one common share in the capital of Finco ("Finco Share"). In connection with the offering, Finco paid to the Finder a cash commission of $356,843, and issued 4,856,935 compensation warrants. Each warrant entitles the holder to acquire one common share of the Company at $0.06 for two years. The compensation warrants were valued at $226,363 using the Black Scholes options pricing model using the following assumption: Term – 2 years; Volatility – 172%; share price $0.06, Interest rate – 0.30%.

Related to the Subscription receipt financing and the debt conversions, the Company also issued 1,833,333 common shares to certain finders as consideration for assisting in arranging the Amalgamations. The shares issued were valued at $0.06 per share based on the issue price of the Subscription Receipts.

In the event the Transaction did not occur or other escrow release conditions were not satisfied or waived the escrowed funds would be returned to the holders of the subscription receipts on a pro rata basis and the subscription receipts would be cancelled without any further action on the part of the holders. A total of 66,022,530 Subscription Receipts were issued for gross proceeds of $3,961,352. Of this total, 3,608,580 had been received by March 31, 2020 and was presented as a subscription receipts liability on the consolidated statement of financial position at March 31, 2020.

Included in prepaid financing costs of $178,843 on the consolidated statement of financial position as at March 31, 2020 are estimated Finder's Fees totaling $125,843 representing the portion of the fees that was earned by the Finders as at March 31, 2020.

The Escrow Release Conditions were met subsequent to March 31, 2020.

Upon closing the transaction, subscription receipts previously presented as a liability, were credited to share capital.

5. BUSINESS ACQUISITIONS

(i) SR WHOLESALE BV ("SR")

On March 19, 2021, the Company acquired 100% of SR for consideration with a fair value of $2,171,076 comprised of $1,406,690 (€953,207) in cash plus an unsecured convertible promissory note to be issued for $442,770 (€300,000). SR Wholesale has established a distribution network of over 400 companies that sell its products across Europe. The promissory note, denominated in euros carries an annual interest rate of 5% for 2 years and matures on March 19, 2023. The promissory note is convertible at the option of the holder at any time prior to the maturity date into common shares of the Company, at a price of $0.38 per share. The fair value of the note was calculated at $418,796 using a market interest rate of 8.5%. The recognition of the fair value of the conversion feature was calculated at $334,057 using the Black Scholes option pricing model using the following assumption: risk free rate of 0.69%, volatility of 165% (based on comparable companies), dividend yield of 0%, and a term of 2 years. Refer to Note 10 for subsequent revaluation at March 31, 2021.

Initial cash payment of €900,000 was made on the Closing Date with remaining €53,207 held back as security for working capital adjustments. Accounts payable and accrued liabilities include the €53,207 holdback, which was released subsequent to the year end.

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

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

The following table summarizes the final purchase price allocation:

Assets Acquired	**$**
Cash	143,003
Accounts receivable	150,663
Deposit	8,036
Property, plant and equipment	45,288
Inventory	336,505
Accounts payable	(206,544)
Right-of-use asset	48,646
Lease liabilities	(48,646)
Deferred tax liability	(301,156)
Intangible assets	1,033,130
Net assets at fair value, as at March 19, 2021	**1,208,925**
Consideration	
Cash	1,406,690
Convertible debenture	746,805
Total Consideration	**2,153,495**
Goodwill	**944,570**

The goodwill generated as a result of this acquisition relates to other intangible assets that do not qualify for separate recognition.

As required under IFRS, the Company assessed goodwill for impairment as at March 31, 2021 and concluded that the recoverable value of the SR Wholesale CGU was greater than its carrying value and no impairment loss was recorded.

The intangible assets are comprised of the customer relationships with a fair value of $818,400 and a non-compete agreement with a fair value of $214,730. The fair value of the customer relationships was determined using a discounted cash flow analysis. The key assumptions used in the cash flow projection related to the customer relationships include: (1) a discount rate of 37.5%; (2) revenue growth rate of 20%; (3) customer growth rate of 2.5%; and (4) terminal revenue growth of 2.5% per year The fair value of the non-compete agreement was determined using a discounted cash flow analysis. The key assumptions used in the cash flow projection related to the non-compete include: (1) a discount rate of 35.5%; (2) revenue growth rate of 20%; and (3) revenue impact % rate of 50%.

(ii) RADIX MOTION INC. ("RADIX")

On June 8, 2021, the Company announced that its wholly owned subsidiary, Red Light Acquisition Inc. ("Red Light US") acquired (the "Acquisition") Radix Motion Inc. ("Radix Motion"), a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated June 7, 2021, pursuant to which Red Light US acquired all of the issued and outstanding shares of Radix Motion ("Radix Shares") for approximately $3,980,301 (US$3.2 Million).

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

The consideration was comprised of: (i) 12,701,741 common shares of Red Light (the "Red Light Shares"), having an aggregate value of $3,898,030 (US$3,195,406) with each Red Light Share priced at the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition (the "Share Consideration"); and (ii) $82,270 (US$67,413) in cash (the "Cash Consideration"). Pursuant to the Acquisition Agreement, 25% of the Acquisition consideration has been placed in escrow for a period of 18 months from Closing, and the Red Light Shares issued pursuant to the Share Consideration are subject to a 24 month lock-up, with 1/6 released every 4 months.

The acquisition was accounted for accordance with IFRS 3 Business Combinations. Accordingly, the acquisition is accounted at the fair value of the equity instruments issued. The excess of consideration over the net assets acquired has been recorded as unallocated intangible assets. The Company is in the process of determining the appropriate values of intangible assets received from the acquisition.

The fair value consideration is as follows:

Assets Acquired	**$**
Cash	11,770
Property, plant and equipment	3,940
Loan payable	(180,687)
Unallocated intangible assets	4,145,277
Net assets as at June 7, 2021	**3,980,300**

Consideration	**$**
Cash	82,270
Common shares	3,898,030
	3,980,300

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

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

The Acquisition was completed pursuant to the terms of the definitive agreement (the "Acquisition Agreement") dated June 10, 2021, pursuant to which Red Light Holland acquired 80% of the issued and outstanding shares of Happy Caps for $450,000. The consideration was comprised of $50,000 cash and 1,290,323 common shares of the Company (the "Red Light Shares"), with each Red Light Share priced at $0.31 being the 10-day volume weighted average price of the Red Light Shares on the Canadian Securities Exchange immediately prior to the closing of the Acquisition. The Acquisition Agreement provides for up to $550,000 of earn out payments to be made to the Vendors subject to reaching certain sales milestones, with all milestones subject to minimum gross margin requirements. In addition to the foregoing, as per the terms of the Acquisition Agreement, the Vendors have granted the Company an option to acquire all the remaining shares in Happy Caps not held by the Company, thus allowing Red Light Holland to become the sole shareholder of Happy Caps (the "Call Option"), at a 100% enterprise value equal to $2,500,000. The Call Option will be exercisable at any time following a period of two (2) years from closing. The consideration under the Call Option, if exercised, may be satisfied in Red Light Shares, on the basis of a deemed price per Red Light Share equal to the volume weighted average price per Red Light Share on the CSE for the 10 consecutive trading days preceding closing of the Call Option.

The acquisition was accounted for accordance with IFRS 3 Business Combinations. Accordingly, the acquisition is accounted at the fair value of the equity instruments issued. The excess of consideration over the net assets acquired has been recorded as unallocated intangible assets. The Company is in the process of determining the appropriate values of intangible assets received from the acquisition.

(Expressed in Canadian Dollars)

5. BUSINESS ACQUISITIONS (continued)

The fair value consideration is as follows:

Assets Acquired	**$**
Cash	11,710
Accounts receivable	10,166
Inventory	6,384
Accounts payable	(21,845)
Unallocated intangible assets	443,585
Net assets as at June 10, 2021	**450,000**

Consideration	**$**
Cash	50,000
Common shares	400,000
	450,000

6. MARKETABLE SECURITIES

	Number of Securities	**Cost**	**Unrealized Gain**	**Fair Value**
PharmaDrug Inc. – common shares	3,493,000	165,360	201,405	366,765
PharmaDrug Inc. - warrants	12,000,000	392,596	519,615	912,211
Lucid Psycheceuticals Inc. - shares	1,000,000	50,000	50,000	100,000
Elevate Farms Inc. - shares	22,988	100,000	-	100,000
Total as at June 30, 2021		707,956	771,020	1,478,976

In May 2020, Finco issued 2,500,000 subscription receipts to Revive Therapeutics Ltd. ("Revive") valued at $0.06 each which were then converted into common shares of the Company as part of the Amalgamation. As consideration, the Company received 3,000,000 common shares of Revive with a deemed valued of $150,000. During the three months ended June 30, 2020, the Company sold 800,000 shares for gross proceeds of $150,124 which resulted in a realized gain on marketable securities of $110,124. The balance of the shares were sold in 2020.

In July 2020 the Company made a cash investment by purchasing 2,666,667 units of PharmaDrug (the "PharmaDrug Subscription Units") at a price of $0.075 per unit for $200,000. Each PharmaDrug Subscription Unit consisted of (i) one PharmaDrug Share, and (ii) one Class B PharmaDrug Warrant. The Company entered a share for share agreement and received an additional 9,333,333 shares and warrants of PharmaDrug in accordance with the Securities Exchange Agreement (see note 11) on July 14, 2020, which were valued at $700,000.

The fair value of the PharmaDrug warrants was estimated upon initial recognition using the Black-Scholes option pricing model using the following assumptions: term – 4 years; expected volatility – 146%, expected interest rate – 0.31%. The fair value of these warrants as at March 31, 2021 was estimated using the Black-Scholes option pricing model using the following assumptions: term – 3.3 years; expected volatility – 146%, expected interest rate – 0.31%.

During the three months ended June 30, 2021, the Company sold 1,595,000 shares of PharmaDrug for proceeds of $161,610, which resulting in a realized gain on sale of marketable securities of $93,823.

In November 2020, the Company acquired 1,000,000 shares of Lucid Psycheceuticals Inc. at a cost of $50,000.

In February 2021, the Company acquired 22,988 units of Elevate Farms Inc. at a cost of $100,000. Each unit had a price of $4.35 and consisted of one common share and one, each warrant can be exercised for one common shares at $8.70 for a period of two-years from the date of issue.

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES

	Level 1	Level 2	Level 3	Total
At March 31, 2020	$ -	$ -	$ -	$ -
Additions	660,000	390,000	150,000	1,200,000
Disposals	(442,265)	-	-	(442,265)
Revaluation to fair market value	265,625	522,211	50,000	837,836
At March 31, 2021	483,360	912,211	200,000	1,595,571
Disposals	(67,787)	-	-	-
Revaluation to fair market value	(48,808)	-	-	-
At June 30, 2021	$ 366,765	$ 912,211	$ 200,000	$ 1,478,976

Fair value hierarchy

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

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

(ii) Inputs other than quoted prices included within Level 1 that are observable for the assetor liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

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

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessingcategorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Investments which are in Level 3 and become public issuers during the period are transferred to Level 1 or 2.

The following table presents the Company's investments, measured at fair value and categorized into levels of the fair value hierarchy on the consolidated statements of financial position as at June 30, 2021 and March 31, 2021:

Investments, at fair value	Level 1 Quoted market price	Level2 Valuation technique - observable market inputs	Level 3 Valuation technique - non-observable market inputs	Total
June 30, 2021	$ 366,765	$ 912,211	$ 200,000	$ 1,478,976
March 31, 2021	$ 483,360	$ 912,211	$ 200,000	$ 1,595,571

Level 2 financial instruments includes warrants of public issuers.

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

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

(Expressed in Canadian Dollars)

6. MARKETABLE SECURITIES (continued)

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

Description	Fair value at June 30, 2021	Valuationtechnique / unobservable input	%of Investments	Sensitivity to changes in significant unobservable inputs(%)
Unlisted private equities	$ 200,000	Recent financing activity	12.0	Additional recent financing activity

For investments valued based on recent financing activity, general market conditions and specific company information, the inputs used can be highly judgmental. A +/- 25% change on the fair value of this investment will result in a corresponding +/- $50,000 change in the total fair value of the investments.

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

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

7. PROPERTY AND EQUIPMENT

	Equipment	Leasehold improvements	Vehicle	Total
Cost				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Acquisition of SR	26,272	-	18,616	45,288
Additions	42,636	26,256	17,725	86,617
Balance, March 31, 2021	69,308	26,256	36,341	131,905
Acquisition of Radix	3,865	-	-	3,865
Additions	6,481	-	-	6,481
Balance, June 30, 2021	$ 79,654	$ 26,256	$ 36,341	$ 142,251
Accumulated Depreciation				
Balance, March 31, 2020	$ -	$ -	$ -	$ -
Additions	4,691	3,501	1,773	9,964
Balance, March 31, 2021	4,691	3,501	1,773	9,964
Additions	4,627	1,313	2,374	8,314
Balance, June 30, 2021	$ 9,318	$ 4,814	$ 4,147	$ 18,278
Carrying amount				
As at March 31, 2021	$ 64,617	$ 22,755	$ 34,569	$ 121,942
As at June 30, 2021	$ 70,336	$ 21,442	$ 32,194	$ 123,973

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS

A continuity of intangible assets for the three months ended June 30, 2021 and the year ended March 31, 2021 is as follows:

	Virtual Reality technology development	App development	Customer relationships	Non-compete agreement	Unallocated Intangibles	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, March 31, 2020	-	-	-	-	-	-
Acquisition of SR	-	-	811,745	221,385	-	1,033,130
Additions	40,317	140,623	-	-	-	180,940
Balance, March 31, 2021	40,317	140,623	811,745	221,385	-	1,214,070
Acquisition of Radix and Happy Caps	-	-	-	-	4,588,862	4,588,862
Additions	-	16,852	-	-	-	16,852
Balance, June 30, 2021	40,317	157,475	-	-	4,588,862	5,819,784
Accumulated Depreciation						
Balance, March 31, 2020	-	-	-	-	-	-
Additions	-	-	8,002	2,181	-	10,183
Balance, March 31, 2021	-	-	8,002	2,181	-	10,183
Additions	-	-	66,718	18,197	-	84,915
Balance, June 30, 2021	-	-	74,720	20,378	-	95,098
Carrying amount						
Balance, March 31, 2021	40,317	140,623	803,743	219,204	-	1,203,887
Balance, June 30, 2021	40,317	157,475	737,025	201,007	4,588,862	5,724,687

Amortization on intangible assets comments when the asset is available for use.

9. GOODWILL

The movements of the Company's goodwill and intangibles are summarized as follows:

	$
Balance, March 31, 2020	-
Additions – SR Acquisition	643,414
Tax impact	301,156
impairment	-
Balance, March 31, 2021 and June 30, 2021	944,570

As at March 31, 2021, the Company assessed the goodwill recorded through the SR acquisition for impairment. The Company performed a discounted cash flow analysis to determine SR's value in use, which incorporated the following assumptions: (1) discount rate – 35.8%; (2) income tax rate - 25%; (3) terminal growth rate – 2.5%; (4) revenue growth rate – 20%. The Company noted that the recoverable amount was greater than the carrying value and that no impairment was required as at March 31, 2021.

(Expressed in Canadian Dollars)

9. GOODWILL (continued)

The Company performs goodwill impairment analysis annually by comparing the fair value, based on the discounted future estimated cash flows, of the CGUs related to goodwill to the carrying value of the CGU.

As at March 31, 2021, the Company assessed for impairment on the recoverable amount of goodwill for SR. The Company applied the value in use method, using a five-year discounted future cash flow. The key assumptions used in the discounted cash flow model included various significant unobservable inputs.

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

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

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

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

The sensitivity analysis prepared by the Company for SR CGU goodwill potential impairment are as follows:

Unobservable inputs	March 31, 2021	Change	Potential impairment
			$
Revenue growth rate	20%	Decrease by 10%	192,069
Cost of sales percentage	65%	Increase by 5%	359,122
WACC	35.8%	Increase by 5%	112,844

10. CONVERTIBLE DEBENTURE

On March 19, 2021, the Company acquired 100% of SR (Note 5) where an unsecured convertible promissory note was issued for $442,770 (€300,000).

Since the number of shares to be issued may vary due to foreign exchange fluctuations, the financial instrument did not meet the "Fixed for Fixed" criteria under IAS 32 – Financial Instruments: Presentation ("IAS 32"). As such, the conversion option was classified as a derivative liability and the Company has elected to classify the entire hybrid financial instrument at fair value through profit and loss ("FVTPL") and is revalued at each reporting date.

Pursuant to the requirements of IAS 1, terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect the classification of the liability, as such, the Company has classified the convertible debenture as long-term liabilities in the consolidated statement of financial position as the maturity date of the convertible debenture is longer than twelve months after March 31, 2021.

As at March 31, 2021, the fair value of the note was calculated at $415,857 using a market interest rate of 8.48%. The fair value of the conversion feature was calculated at $297,999 using the Black Scholes option pricing model using the following assumptions: risk free rate of 0.69%, volatility of 165% (based on comparable companies), dividend yield of 0%, and a term of 1.97 years. As a result of the fair value assessment as at March 31, 2021, the Company recorded a change in fair value of convertible debenture in the amount of $38,997 in the consolidated statements of loss and comprehensive loss. As at June 30, 2021, the fair value of the note was calculated at $408,082 using a market interest rate of 8.48%. The fair value of the conversion feature was calculated at $319,718 using the Black Scholes option pricing model using the following assumptions: risk free rate of 0.69%, volatility of 165% (based on comparable companies), dividend yield of 0%, and a term of 1.72 years. As a result of the fair value assessment as at June 30, 2021, the Company recorded a change in fair value of convertible debenture in the amount of $13,914 in the consolidated statements of loss and comprehensive loss.

The movements of the Company's convertible debenture are summarized as follows:

	$
Balance, March 31, 2020	-
Additions – SR Acquisition	752,853
Change in fair value of convertible debenture	(38,997)
Balance, March 31, 2021	713,886
Change in fair value of convertible debenture	13,914
Balance, June 30, 2021	727,800

(Expressed in Canadian Dollars)

11. RIGHT OF USE ASSET

		Total
Balance, March 31, 2020	$	-
Additions – leases (i)		117,326
Acquired SR – leases (ii)		48,646
Depreciation		(15,830)
Balance, March 31, 2021		149,749
Depreciation		6,333
Balance, June 30, 2021	$	143,416

(i) Depreciated over the term of the leases, being 5 years.
(i) Depreciated over 2 years, being the expected term of the lease.

12. LEASE LIABILITIES

Balance, March 31, 2020	$	-
Additions		117,326
Acquired		48,646
Interest expense		5,957
Lease payments		(18,918)
Balance, March 31, 2021		153,011
Interest expense		2,049
Lease payments		(7,620)
Balance, June 30, 2021		147,440

Allocated as:		**June 30, 2021**
Current	$	52,146
Long term		95,294
Balance	$	147,440

On August 1, 2020, the Company entered into a 60-month lease agreement to rent two spaces. The lease commenced on August 1, 2020 for a period of five years until July 31, 2025. The Company has the option to renew this lease for three more renewal periods of five years each, allowing the Company to potentially lease the space until July 31, 2040. Under the lease, the Company is required to pay a monthly rent of 1,630 EUR ($2,527), increasing at 2% per year. At the commencement of the lease, the lease liability was measured at the present value of the lease payments that were not paid at that date. The lease payments are discounted using an interest rate of 8.62%, which is the Company's incremental borrowing rate in Netherlands.

During the year ended March 31, 2021, the Company recognized an expense of $4,620 with respect to rent not subject to a lease agreement.

On March 19, 2021, through the acquisition of SR, the Company assumed a leased premises and the associated lease liability with a fair value of $48,646. The lease term is indefinite with a six-month termination notice period. The Company expects to terminate the lease in 2 years.

(Expressed in Canadian Dollars)

13. CAPITAL STOCK

(a) *Share capital*

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

Issued and outstanding
Effective February 13, 2020, the Company consolidated its issued and outstanding common shares on the basis of one (new) post consolidation common share for each 20 (old) pre-consolidation common shares (the "Consolidation"). The Consolidation was approved at the Company's annual and special meeting of shareholders held on May 8, 2019. The consolidated financial statements reflect the post-consolidation common shares.

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance March 31, 2020	**851,335**	**$ 4,016,634**
Shares issued on Horizontal amalgamation of subsidiaries (note 3)	193,004,469	5,227,681
Shares issued for private placements (i)	90,904,281	15,293,451
Share issue costs – cash (i)	-	(2,480,269)
Share issue costs - broker warrants (i)	-	(2,716,130)
Shares issued as per the Share Exchange Agreement (ii)	4,242,424	396,537
Shares issued for services (iii)	4,052,631	295,789
Shares issued on exercise of warrants (iv)	38,350,292	10,996,651
Shares issued on exercise of options (iv)	1,483,332	191,085
Balance March 31, 2021	**332,888,764**	**31,221,429**
Shares issued on acquisition of Radix (note 5)	12,701,741	3,898,030
Shares issued on acquisition of Happy Caps (note 5)	1,290,323	400,000
Shares issued on exercise of warrants	600,000	67,113
Shares issued on exercise of options	916,668	55,000
Balance, June 30, 2021	**348,397,496**	**$ 35,689,147**

(i) On June 8, 2020, the Company closed the first tranche of a brokered private placement (the "First Tranche") of Units for gross proceeds of $3,000,000 with one institutional lead investor. Pursuant to the First Tranche, the Company issued a total of 18,181,818 Units at a price of $0.165 per Unit, with each Unit consisting of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.26 at any time until June 8, 2024, subject to an accelerated expiry option. The Warrants were valued at $1,200,000 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.44%. The Company allocated the fair value of the shares and warrants based on a relative fair value model. This approach was applied to all financings.

In connection with the First Tranche, the Company paid to the agent a cash fee of $268,500 and issued 1,272,727 compensation warrants, with each compensation warrant entitling the holder to purchase one Unit at a price of $0.165 per Unit, for a period of 48 months following the issuance date. The compensation warrants were valued at $152,727 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.44%.

On June 16, 2020, the Company closed the second tranche of the brokered private placement (the "Second Tranche") of units, for gross proceeds of $830,529. Pursuant to the Second Tranche, the Company issued a total of 5,033,515 units at a price of $0.165 per unit, with each unit consisting of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.26 at any time until June 16, 2024, subject to an accelerated expiry option. The Warrants were valued at $322,145 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.35%.

13. CAPITAL STOCK (continued)

In connection with the Second Tranche, the Company paid the agent a cash fee of $74,437 and issued 352,346 compensation options, with each compensation option entitling the holder to purchase one unit at a price of $0.165 per unit for a period of 48 months following the date of issuance. The compensation warrants were valued at $21,141 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.35%.

On July 16, 2020, the Company closed the final tranche of a private placement. In this tranche, 2,904,848 units were issued for gross proceeds of $479,300. The Warrants were valued at $188,815 using a Monte Carlo simulation with the following assumptions: Term – 4 years; Volatility – 167%; Interest rate – 0.29%.

On January 27, 2021, the Company closed a bought deal financing (the "Jan Bought Deal") for gross proceeds of $9,775,195 through the issuance of 38,334,100 units at a price of $0.255 per unit. Each Unit is comprised of one common and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.38, for a period of 42 months. In the event that the volume weighted average trading price of the common shares exceeds $0.89 for 10 consecutive trading days, the company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. In consideration for their services, the Company paid to the underwriter a cash fee equal to $819,675 and issued to the underwriter 2,661,762 compensation options. Each compensation option may be exercised to acquire one unit at $0.255 for a period of 42 months following the closing of the Offering. Each Unit underlying the compensation options have the same terms as those issued under the Jan Bought Deal. The Warrants and compensation options were valued at $4,063,415 and $1,730,145, respectively, using a Monte Carlo simulation with the following assumptions: Term – 3.5 years; Volatility – 167%; Interest rate – 0.24%.

On February 24, 2021, the Company closed a bought deal financing (the "Feb Bought Deal") for gross proceeds of $11,638,000 through the issuance of 26,450,000 units at a price of $0.44 per unit. Each Unit is comprised of one common and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.70, for a period of 36 months. In the event that the volume weighted average trading price of the common shares exceeds $1.52 for 10 consecutive trading days, the company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. In consideration for their services, the Company paid to the underwriter a cash fee equal to $1,251,287 and issued to the underwriter 1,804,705 compensation options. Each compensation option may be exercised to acquire one unit at $0.44 for a period of 36 months following the closing of the Offering. Each Unit underlying the compensation options have the same terms as those issued under the Feb Bought Deal.

The Warrants and compensation options were valued at $4,655,200 and $812,117, respectively, using a Monte Carlo simulation with the following assumptions: Term – 3.0 years; Volatility – 167%; Interest rate – 0.32%.

(ii) On July 14, 2020, the Company entered into a securities exchange agreement with PharmaDrug Inc. ("PharmaDrug") (the "Securities Exchange Agreement"). Under the terms of the Securities Exchange Agreement, PharmaDrug agreed to issue 9,333,333 units to the Company (the "PharmaDrug SEAUnits") at deemed price of $0.075 per unit, in consideration for the issuance by the Company of 4,242,424 RLH Units (as defined below) at a deemed price of $0.165 per unit to PharmaDrug. Each PharmaDrug SEA Unit consists of (i) one common share of PharmaDrug (a "PharmaDrug Share"), (ii) 0.9 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.13 for a period of 48 months (each whole warrant, a "Class A PharmaDrug Warrant"), and (iii) 0.1 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.08 for a period of 48 months (each whole warrant, a "Class B PharmaDrug Warrant"). Each RLH Unit will consist of one common share in the capital of the Company (an "RLH Share") and one common share purchase warrant (a "RLH Warrant") of the Company. Each RLH Warrant entitles the holder to purchase one additional RLH Share at an exercise price of $0.26 at any time for a period of 48 months, subject to an accelerated expiry option. If, following the date that is four months and one day following the date hereof, the volume weighted average trading price of the RLH Shares on the Canadian Securities Exchange (the "CSE") for any 10 consecutive trading days equals or exceeds $0.50, the Company may, upon providing written notice to the holders of RLH Warrants, accelerate the expiry date of the RLH Warrants to the date that is 30 days following the date of such written notice. The units issued were measured at the price of the units received.

(iii) On May 27, 2020, the Company issued 3,000,000 shares to a consultant for services. On the date of issue, the shares had a fair value of $0.06, based on the value of the subscription receipt financing. On December 3, 2020, the Company issued 1,052,631 shares to a consultant for services. On the date of issue, the shares had a fair value of $0.11.

13. CAPITAL STOCK (continued)

(iv) During the year ended March 31, 2021, 38,350,292 warrants were exercised for proceeds of $7,627,734. The warrants had a value of $3,368,917. During the year ended March 31, 2021, 1,483,332 options were exercised for proceeds of $102,500. The options had a value of $88,585.

(v) During the three months ended June 30, 2021, 600,000 warrants were exercised for proceeds of $36,000. The warrants had a value of $31,113. During the three months ended June 30, 2021, 916,668 options were exercised for proceeds of $55,000. The options had a value of $47,575.

(b) *Stock options*

On September 26, 2014, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan's maximum number of common shares which are reserved for issuance are expressed as a percentage of the issued and outstanding common shares, rather than as a fixed number, and the Plan's aggregate reservation is restricted to 10%. As at the date hereof, 10% of the issued and outstanding common shares is 22,910,164 common shares. During the years ended March 31, 2020 and 2019, $nil was recorded as share-based compensation.

All stock options expired unexercised in the year ended March 31, 2020 as a result of the resignation of the holders as directors and officer of the Company. No options were outstanding or exercisable as at March 31, 2020.

On May 27, 2020, the Company issued 9,450,000 options to certain directors, officers, and consultants of the Company. The options are exercisable at an exercise price of $0.06 per common share. 2,500,000 options expire five years from the date of issuance. 6,950,000 options expire three years from the date of issuance. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options were valued at $502,700 using the Black-Scholes option pricing model using the following assumptions: Term – 3-5 years; Volatility – 172% - 174%; Interest rate – 0.30%.

In June 2020, the Company issued to consultants 1,000,000 stock options (500,000 on June 10, 2020 and 500,000 on June 24). 500,000 Options are exercisable at an exercise price of $0.15 per common share, and 500,000 are exercisable at $0.105. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options expire three years from the date of issuance. The options were valued at $110,195 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172% - 174%; Interest rate – 0.30%.

On July 16, 2020, the Company issued 150,000 stock options to a consultant. The stock options are exercisable at an exercise price of $0.085 per common share and expire three years from the date of issuance. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options were valued at $11,009 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On December 1, 2020, the Company issued 200,000 stock options to a consultant. The stock options are exercisable at an exercise price of $0.10 per common share and expire three years from the date of issuance. 50% of the options vested on issuance, the remaining 50% 6 months from the date of issuance. The options were valued at $17,285 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On December 8, 2020, the Company issued 1,500,000 stock options to a consultant. 750,000 of the stock options are exercisable at an exercise price of $0.15 per common share, and 750,000 of the stock options are exercisable at $0.20 per share. All options expire one year from the date of issuance. The options vested on the date of grant. The options were valued at $160,765 using the Black-Scholes option pricing model using the following assumptions: Term – 1 year; Volatility – 172%; Interest rate – 0.30%.

On December 30, 2020, the Company issued 250,000 stock options to a consultant exercisable at $0.315 per share and expire three years from the date of issuance. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options were valued at $61,170 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.30%.

On March 8, 2021, the Company issued 200,000 stock options to a consultant exercisable at $0.32 per share and expire three years from the date of issuance. The options vest 1/3 immediately, 1/3 in six months and 1/3 in one year. The options were valued at $55,313 using the Black-Scholes option pricing model using the following assumptions: Term – 4 years; Volatility – 172%; Interest rate – 0.30%.

On March 18, 2021, the Company issued 1,000,000 stock options to a consultant exercisable at $0.38 per share and expire three years from the date of issuance. The options were valued at $277,420 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 172%; Interest rate – 0.30%.

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

The following table reflects the continuity of options for the three months ended June 30, 2021 and the year ended March 31, 2021:

	Options #	Amount $
Balance, March 31, 2020	-	1,848,632
Granted	13,750,000	838,287
Exercised	(1,483,332)	(88,585)
Balance, March 31, 2021	12,266,668	2,598,334
Exercised	(916,668)	(47,575)
Balance, June 30, 2021	11,350,000	2,550,759

		Number of Options				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
May 27, 2025	$0.06	2,500,000	-	-	-	2,500,000
May 27, 2023	$0.06	4,116,668	-	(916,668)	-	3,200,000
May 23, 2023	$0.06	1,500,000	-	-	-	1,500,000
June 10, 2023	$0.15	350,000	-	-	-	350,000
June 24, 2023	$0.105	500,000	-	-	-	500,000
July 16, 2023	$0.085	150,000	-	-	-	150,000
December 1, 2023	$0.10	200,000	-	-	-	200,000
December 8, 2021	$0.15	750,000	-	-	-	750,000
December 8, 2021	$0.20	750,000	-	-	-	750,000
December 30, 2023	$0.315	250,000	-	-	-	250,000
March 4, 2024	$0.32	200,000	-	-	-	200,000
March 18, 2023	$0.38	1,000,000	-	-	-	1,000,000
		12,266,668	-	(916,668)	-	11,350,000

(c) *Employee share purchase plan*

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

There were no purchases under the ESPP for the years ended March 31, 2021 and 2020.

(d) *Loss per share data*

The effect of outstanding common share purchase options and warrants on the net loss for the years ended March 31, 2021 and 2020 presented is not reflected as to do so would be anti-dilutive.

(e) *Restricted share units (“RSU’s”)*

Pursuant to the RSU Plan, on Jun 13, 2021, 14,096,000 RSU’s were granted to officers, directors and consultants as follows:

(Expressed in Canadian Dollars)

13. CAPITAL STOCK (continued)

Position	#	Vesting	Expiry date	FMV	$
Director	5,000,000	6/1/2022	6/13/2024	0.36	1,800,000
Consultant	5,000,000	20% on grant, 80% June 1 2022	6/13/2024	0.36	1,800,000
Consultant	820,000	6/1/2022	6/13/2024	0.36	295,200
Director	820,000	on grant	6/13/2024	0.36	295,200
Director	820,000	on grant	6/13/2024	0.36	295,200
Director	328,000	on grant	6/13/2024	0.36	118,080
Officer	328,000	on grant	6/13/2024	0.36	118,080
Consultant	240,000	6/1/2022	6/13/2024	0.36	86,400
Consultant	240,000	76,000 on grant remaining 06/01/2022	6/13/2024	0.36	86,400
	13,596,000				4,894,560

(f) *Warrants:*

	Warrants #	Amount $
Balance, March 31, 2020	220,000	260,972
Issued in connection with subscription receipt financing (note 3)	4,856,935	226,363
Issued in connection with private placements (note 8(a))	96,995,821	13,145,704
Issued in connection with the Share Exchange Agreement (note 8(a)(ii))	4,242,424	303,463
Issued in connection with consulting agreements (i)	8,650,000	448,547
Issued from exercise of units	1,625,073	-
Exercised	(38,350,292)	(3,368,917)
Balance, March 31, 2021	78,239,961	11,016,132
Exercised	(600,000)	(31,113)
Balance, June 30, 2021	77,639,961	10,985,019

(i) On May 27, 2020 8,650,000 warrants were issued to certain consultants of the Company. The warrants are exercisable at an exercise price of $0.06 per common share and expire three years from the date of issuance. The warrants vest immediately. The Warrants were valued at $448,557 using the Black-Scholes option pricing model using the following assumptions: Term – 3 years; Volatility – 172%; Interest rate – 0.29%.

As at June 30, 2021, warrants outstanding were as follows:

		Warrants Outstanding and Exercisable	
Expiry Date	**Exercise Price**	**Number of Warrants**	**Average Remaining Contractual Life (Years)**
December 12, 2021	$1.00	220,000	0.45
February 7, 2022	$0.06	43,500	0.60
March 13, 2022	$0.06	75,000	0.70
May 27, 2023	$0.06	1,633,334	1.91
February 24, 2024	$0.70	26,450,000	2.65
February 24, 2024	$0.44	1,804,705	2.65
June 8, 2024	$0.26	1,272,727	2.94
June 16, 2024	$0.26	1,579,346	2.96
July 16, 2024	$0.26	5,541,060	3.04
July 28, 2024	$0.38	37,983,600	3.08
July 28, 2024	$0.26	1,036,689	3.08
		77,639,961	2.87

14. CAPITAL MANAGEMENT

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

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

15. PROVISIONS, COMMITMENTS AND CONTINGENCIES

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

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $244,000 which are due within one year.

16. RISK MANAGEMENT

Fair value of financial assets and financial liabilities

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

Other price risk

The Company is exposed to price risk through its investments in publicly traded marketable securities. A 10% change in the fair value of these securities would change the Company's net loss by $36,000.

Interest rate risk
The Company has cash balances and no interest-bearing debt that is subject to floating interest rates. 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 Company is exposed to interest rate movements, which impact the fair value of the Company's outstanding promissory note.

(Expressed in Canadian Dollars)

16. RISK MANAGEMENT (continued)

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

The Company's functional and reporting currency is the Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the Euro, being the local currency in the Netherlands where the Company's subsidiaries RLH NL and SR operate.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than Canadian dollar. As at June 30, 2021, the Company does not have a material risk as 81% of its assets and liabilities are denominated in the Canadian dollar.

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

The following table shows the Company's liabilities and potential due dates related to liquidity risk as at June 30, 2021:

	Payments due by period			
Liabilities and obligations	Total	Less than 1 year	1-3 years	4-5 years
Accounts payable and accrued liabilities	1,146,960	1,146,960	-	-
Lease liability	147,440	52,146	95,294	
Debenture	446,400	-	446,400	
	1,740,800	1,199,106	541,694	-

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 and accounts receivable.

The Company has accounts receivable from customers. 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. This

The Company's credit risk is primarily attributable to cash and cash equivalents and marketable securities. 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. Accounts receivable primarily consist of trade accounts receivable and sales tax 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, 2021, the Company estimated expected credit losses to be $nil.

(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTIONS

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

Compensation to key management personnel
Compensation paid or payable during the three months ended June 30, 2021 and 2020 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the three months ended June 30, 2021, the Company was charged $75,000 (2020 - $53,000) in fees by 8797668 Canada Ltd, a Company owned by Todd Shapiro, the CEO, for CEO management fees. As at June 30, 2021, $28,250 (March 31, 2021 $61,687) was due to the CEO.

b) During the three months ended June 30, 2021, the Company was charged $12,000 (2020 - $9,000) in fees by CFO Advantage Inc., a Company owned by the CFO, for management fees. As at June 30, 2021, $4,520 (March 31, 2021 $4,520) was due to the CFO.

c) During the three months ended June 30, 2021, the Company was charged $36,000 (2020 - $21,000) in fees by Hans Derix, the President of RLH NL, for management fees. As at June 30, 2021, $12,000 (March 31, 2021 $15,095) was due.

d) On May 27, 2020, the Company issued 3,700,000 stock options to directors and officers of the Company, with an estimated value of $182,012 (see note 11(b)).

Equity Transactions
Shares issued during the three months ended June 30, 2021 and 2020 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the three months ended June 30, 2021, the Company issued 7,296,000 RSU's to officer and directors of the Company (see note 13).

b) During the three months ended June 30, 2020, the Company settled debt of $464,115 to related parties through the issuance of 32,408,850 shares (see note 3).

c) During the three months ended June 30, 2020, the Company issued $46,667 worth of shares to related parties through the issuance of 2,333,333 common shares in the DebtCo financing in January 2020 (see note 3).

c) During the three months ended June 30, 2020, the Company issued $200,000 worth of subscription receipts to related parties through the issuance of 3,333,333 subscription receipts through the FinCo financing (see note 3).

18. GENERAL AND ADMINISTRATIVE

Three months ended June 30,		2021		2020
Consulting	$	175,007	$	95,790
Legal, audit and other professional fees		197,980		338,432
Management fees		182,466		83,000
Business development and investor relations		135,767		68,361
Office and general		227,581		14,425
Regulatory		3,017		10,355
Amortization and depreciation		100,205		-
	$	1,022,023	$	610,363

(Expressed in Canadian Dollars)

19. SEGMENT INFORMATION

The Company's results are reported by geographical business units that operate in different countries. These segments reflect how the Company manages its business and how management classifies operations for planning and measuring performance.

The following tables present financial information by segment for the three months ended June 30, 2021 and 2020:

Revenue for the three months ended June 30,	2021	2020
Netherlands	$ 584,327	$ -
Canada	10,810	
USA	-	-
	$ 595,137	$ -

Assets as at June 30,	2021	2020
Canada	$ 32,519,376	$ 7,703,963
Netherlands	2,667,059	-
USA	4,689,552	-
	$ 39,875,987	$7,703,963

20. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus ("COVID19"). The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its Industry Partners. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. In the event that the operations or development of the Company or one or more of the Industry Partners is suspended or scaled back, or if the Company's supply chains are disrupted, such events may have a material adverse effect on the Company. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse effect on the Company.

Since the outbreak of COVID-19, the Company has focused its efforts on safeguarding the health and well-being of its employees, consultants and community members. To help slow the spread of COVID-19, the Company's employees have been working remotely, where possible, and abiding by local and national guidance put in place in Canada and the Netherlands related to social distancing and restrictions on travel outside of the home. The Company has and will continue to abide by the protocols within Canada and the Netherlands regarding the performance of work activities. However, illness to employees that may occur as a result of COVID-19 may cause material delays to the business. Due to the small size of the team, if any of the Company's employees were to fall sick or be unable to physically attend work due 10 to COVID-19, there would be a delay caused to the cultivation, harvesting, packaging, and delivering to market the Companies products.

Impact on the Company

The Company commenced its operations within the Netherlands in fiscal Q2 2020, and during the interim period ended June 30, 2021, COVID-19 did not have a direct, material impact on the operations, financial condition, cash flows and financial performance of the Company. However, the Company believes that the direct and indirect impact of COVID-19 on the Company's industry partners indirectly delayed the Company's ability to establish and commence its operations within the Netherlands in accordance with the timelines originally anticipated by the Company.

The Company continues to monitor the latest developments on COVID-19 on an ongoing basis, and continues to assess the more immediate impact of COVID-19 on the operations of the Company and its industry partners within the Netherlands, with a focus on maintaining business continuity. The Company's approach to maintaining business continuity during COVID-19 is focused on, among other things:

20. COVID-19

- prudent cash management, which is reflected by among other things, the Company's decision to carefully assessing further expansion efforts and temporarily delaying both the build-out of the Facility to obtain EU-GMP certification for the Facility, and the launch of its marketing campaign, until such time as the Company can fully appraise itself of market and economic conditions;
- implementing appropriate measures tailored to mitigate unanticipated impacts of COVID-19, which is reflected in part by, among other things:
  - the build-out of the Company's Facility for the cultivation and production of non-EU-GMP certified truffles in order to both (i) create a revenue stream, and (ii) offset unanticipated interruptions in the supply of truffles sourced from its industry partners due to COVID-19; and
  - the Company's experimental launch of a subscription-based model for the sales of its brand of truffles through the E-Commerce Platform.

Amid COVID-19, the Company's success will depend on its ability to ensure that consumers in the Netherlands continue to have safe and uninterrupted access to the Company's truffles, as well as maintaining high quality cultivation, production, and distribution capabilities. The Company intends to continue to assess its business and operational needs, and implement cost reductions in salaries and consulting fees, marketing and other administrative functions, where necessary. Although COVID-19 has not significantly impacted the Company's operations to date, there can be no assurance that there will not be disruptions to its operations in the future. COVID-19 presents several unpredictable variables on the economy and the truffles market within the Netherlands, making it difficult to accurately forecast upcoming results.

In spite of this, the Company's core focus will be on closely monitoring the development of COVID-19 to focus its resources on navigating and adapting to emerging situations as they unfold.

21. SUBSEQUENT EVENTS

The Company has also entered into a definitive agreement (the "Acquisition Agreement"), dated July 29, 2021, pursuant to which Red Light Holland will acquire 100% of the issued and outstanding shares of Mera for $2,450,000. The consideration is comprised of up to 7,000,000 common shares of the Company (the "Red Light Shares"), based on a price per Red Light Share of $0.35. The transaction is subject to several closing conditions; however, the Company expects closing to take place during the first week of August, 2021. Mera is a pioneer licensee in St. Vincent and the Grenadines ("SVG") that has spent the last 17 months working with government agencies and scientists to develop a Modern Medicinal Wellness Industry in the country.

RED LIGHT HOLLAND

RED LIGHT HOLLAND CORP (FORMERLY ADDED CAPITAL INC.)

MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE THREE MONTHS ENDED JUNE 30, 2021 AND 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis ("**MD&A**"), dated August 30, 2021, provides a review of the financial position and the results of operations of Red Light Holland Corp. ("**Red Light**", "**RLH**", or the "**Company**") and constitutes management review of the factors that affected the Company's financial and operating performance for the three months ended June 30, 2021. This MD&A has been prepared in compliance with the requirements of National Instrument 51- 102 – Continuous Disclosure Obligations. The review is provided to enable the reader to assess the significant changes in the financial condition of the Company as at and for the period ended June 30, 2021. This MD&A should be read in conjunction with the unaudited condensed interim financial statements of the Company for the period ended June 30, 2021 and the audited consolidated financial statements of the Company for the years ended March 31, 2021 and 2020 together with the notes thereto. The Company's financial statements and the financial information reported in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). All amounts presented are stated in Canadian dollars, unless otherwise indicated. Information contained herein is presented as of August 30, 2021, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, 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 RHL's 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 of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The Financial Statements are presented on a consolidated basis. The significant subsidiaries of the Company at June 30, 2021 are as follows:

Name of subsidiary	**Country of Incorporatio n**	**Functional Currency**	**2021 Percentage Ownership**	**2020 Percentage Ownership**
Red Light Holland Corp.	Canada	CAD	Parent	Parent
RLH Netherlands BV	Netherlands	EURO	100%	-
Red Light Holland (Subco 1)	Canada	CAD	100%	100%
Red Light Holland (Subco 2)	Canada	CAD	100%	100%
SR Wholesale BV	Netherlands	EURO	100%	-
Red Light Acquisition Inc.	United States	USD	100%	-
Radix Motion Inc.	United States	USD	100%	-
4316747Nova Scotia Limited (Happy Caps)	Canada	CAD	80%	-
Northern Securities Inc.	Canada	CAD	-	100%

On September 21, 2020, Northern Securities Inc., a subsidiary of RLH, was sold and a gain of $843,411 was recognized on disposal. The Company currently has two inactive subsidiaries, being:

- Red Light Holland (Subco 1) Inc. ("**Subco 1**"), a corporation formed under the Business Corporations Act (Ontario) (the "**OBCA**") on May 22, 2020, pursuant to the amalgamation of Red Light Holland Financing Inc. and 2747439 Ontario Inc.; and
- Red Light Holland (Subco 2) Inc. ("**Subco 2**"), a corporation formed under the OBCA on May 22, 2020, pursuant to the amalgamation of Red Light Holland Debt Inc. and 2747451 Ontario Inc.

All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, including the Annual Information Form (filed January 11, 2021), are filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR")** and are available online at www.sedar.com.

The effective date for this report is August 30, 2021.

Forward-Looking Statements

Certain statements contained in this **MD&A** and in certain documents incorporated by reference into this MD&A, constitute forward-looking statements, within the meaning of applicable securities laws ("**forward-looking statements**"). Such statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "potential", "targeting", "intend", "could", "might", "should", "believe", "prospect", "future", "possible", "can", "speculative", "perhaps" and similar expressions.

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

- the Company's plan to continue selling the Second Batch through the summer and fall of 2021;
- the Company's plan to either purchase or establish and operate a brick-and-mortar retail flag ship store, and potential other locations within the Netherlands;
- the Company's plan to ship a larger quantity of raw material of truffles to CCrest in order to isolate the psilocybin and perform a potency assay;
- the Company's plan to obtain a new patent for technologies for monitoring and displaying information involving carbon dioxide emissions, designed to operate interactively with the Wisdom Truffle, to monitor carbon dioxide emissions by the local electricity grid;
- Radix Motion's plans to build predictive AI models that will increase the scientific data around microdosing, helping people find their optimal dose;
- the Company's plans to have Katie Patrick, an environmental engineer, author and social media influencer, join the Company and work on the design and production of the Wisdom Truffles, and the Company's expectation to commence global sales of the Wisdom Truffle by the beginning of 2022;
- the Company's plans to develop the three Wisdom Truffles models;
- the Company's continued plans to launch the VR Module with Radix Motion;
- the Company's plans to enter into a binding definitive agreement to acquire a 51% stake in Acadian Exotic Mushrooms Ltd, and the Company's expectation that the completion of the transaction contemplated by such definitive agreement would result in a 22,000 square foot facility expected to produce up to 5,000 pounds of Shiitake mushrooms per week;
- the Company's plans to develop the digital care application by adding various new features by Q1 of 2022;
- the Company's plan, subject to all applicable laws and regulations, to enter into a binding definitive agreement regarding a joint venture with Halo Labs Inc. ("**Halo Labs**") and to commence manufacturing supplying psilocybin products to licensed facilities in the State of Oregon by Q3, 2023;
- the Company's plan, subject to all applicable laws and regulations, to enter into a binding joint venture agreement with Disruptive Pharma LLC;

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

- general business and market conditions;

- Red Light Holland Corp.'s (the "**Company**") ability to execute on its business plan, and secure any licenses, permits, and authorizations which may from time to time become necessary to execute on its business plan;
- the Company's financial condition for the reasonably foreseeable future and its ability to carry out its development plans
- the demand, and market opportunity, for the Company's product offerings;
- the Company's ability to establish, preserve and develop its brand, and attract and retain required personnel;
- the Company's ability to complete the development of the Wisdom Truffles and commence the sale of same by the beginning of 2022;
- Katie Patrick's continued intention to join the Company's team;
- the impact of COVID-19 on the market demand for the Company's product offerings
- the impact of current and future social and economic conditions (including, not limited to, global pandemics) on the business and operations of the Company, and the Company's ability to capitalize on anticipated business opportunities;
- the Company's ability to grow, harvest, and distribute truffles from time to time cultivated and produced by the Company within the timelines anticipated by the Company; and
- the State of Oregon implementing a legal framework that allows for the transactions contemplated under the LOI with Halo Labs, and the Company's ability to enter into a binding definitive agreement with Halo Labs.

Although the Company believes that the expectations reflected in those forward-looking statements are reasonable, no assurance can be given that these expectations will prove to be correct. 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.

Further, readers are cautioned that forward looking statements involve known and unknown risks, uncertainties and other factor (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 to be exhaustive:

- general economic conditions in Canada, the Netherlands, and globally, including reduced availability of debt and equity financing generally;
- governmental regulation of the industry or industries within which the Company may be engaged in from time to time, including environmental regulation;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in the operations of the Company as a participant in the truffles industry;
- general business and market conditions; and
- the Company's capabilities in developing third party relationships and engaging resources to achieve its business objectives.

Forward-looking statements contained in this MD&A and the documents incorporated by reference into this MD&A 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, as the case may be. The Company does not intend, and does not assume any obligation, to update or revise these forward-looking statements, except as required pursuant to applicable securities laws.

The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement.

Overview and RTO

On October 8, 2019, Red Light Holland Corp (formerly Added Capital Inc.) ("**Red Light Holland**" or the "**Company**") incorporated Red Light Holland Financing Inc. ("**Subco 1**") (under the laws of the province of Ontario), for the purpose of completing a transaction to establish itself as a producer and distributor of its premium brand of psilocybin truffles within the Netherlands. On May 22, 2020, the Company closed a transaction (the "**Transaction**") with Subco 1 and Red Light Holland Debt Inc. ("**Debtco**"), both wholly owned subsidiaries of the Company. The Transaction was effected by way of two triangular amalgamations (the "**Amalgamations**") among (a) the Company and Debtco, and a wholly-owned subsidiary of the Company, and (b) the Company and Subco 1 another wholly-owned subsidiary of the Company. Concurrent with the Transaction, the Company effected a change of its name to "Red Light Holland Corp." from Added Capital Inc.

Following completion of the Transaction on May 22, 2020, the Company received approval to list its common shares on the Canadian Securities Exchange (the "**CSE**") and commenced trading on May 28, 2020, under the ticker symbol "TRIP" and on July 11, 2020, listing of its common shares on the Frankfurt Stock Exchange ("**FSE**") under the symbol "4YX".

The members of the board of directors are as follows:

- Brad Lamb (Chair)
- Todd Shapiro (CEO)
- Ann Barnes
- Binyomin Posen

The members of the advisory board are as follows:

- Bruce Linton (Chair)
- The Honourable Tony Clement
- Graham Pechenik
- Genevieve Roch-Decter
- Joseph Geraci
- Glenn Cowan

The senior officers of the Company currently consist of:

- Todd Shapiro (Chief Executive Officer)
- Hans Derix (President)
- Kyle Appleby (Chief Financial Officer)
- Sarah Hashkes (Chief Technology and Innovation Officer)
- William Lay (Executive Vice President and Chief Strategy Officer)

The Company engages Karim Rashid (Head of Design) as its creative consultant.

Effective February 13, 2020, the Company consolidated its issued and outstanding common shares on the basis of one (new) post consolidation common share for each 20 (old) pre-consolidation common shares (the "**Consolidation**"). The Consolidation was approved at the Company's annual and special meeting of shareholders held on May 8, 2019. The information in this report reflects the post-consolidation common shares.

Prior to completing the Transaction, and during fiscal 2020, the Company had not yet commenced commercial operations.

Financing events and restructuring

In January 2020, Red Light Holland completed a debt restructuring transaction (the "**Debt Restructuring**"), whereby it assigned, to its wholly owned subsidiary, Debtco, an aggregate of $1,577,623 in debt (the "**Assigned Debt**") owing by Red Light Holland to several third-party creditors. As part of the Debt Restructuring, in January 2020, Debtco completed a debt conversion (the "**Debt Conversion**"), whereby various debt holders elected to convert an aggregate of $196,563 of the Assigned Debt into Debtco Shares at a conversion price of $0.005 per Debtco Share, and an aggregate of $1,294,292 of the Assigned Debt into Debtco Shares at a conversion price of $0.02 per Debtco Share.

In addition, Debtco accepted subscriptions for an aggregate of $14,583 for Debtco Shares at a price of $0.005 per Debtco Share, and an aggregate of $344,096 of for Debtco Shares at a price of $0.02 per Debtco Share.

In May 2020, Subco 1 completed a non-brokered private placement of 66,022,530 subscription receipts ("**Subscription Receipt**") at a price of $0.06 per Subscription Receipt for gross proceeds of $3,961,352. Each Subscription Receipt entitled the holder to one common share in the capital of Subco 1 ("**Subco 1 Share**"). In connection with the offering, Subco 1 paid to the Finder a cash commission of $273,633, and issued 4,856,935 compensation warrants. Subco 1 also issued an aggregate of 1,833,333 new RLH Shares to certain finders as consideration for assisting in arranging the Amalgamations.

Upon completion of the Transaction, (i) each shareholder of Subco 1 received one common share of the Company (total 67,855,863 Shares) for each one Subco 1 Share held, (ii) each shareholder of Debtco received one common share of the Company (total 125,148,606 Shares) for each one common share in the capital of Debtco (each, a "**Debtco Share**") held, and (iii) all unexercised Finder Compensation Warrants (4,816,802 warrants) were adjusted in accordance with their terms such that, each Finder Compensation Warrant entitles the holder to acquire, upon exercise, one common share of the Company, on the same terms.

On June 8, 2020, June 16, 2020, and July 16, 2020, the Company closed a brokered private placement (in three tranches) of Units in three tranches, for gross proceeds of approximately $4,309,830. The Company issued a total of 26,120,181 Units at a price of $0.165 per Unit, with each Unit consisting of one common share and one warrant. Each warrant entitles the holder thereof to purchase one additional common share at an exercise price of $0.26 at any time until 48 months following the date of issuance, subject to an accelerated expiry option. In connection with the First Tranche, the Company paid to the agent a cash fee of $268,500 and issued 1,272,727 compensation options, with each compensation option entitling the holder to purchase one Unit at a price of $0.165 per Unit, for a period of 48 months following the issuance date. In connection with the Second Tranche, the Company paid the agent a cash fee of $74,437 and issued 352,346 compensation warrants, with each compensation warrant entitling the holder to purchase one unit at a price of $0.165 per unit for a period of 48 months following the date of issuance. No cash fees or compensation warrants were issued for the third and final tranche.

On July 14, 2020, the Company entered into a securities exchange agreement (the "**Securities Exchange Agreement**") with PharmaDrug Inc. (CSE: BUZZ PHRX) ("**PharmaDrug**"). Under the terms of the Securities Exchange Agreement, PharmaDrug has agreed to issue 9,333,333 units to the Company (the "**PharmaDrug SEA Units**") at deemed price of $0.075 per unit, in consideration for the issuance by Red Light Holland of 4,242,424 RLH Units at a deemed price of $0.165 per unit to PharmaDrug. Each PharmaDrug SEA Unit consists of (i) one common share of PharmaDrug (a "**PharmaDrug Share**"), (ii) 0.9 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.13 for a period of 48 months (each whole warrant, a "**Class A PharmaDrug Warrant**"), and (iii) 0.1 of a PharmaDrug common share purchase warrant, each whole warrant entitling the holder thereof to acquire one common share of PharmaDrug at a price of $0.08 for a period of 48 months (each whole warrant, a "**Class B PharmaDrug Warrant**"). In addition, in July 2020, the Company made a cash investment of $200,000 for units of PharmaDrug (the "**PharmaDrug Subscription Units**") at a price of $0.075 per unit, each PharmaDrug Subscription Unit consisting of (i) one PharmaDrug Share, and (ii) one Class B PharmaDrug Warrant. Each RLH Unit will consist of one common share in the capital of the Company (a "**RLH Share**") and one common share purchase warrant (a "**RLH Warrant**") of the Company. Each RLH Warrant entitles the holder to purchase one additional RLH Share at an exercise price of $0.26 at any time for a period of 48 months, subject to an accelerated expiry option.

On January 27, 2021, the Company closed a bought deal short form prospectus offering, including the exercise in full of the underwriter's over-allotment option (the "**First Offering**"). In connection with the First Offering, the Company issued 38,334,100 units of the Company (the "**Units**") at a price of $0.255 per Unit, for aggregate gross proceeds of $9,775,195.

Each Unit is comprised of one common share in the capital of the Company (a "**Common Share**") and one Common Share purchase warrant (a "**Warrant**"). Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.38, for a period of 42 months following the closing of the First Offering. In the event that the volume weighted average trading price of the Common Shares exceeds $0.89 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. The Warrants are listed for trading on the facilities of the Canadian Securities Exchange (the "**CSE**") under the symbol TRIP.WRT3.

In consideration for its services in connection with the First Offering, the Company paid to the Underwriter a cash fee equal to $819,675 and issued to the Underwriter 2,661,762 compensation options (the "**Compensation Options**"). Each Compensation Option may be exercised to acquire one Unit at $0.255 for a period of 42 months following the closing of the First Offering. Each Unit underlying the Compensation Options have the same terms as those issued under the First Offering.

On February 24, 2021, the Company closed a bought deal short form prospectus offering, including the exercise in full of the underwriter's over-allotment option (the "**Second Offering**"). In connection with the Second Offering, the Company issued 26,450,000 Units at a price of $0.44 per Unit, for aggregate gross proceeds of $11,638,000.

Each Unit is comprised of one Common Share and one Warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of $0.70, for a period of 36 months following the closing of the Second Offering. In the event that the volume weighted average trading price of the Common Shares exceeds $1.52 for 10 consecutive trading days, the Company may, upon providing written notice to the holders of the Warrants, accelerate the expiry date of the Warrants to the date that is 30 days following the date of such written notice. On February 23, 2021, the Warrants were listed for trading on the facilities of the CSE under the symbol TRIP.WRT.A.

In consideration for its services in connection with the Second Offering, the Company paid to the Underwriter a cash fee equal to $1,251,287 and issued to the Underwriter 1,804,705 Compensation Options. Each Compensation Option may be exercised to acquire one Unit at $0.44 for a period of 36 months following the closing of the Second Offering. Each Unit underlying the Compensation Options have the same terms as those issued under the Second Offering.

During the year ended March 31, 2021, 38,350,282 warrants were exercised for proceeds of $7,730,234.

During the three-month period ended June 30, 2021, 600,000 warrants were exercised for common shares of the Company. Cash of $36,000 was received. The Company issued 916,668 common shares on the exercise of stock options, at an average exercise price of $0.06 per share, receiving cash of $55,000.

During the three-month period ended June 30, 2021, the Company acquired a 100% interest in 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, for 12,701,741 common shares. This transaction was ascribed an acquisition price of $3,898,030.

During the three-month period ended June 30, 2021, the Company acquired an 80% interest in 4316747 Nova Scotia Limited ("Happy Caps"), for 1,290,323 common shares. This transaction was ascribed an acquisition price of $ 450,000. Happy Caps Mushroom Farm in Nova Scotia, Canada, is a unique gourmet mushroom farm, cleverly positioned in the mushroom plug spawn business, selling fresh mushrooms for the wholesale market and specializing in 'grow your own mushroom kits' with sales in Canada and the United States.

On August 31, 2021, the Company announced that it had acquired a 100% interest in Mera Life Sciences (Mera) in exchange for up to 7,000,000 common shares of the Company. The Red Light Holland shares were valued at $0.35 each, resulting in an acquisition price of $2,450,000.

Business of Red Light Holland Corp

The Company is an Ontario-based corporation engaged in the production, growth and sale (through existing operators of Smart Shops (as hereinafter defined) and an advanced e-commerce platform) of a premium brand of psilocybin truffles (commonly known as magic truffles) ("**truffles**") to the legal, recreational market within the Netherlands, in compliance with all applicable laws. The Company's Netherlands operations are currently engaged in the sale and distribution of the Psilocybe Galindoi strain of truffles under a single brand, "iMicrodose."

The Company expanded its operations internationally, late in the 2021 fiscal year. It now has additional operations in Canada and the USA, and plans to have future operations in St. Vincent and the Grenadines, Brazil, and Jamaica.

<u>Netherlands</u>

As of the date of this MD&A, the iMicrodose brand of truffles are offered for sale through brick-and-mortar retail stores (referred to in the Netherlands as "smart shops", stores which sell specific products including but not limited to legal psychoactive substances such as psilocybe truffles. Depending on the location a license / permit may be required to do so.) (the "**Smart Shops**") which are duly authorized (where required) under applicable laws and operated by its industry partners. Smart Shops are retail stores within the Netherlands focused on the sale of psychoactive substances, generally including psychedelics and truffles, as well as related literature and paraphernalia. In addition, the Company's brand of truffles are offered for sale through the E-Commerce Platform (as hereinafter defined), as well as an online e-commerce platform operated by Xena-it.nl B.V. ("**McSmart**"), at www.tatanka.nl.

The Company's brand of truffles are offered for sale as of the date of this MD&A in 25 bricks and mortar and two online stores across the Netherlands. The Company sells its products in stores owned by Smart Shops (operated by Interrobang Ltd., a wholly-owned subsidiary of PharmaDrug Inc.) ("**Super Smart**"), Recently, truffles have not been purchased by three McSmart shops that previously carried product, however the Company retains a working relationship with these shops.

The Company is also engaged in the cultivation, production and packaging of truffles at the Facility.

The Company commenced growing its first batch of truffles at the Facility in August 2020, comprised of 100,000 grams of the Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles (the "**Initial Batch**"**)**. The Initial Batch Company became available for harvest in late October 2020, as previously announced by the Company. In December 2020, the Company completed harvest of the Initial Batch, which resulted in a harvest of 85,000 grams of truffles (the "**Initial Harvest**") - 15,000 grams of truffles less than the quantity originally anticipated to be harvested by the Company. The Initial Batch yielded less than the anticipated 100,000 grams of truffles because of the Company's newness to the cultivation and production of truffles, and due to some spoilage.

As at this MD&A, the Company has completed internal testing and quality assurance and has allocated and sold 70,000 grams of truffles from the Initial Harvest to SR Wholesale B.V ("**SR Wholesale**"), and has allocated the remaining 15,000 grams of truffles for further internal testing, sample packaging, and product photography. Although the Company initially anticipated that it would package and distribute the Initial Harvest within the Netherlands under the "iMicrodose" brand, amid the uncertainty inherent in prevailing market and economic conditions due to COVID-19 (which has resulted in, among other things, a temporary closure of Smart Shops within the Netherlands), the proposed sale to SR Wholesale presented the Company with a level of certainty as to the timely sale of the Initial Harvest. On March 19, 2021, the Company announced that it had acquired SR Wholesale.

In November 2020, the Company commenced growing its second crop of approximately 1,000,000 grams of the Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles (the "**Second Batch**"). The Second Batch became available for harvest in calendar Q2 2021. For clarity, once a batch is ready for harvest, the harvest does not immediately have to take place, but rather can be done several months later. The Company has allocated the Second Batch for packaging and distribution within the Netherlands (under the "iMicrodose" brand) and wholesale distribution. At this time approximately 400,000 grams of the harvest have been sold. The Company plans to continue selling truffles from the second batch throughout the summer and fall.

The Company's ability to harvest, package, and distribute, within the Netherlands (under the iMicrodose" brand) and to wholesalers, is dependent upon 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 Company's temperature control system, filtration system, and other equipment used for the production and assembly processes required to support the packaging and distribution of truffles continue to operate in good working order; (b) the growth rate of the current batch of truffles being produced at the Facility, when compared to the Company's historical yield of 100,000 grams and historical reductions of 15%, produces an adequate supply of truffles based on the Company's historical ratio to offset potential reductions in quantities resulting during the harvesting of truffles (c) the growth process presently employed by the Company in respect of its Second Batch of truffles being adequate to support the anticipated yield of such truffles within the timelines anticipated by the Company, (d) the Company's informal arrangements, relationships and/or discussions with wholesale distributors and/or operators of brick-and-mortar retail stores (Smart Shops) in the Netherlands become or translate into one or more binding contract(s) for the sale and distribution of the Company's Second Batch of truffles, before the point of distribution, and further, are adequate to distribute and offer for sale the Second Batch within the timelines anticipated by the Company (see "Risk Factors - Risk Related to the Company's Business and Industry – Reliance on Informal Arrangements" as well as the Risk Factors as disclosed in the Company's Annual Information Form filed on SEDAR January 11, 2021), (e) the current expressions of interest and discussions with third party brick-and-mortar retail stores (Smart Shops), and the ecommerce platform operated by McSmart, an Industry Partner of the Company, generate adequate demand for the Company's brand of truffles, (f) the Company's employees who cultivate, harvest, package and deliver to market the truffles on a timely basis are able to continue to do so, (g) the Company's historical yield of 100,000 grams provides an adequate basis for the production of new batches of truffles, and (h) the return of tourism, festivals, and concerts in the Netherlands to pre-COVID levels.

Some of the risks that could cause the results expressed in forward looking statements relating to the Company's plans in respect of the Second Batch to differ materially from those anticipated include the following: (a) damage to the Facility, resulting from the occurrence of fires, floods, natural disasters, and other analogous, unanticipated occurrences; (b) a malfunctioning of the equipment, and/or inefficiencies in the Company's process, for the harvest, label, or package the truffles; (c) unanticipated changes in economic and market conditions, including changes resulting from COVID-19, or in the market demand for truffles; (d) unanticipated changes in the regulatory environment within the Netherlands in respect of the packaging, labelling, sale and/or distribution of truffles; (e) shortages in the availability of labour and personnel necessary to package and distribute the truffles within the Netherlands; (f) unanticipated or adverse changes in general market conditions; and (g) the Company's inability to control spoilage or waste of the truffles. The Company may also allocate a portion of the Second Batch for potential wholesale distribution, internal testing, product photography, and/or other promotional and marketing purposes.

In March 2021, the Company acquired SR Wholesale, a distributor of among other things, truffles, CBD products, and cannabis seeds, in the Netherlands with a distribution network of over 300 companies that sell their products across Europe. The Company has advised SR Wholesale's distribution partners that while the Company intends to maintain relationships with all distribution partners, it is proceeding conservatively by suspending the sale of SR Wholesale's products into markets outside of the Netherlands, until it obtains a more robust legal opinion regarding the legality of same, as well as ultimately expanding the sale and distribution of its truffles via iMicrodose Packs, Maka Brand, and White Label Products. For more information on the anticipated effects of this acquisition, please see the section entitled "SR Wholesale Acquisition" under "Significant Projects", and the section entitled "Overall Performance and Outlook".

Although the Netherlands does not, as of the date of this MD&A, directly regulate the cultivation, distribution, sale and possession of fresh, unprocessed truffles (whether at the federal level or at a local level), the Company limits its business activities within the Netherlands exclusively to fresh, unprocessed truffles, which have not transitioned in a stage of growth to become magic mushrooms, in order to comply with the Opium Act. For a description of the regulatory framework in the Netherlands in respect of truffles, please see the section entitled "*Regulatory Framework and Licensing Regime*", in this MD&A.

At present, the Company is considering plans to either purchase or establish and operate a brick-and-mortar retail flag ship store, and potential other locations within the Netherlands. It also, intends to continue to utilize Smart Shop operators within the Netherlands, and the E-Commerce Platform, to distribute and offer for sale the Company's brand of truffles. The Company is also considering plans to engage in the distribution, sale and marketing of its products in jurisdictions outside of the Netherlands at such time as market and regulatory conditions present a legal and viable business opportunity for the expansion of the Company's business into such jurisdictions. There can be no assurance as to the timing or completion of any such expansion.

International

In February, 2021, the Company announced that Anvisa, Brazil's National Health Regulatory Agency, had granted authorization for the Company's iMicrodose packs, which contain 15g of Psilocybin Truffles, to be legally imported to Brazil via the 'named patient import process' for prescribed medical patient use. This approval and shipment represented a significant advancement in opening the legal and medically approved market for psilocybin in Brazil, a country with a population of over 200 million people. The uniqueness of the imported product, COVID related delays at Brazilian customs, and additional disclosure and product information requests from Anvisa resulted in unfortunate spoilage of the first shipment. Subsequent to March 31, 2021, the Company made a second successful shipment to Brazil and is now working with its local partner, MyPharma2GO to get the shipment released by Anvisa to the 'named patient import process' "**named patient**" for its prescriptive use.

In March, 2021, the Company announced that it had completed the sale and import of the Company's high-grade consumer packaged goods ("**iMicrodose Packs**") from the Netherlands to Canada under a Health Canada psilocybin import permit obtained by CCrest Laboratories Inc. ("**CCrest**") in partnership with Shaman Pharma Corp. Subsequent to the press release, CCrest informed the Company that it had executed the extraction protocol using 15 grams raw materials equivalent quantity and successfully detected psilocybin in the extract via chromatography. The next step in this process is to isolate the psilocybin, which will require a larger quantity of raw materials tto perform a potency assay. The Company expects to be able to ship a larger quantity to CCrest in order to complete this testing in the near future.

In April, 2021, the Company announced that Articles of Incorporation have been filed with the Oregon Secretary of State to form Red Light Oregon, Inc., a 50/50 joint venture (**"JV"**) between Halo, capitalized with US$50,000 from each party, and its initial directors will be Todd Shapiro, RLH Director and CEO, Sarah Hashkes, RLH Chief Technology and Innovation Officer, Kiran Sidhu, Halo CEO and Director, and Katie Field, Halo President. The JV will monitor ongoing regulatory updates regarding Oregon's Measure 109, appoint a management team, and develop a commercialization strategy in due course.

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

Happy Caps presents a brand building opportunity for the Company, as Happy Caps products powered by the Company will reach more consumers in a plethora of markets. Finally, the Happy Caps product suite will serve as a strong platform to launch grow-at-home products of varying species and strains in the future, if and when regulations permit.

In June, 2021, the Company announced that it had acquired Radix Motion Inc.("**Radix Motion**"), a technology and innovation company focused on empowering the psychedelic ecosystem with embodied technology, including augmented reality, virtual reality, and interactive holograms. Radix Motion's core technology is based on neuroscience research.

Radix Motion brings the following benefits to the Company:

- Radix Motion's biometric movement data technology addresses one of the biggest challenges of microdosing, finding the optimal dose and protocol for each person.
- By utilizing large data sets from people legally using the product in the Netherlands, and choosing to share their data, Radix Motion will produce predictive AI models that will increase the scientific data around microdosing, helping people find their optimal dose.
- This scientific data is geared toward being a valuable asset for working with regulatory agencies towards expanding the legal responsible use of microdosing in other countries.
- Radix Motion plans to expand its offerings to more wellness verticals to increase scientific data around other substance and behaviour intervention that have the potential to help people.
- Radix Motion's expertise in immersive technology will continue to create cutting edge interactive education promoting responsible use of psychedelics and focusing on applications that utilize biometric data to connect people to themselves and to each other.
- Radix Motion is focused on exponential growth verticals such as immersive informed consent and screening of subjects in novel drug research, digital therapeutics and mobile health apps and interactive training on use of psychedelic substances.

On May 5, 2021, the Company announced that it has received patent pending status for the customization and personalization of microdosing kits and protocols based on biometric and movement data. Customers will use this data to help find the psilocybin microdose that works best for them. The Company’s goal is for its consumers to use the combination of practices and psychedelics as part of the larger scope of scientifically based support structures, to increase neural plasticity caused by psychedelics, leading customers to make the most out of naturally occurring psilocybin.

Evidence for the benefits of psilocybin continues to accumulate, and people who microdose psilocybin containing mushrooms report improvements in mood, focus, creativity, and general well-being, as well as the amelioration of symptoms of mental health issues. *(See, e.g., Anderson et al., Microdosing psychedelics: personality, mental health, and creativity differences in microdosers. Psychopharmacol. (Berl). 236, 731-740 (2019); Lea et al., Psychedelic Microdosing: A Subreddit Analysis. J. Psychoactive Drugs 52, 101-112 (2020).*)

On July 21, 2021, the Company announced that it has filed a new patent for technologies for monitoring and displaying information involving carbon dioxide emissions, designed to operate interactively with the Wisdom Truffle, to monitor carbon dioxide emissions by the local electricity grid. The Company hopes that customers will combine this information and tips from the Wisdom Truffle to reduce electricity consumption and/or shift electricity consumption to more carbon neutral periods.

Behavioural research studies have demonstrated that individuals become motivated to save energy when they see the environmental output data in the form of CO2 emissions, instead of kilowatts or dollars. Using the Wisdom Truffle as a smart home device, it will deliver this data using visual aids, which reflect a grid's CO2 emissions in real-time.

Bringing this emissions data into the Company’s current suite of products will be the first of its kind - a ground-breaking smart home device that will empower the growing psychedelic community to take positive climate action by responding directly to real-time emissions data.
Katie Patrick, an environmental engineer, author and social media influencer, will be joining the Company and will be working on the design and production of the Wisdom Truffles.

There are currently three Wisdom Truffle models under development:

- Moon: Moon is a handheld, first-of-its-kind, meditation aid and biorhythm communication device, which allows for insights into the autonomic nervous system by responding to a user's heartbeat. Heartrate data can be added to the iMicro Journal app to keep track of physiological changes correlated to micro dosing and/or meditation. In addition, Moon supports multiplayer mode allowing for group meditation and/or connection.
- Star: Star is a lamp-size figurine that helps build a healthier relationship with mobile devices by promoting presence and focus. Star will allow for connection with the iMicro Journal app, and will allow for the tracking of phone-usage and the rewarding healthy breaks. This Star will also bring the added light and superb sound quality to any room.
- SuperNova: SuperNova is a 1-meter tall, life-sized figurine, and will include artificial intelligence technology that will detect and understand users' body movements. This Wisdom Truffle creates unique interactive audiovisual experiences based on dances, stretches and more. In addition to the foregoing, SuperNova will as well support multiplayer mode for galleries, conventions, stores and more.

Among the future products Radix Motion is committed to build for the Company is Wisdom, a companion figurine that will be a meditation aid and help people create a healthier relationship with their cell phone. Radix Motion technology is currently powering the Company's iMicro privacy first web app and digital care platform as well as AR and VR educational experiences that explain the effects of psychedelics and allow customers in the Netherlands to learn more about microdosing in a fun and interactive way. The data from the app will be used as part of the Company's pending patent to help people find their optimal dose and protocol for microdosing utilizing biometric data.

In June, 2021, the Company announced that it had entered into a non-binding letter of intent to acquire a 51% stake in Acadian Exotic Mushrooms Ltd. ("**AEM**"). AEM is a dormant gourmet mushroom production facility co-owned by leading Canadian mushroom farming groups/individuals Holburne Mushroom Farm and Mike and Fernando Medeiros (the "**Vendors**"). Upon completion of start-up activities, the 22,000 square foot facility, which sits on approximately 4 acres of land in Eel River Crossing, New Brunswick, is expected to produce up to 5,000 pounds of Shiitake mushrooms per week. AEM will also have the ability to produce, package and distribute a wide variety of fresh mushrooms while offering an assortment of dried options and the potential to produce functional mushroom consumer packaged goods.

This AEM transaction, expected to have a name change to “Red Light Farms” would add another revenue generating farm to the Company, and could serve as a potential future production site for naturally occurring psilocybin, if and when regulations permit. Additionally, due to the strength of their distribution networks and relationships, the Vendors have provisionally agreed to purchase all sales of the entire produce for the next three years at a minimum price, effectively guaranteeing revenue for the partnership.

In June, 2021, the Company announced that it had entered into a definitive agreement with Creso Pharma to merge their businesses and create The HighBrid Lab. However, as a result of various impacts from the COVID-19 pandemic, including significant travel restrictions, on August 29th Red Light Holland and Creso Pharma mutually concluded that the Merger would no longer be in the best interests of their respective shareholders. As the two companies have significant operations in multiple countries across the globe, it became increasingly apparent that integration difficulties would limit the anticipated synergies from the proposed Merger. As a result, both Red Light Holland and Creso Pharma have agreed to mutually terminate the definitive agreement.

Truffles vs. Magic Mushrooms

Truffles 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 (“**magic mushrooms**”). Truffles and magic mushrooms both belong to the same species of psychoactive fungi, and contain similar psychoactive substances and active compounds (such as psilocybin, psilocin and baeocystin). However, there are some key differences. First, truffles and magic mushrooms are each at a different stage of fungal development. Truffles, which grow beneath the ground, can be described as dormant fungi (which resemble walnuts) that store food reserves during periods where surrounding environmental conditions are not optimal for the above-ground growth of the mushroom part of a fungus. Truffles store food and psychoactive chemicals until the surrounding environment becomes suitable for the above-ground growth of magic mushrooms. Second, although scientific data is limited with respect to the various kinds of truffles, anecdotal reports from users of truffles usually describe milder experiences, with less pronounced hallucinations and a more preserved ability to move and socialize. Finally, the concentration of psychoactive substances and active compounds in magic mushrooms is believed to vary considerably, which could result in the potency of individual mushrooms in a particular batch of magic mushrooms to be somewhat inconsistent. On the other hand, the concentration of psychoactive substances and active compounds (and therefore, the potency) is regarded to be far more consistent in truffles, relative to magic mushrooms, which enables a more predictable dosing experience.

The Company does not make any claims regarding any health, medical or therapeutic benefits, or physiological effects associated with the use or consumption of truffles.

Strains of Truffles: Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis

As of the date of this MD&A, the iMicrodose-branded truffles are comprised of the Psilocybe Galindoi strains of truffles, sourced from McSmart, one of the Company's industry partners within the Netherlands, and the Initial Batch currently being harvested at the Facility, is comprised of the Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles.

The Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles are easy to cultivate, and have an approximately 0.63% to 0.90% psilocybin content, which is regarded as falling within the median range for most truffles. The Psilocybe Mexicana, Psilocybe Galindoi Psilocybe, and Psilocybe Tampanensis are believed to originate from North America. Although scientific data is limited with respect to the various strains of truffles, anecdotal reports from users of the Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles usually describe milder experiences (relative to magic mushrooms), with less pronounced hallucinations and a more preserved ability to move and socialize. Although the effects of truffles on individuals vary, depending on among other things, the particular strain of truffles and the strength of a particular dosage, as well as an individual's mood at the time of consumption, the environment within which such consumption occurs, and the impact of an individual's pre-existing health or medical conditions, anecdotal reports from users of the Psilocybe Mexicana, Psilocybe Galindoi, and Psilocybe Tampanensis strains of truffles generally describe one or more of (or a combination of) increased clarity, focus, and energy, a reduction in anxiety levels and a sense of calmness, and a general feeling of positivity and connectivity with oneself and one's environment, in each case for a temporary period.

As discussed in the section entitled "*Overall Performance and Outlook*" in this MD&A, the Company did not proceed with its plan to introduce its brand of truffles under the brand names "Bicycle Day" (comprised of the Psilocybe Cubensis strain of truffles) and "Bliss" (comprised of the Psilocybe Tampanesis strain of truffles), as originally disclosed in the Listing Statement. Instead, the Company solidified its arrangement with McSmart and launched its own brand of truffles under the re-branded name, "iMicrodose". The Psilocybe Mexicana and Psilocybe Galindoi strains of truffles comprising the Initial Batch are unrelated to the strains which the Company originally anticipated would comprise the "Bicycle Day" and "Bliss" brands of the Company's truffles. However, the Psilocybe Tampanensis strain of truffles is the strain which the Company originally anticipated would comprise the "Bliss" brand of the Company's truffles.

Indoor Cultivation of Truffles

The cultivation of truffles within an indoor environment primarily requires a combination of the right soil conditions and temperature. In contrast to, for example, the indoor cultivation of cannabis (which typically requires a custom, controlled indoor environment with artificial lighting and appropriate airflow and temperature controls, among other things) truffles are relatively easier to cultivate within an indoor environment with appropriate soil conditions and controlled temperature (generally, between 21 and 24 degrees Celsius). As of the date of this MD&A, the Company is engaged in the cultivation and production of truffles within the Facility, which has been fitted with appropriate heating, ventilation, and air conditioning systems to produce the optimal environment required for the indoor cultivation of truffles. The Company also maintains protocols customarily employed by participants within the truffles industry within the Netherlands in order to ensure around-the-clock temperature control, which includes the deployment of on-site personnel on a regular basis to prevent disruptions to the Company's cultivation and production operations.

Regulatory Framework and Licensing Regime

As of the date of this MD&A, participants within the truffles industry within the Netherlands do not require any special licenses, permits or other approvals in order to engage in the cultivation, production, distribution, and sale of truffles within the Netherlands, to the extent such activities pertain to fresh, unprocessed truffles which have not transitioned in a stage of growth to become magic mushrooms.

The regulation of truffles and activities pertaining to truffles within the Netherlands is unlike the regulatory framework in both Canada and the United States with respect to certain controlled substances. Both Canada and the United States have implemented robust regulatory frameworks for regulating certain controlled substances, such as cannabis, and activities relating to such controlled substances that are within the jurisdiction of the respective governmental body (such as, the cultivation, distribution, sale and possession of cannabis). However, in the Netherlands, neither the federal government nor any local government has, as of the date of this MD&A, implemented any direct regulatory or licensing framework in respect of the cultivation, production, and sale, and recreational consumption of fresh, unprocessed truffles within the Netherlands. As such, as of the date of this MD&A, the Netherlands does not directly regulate the cultivation, distribution, sale and possession of fresh, unprocessed truffles, whether at the federal level or at a local level. However, to the extent truffles are subject to processing, or have transitioned in a stage of growth to become magic mushrooms, such biomatter will, at such point in time, become a controlled substance that is subject to direct federal regulation in the Netherlands under the *Opium Act* (*Opiumwe*) (the "**Opium Act**").

The Opium Act

As of the date of this MD&A, the Opium Act is the primary drug legislation in the Netherlands. Articles 2 and 3 of the Opium Act prohibit the possession, production, preparation, processing, selling, delivering, transporting, importing and exporting of any drug or substance listed on the schedules/lists accompanying the Opium Act (together, the "**Opium Act Lists**"), as well as preparations containing one or more of such prohibited substances. Articles 2 and 3 of the Opium Act also prohibit the above-noted activities in respect of a number of plants or parts of plants which are named in the Opium Act Lists.

Under the legislative framework of the Opium Act, and as confirmed by case law from the Supreme Court of the Netherlands (the highest court in the Netherlands), insofar as the Opium Act Lists include certain compounds and preparations but not the organic matter within which those compounds occur naturally, the prohibitions in Articles 2 and 3 of the Opium Act do not relate to unlisted organic matter (and parts thereof). As of the date of this MD&A, the Opium Act Lists expressly name magic mushrooms, as well as psilocin (*psilocine*) and psilocybin (*psilocybine*), both of which are substances that naturally occur within both magic mushrooms and truffles. However, the Opium Act Lists do not expressly name truffles. The consequence of this exclusion is that, in light of the legislative framework of the Opium Act, and case law from the Supreme Court of the Netherlands, Articles 2 and 3 of the Opium Act do not prohibit the cultivation, production, and sale of fresh, unprocessed truffles, but, solely to the extent that (i) the fresh truffles are not subject to further processing that results in such truffles becoming a preparation prohibited under the Opium Act, and (ii) the biomatter that is cultivated, produced, and sold as fresh truffles has not progressed to a stage in growth where the biomatter has transitioned from sclerotia (truffles), to become a magic mushroom (*paddo*). In short, the lack of direct regulation of fresh, unprocessed truffles and the cultivation, distribution, sale and possession of fresh, unprocessed truffles does not mean that activities pertaining to truffles are entirely unregulated, but rather, unregulated only to the extent that such activities pertain to fresh unprocessed truffles, which have not transitioned to a stage of growth to become magic mushrooms.

Local Laws

Although the activities of the Company and its industry partners within the Netherlands, insofar as they relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, may be largely unregulated by federal legislation in the Netherlands, such activities could from time to time become subject to, where applicable, non-uniform rules in the form of local ordinances and municipal by-laws (i.e. General Municipal By-Law (*Algemene Plaatselijke Verordening*)) (the "**Local Rules**") from time to time enacted by municipalities within the Netherlands (for example, rules which require Smart Shops to be located beyond a certain specified distance from secondary schools).

The Local Rules establish general municipal rules with respect to public order and safety within a certain municipality, and stipulate, among other things, certain permit requirements for certain ordinary course activities applicable to different forms of businesses operating within a certain local municipality (such as, catering businesses, cafes, hotels, bars, etc.). For example, Local Rules applicable to the retail business sector may control, among other things, usability of public roads, opening and closing times, noise pollution, advertising and pamphlets, and shop displays.

As of the date of this MD&A, there are over 300 local municipalities in the Netherlands, each of which has implemented different forms of Local Rules pertaining to public order and safety to govern the general business affairs within their respective municipality. Of such municipalities, only a handful of municipalities have extended ordinary permit requirements generally applicable to certain businesses to Smart Shops. As of the date of this MD&A, the Company's iMicrodose Packs are available in approximately twenty five (25) Smart Shops operated by third parties within the Netherlands plus 2 online Smart Shops including iMicrodose.nl, with such Smart Shops located in the municipalities of Eindhoven, Amsterdam, Rotterdam, 's-Hertogenbosch, Oss, and Tiel. To the knowledge of the Company after due inquiry, none of these municipalities have implemented any licensing or permit requirements applicable to Smart Shops. In light of, among other things, its prominence as a tourist hot spot, Amsterdam has, however, implemented a municipal zoning plan which is generally applicable to all businesses operating within Amsterdam (including Smart Shops) and is not specifically directed at Smart Shops.

Security and Storage Requirements

As of the date of this MD&A, the applicable laws of the Netherlands do not impose any storage and security requirements, or any recordkeeping requirements, on companies engaged in the cultivation, production and, distribution of fresh, unprocessed truffles within the Netherlands. As a result, unlike companies operating in, for example, Canada and the United States in industries relating to certain controlled substances, such as cannabis, the Company is not required to establish methods and procedures similar to those required in certain jurisdictions within Canada and the United States, such as those relating to: (i) identifying, recording, and reporting diversion, theft, or loss, (ii) correcting inventory errors, (iii) managing product recalls, or (iv) maintaining commercial grade alarm and video surveillance systems. However, despite the absence of applicable legal requirements, the Company continues to evaluate and monitor industry best practice and developments applied by participants within the truffles industry in the Netherlands (and analogous industries outside of the Netherlands) on an ongoing basis, with the goal of implementing, in the future, such procedures and practices as the Company may deem necessary or advisable to mitigate any identified risks and preserve the integrity of the Company's business operations.

E-Commerce

As of the date of this MD&A, the Netherlands has not enacted a legal or regulatory framework directly governing the promotion and offer for sale of truffles through e-commerce platforms. However, the Dutch Advertising Code Authority (*Stichting Reclame Code*) (the "**DACA**") has implemented the *Dutch Advertising Code* (the "**Advertising Code**"), which stipulates certain rules pertaining to advertising by various businesses within the Netherlands, with certain specialized rules applying to certain types of products such as foods, alcohol and tobacco. Among its general requirements, the Advertising Code stipulates, for example, that advertising shall not be dishonest or misleading, or aggressive. The Company consulted with the DACA prior to launching the E-Commerce Platform, in the course of which consultation the Company confirmed that the Company's advertising activities would not be strictly subject to any specific requirements in respect of its activities as they relate to the advertising and promotion of truffles. However, the Company has adopted an ethical approach to marketing and advertising, whereby the Company voluntarily identifies and adheres to certain industry best practices which generally apply to businesses, and where possible, applies certain requirements applicable to tobacco and alcohol to the E-Commerce Platform, *mutatis mutandis*, taking care to, for example, avoid displaying, suggesting or encouraging excessive or otherwise irresponsible consumption.

Operations of SR Wholesale

In March 2021, the Company acquired SR Wholesale, a distributor of among other things, magic truffles, CBD products, cannabis seeds, and eco and smart products (such as plant like products including kratom) in the Netherlands. The Company obtained legal advice in respect of the regulation of the aforementioned products in the Netherlands. Dutch legal counsel confirmed that the products sold by SR Wholesale are not subject to the scope of a prohibitive provision as referred to in the Opium Act.

Risk Exposure Resulting from Regulatory Environment

Unlike companies engaged in the cannabis industry within the United States, for example, the regulatory environment within the Netherlands as of the date of this MD&A does not, in and of itself, subject the Company to a heightened risk of third-party providers suspending or withdrawing services as a result of inherent uncertainty in the regulatory environment, or to a heightened risk of a regulatory body imposing restrictions on the Company's ability to operate within the Netherlands. However, the Company continues to be subject to all of the usual risks and uncertainties of conducting operations in any given industry, including, among others, the risk that its industry partners may become bankrupt, have economic or business interests or goals that are inconsistent with the Company's business interests or goals, or take actions that are contrary to instructions from the Company or to applicable laws, any of which can damage the Company's reputation and brand. Please see the section entitled "*Risk Factors*" in this MD&A.

Compliance with Applicable Laws

Prior to commencing operations within the Netherlands, the Company obtained legal advice in respect of the regulation of truffles and activities pertaining to truffles within the Netherlands, including the regulatory framework governing the Company's operations in the Netherlands, and the legal requirements applicable to such operations. Such legal advice was obtained in the form of a confidential legal opinion from a recognized, global law firm with offices in the Netherlands, and was supplemented by informal legal confirmation obtained from a local law firm within the Netherlands, with expertise in the subject matter.

As of the date of this MD&A, the Company's operations within the Netherlands are conducted in accordance with such legal advice, and are compliant with all applicable laws governing such operations. To date, the Company has not received any notice of non-compliance, or received any citations or notices of violation from any governmental authority in the Netherlands which could have an adverse impact on the Company's business operations. Further, to the best of the Company's knowledge, the activities of the Company's industry partners (including Super Smart and all Current Industry Partners (as defined below)) within the Netherlands, insofar as such activities relate to cultivation, production, distribution, and sale of fresh, unprocessed truffles, are in compliance with all laws applicable to such activities.

The President and Chief Executive Officer of the Company are generally responsible for monitoring the operations of the Company in the Netherlands and oversee, and where appropriate participate in, local site visits by qualified professionals in order to verify the Company's compliance with applicable laws. Such monitoring is focused on, among other things, reviewing compliance with recordkeeping and standard operating procedures implemented by the Company from time to time, the Local Rules, and overseeing all communications with applicable regulatory bodies. The President and Chief Executive Officer of the Company also oversee random audits of all the Company's operations, as well as the training, process validation, and problem resolution when compliance questions arise.

The Company continues to monitor industry best practice and developments within the Netherlands on an ongoing basis, and takes the following measures to ensure the Company's continued compliance with applicable laws:

- The Company retains appropriately experienced legal counsel and other professionals to advise the Company and conduct the necessary due diligence to ensure that the operations of the Company and its industry partners comply with applicable laws.
- Management of the Company, together with legal counsel and other professional advisors to the Company, screen industry partners with which the Company proposes to establish relationships, in order to select those operators which (i) adhere to strict business practice standards satisfactory to the Company, (ii) have established adequate internal compliance mechanisms to monitor compliance with applicable laws (if any), and, (ii) to the extent required, possess the applicable licenses, permits, and authorizations to carry on business operations in the Netherlands. In particular, as of the date of this MD&A, the Company screens industry partners to ensure, among other things, that the industry partner:

    - is duly registered with the Netherlands Chamber of Commerce, which is the official registrar of companies within the Netherlands;
    - is duly registered to pay the Value Added Tax ("**VAT**"), which is a tax that is levied in the Netherlands on most goods and services (including, the sale of truffles at a rate of 21%); and
    - has obtained, to the extent required under the Local Rules of the applicable municipality in which an industry partner carries on business operations, the requisite permits to carry on its business operations.
- The Company reviews its products and product packaging, in consultation with appropriately experienced legal counsel and other professionals, to ensure that the products comply with applicable laws and contain the necessary disclaimers about the contents of the products to prevent adverse public health consequences from use.

In addition to the foregoing, the Company relies on the expertise and commitment of its management team, legal advisors, employees and independent consultants, and to this end, consults with such personnel on an ongoing basis, as the Company may deem appropriate in the circumstances, to ensure compliance with applicable laws. In particular, the Company retains and consults with qualified external consultants and legal counsel in order to establish strict growth and cultivation parameters and procedures, and ensure that its cultivation and production operations comply with applicable laws in effect from time to time. In particular, as of the date of this MD&A, in order to comply with the Opium Act, the Company grows and cultivates its truffles in sealed, airtight bags, a manner currently employed by existing participants in the truffles industry, in order to create a precise and controlled environment that is unsuitable for the growth of magic mushrooms (and thereby preclude the truffles from transitioning to become magic mushrooms). Further, in respect of the Smart Shops located in Amsterdam, the Company has reviewed the applicable municipal zoning plan, and has verified that such Smart Shops are in compliance therewith.

The Company will continue to evaluate, monitor and reassess its disclosure in respect of its operations within the Netherlands (and any related risks) on an ongoing basis, and intends to promptly supplement and amend such disclosure in its prospective public filings where necessary, including in the event of any government policy changes or, the introduction of new or amended guidance, laws or regulations pertaining to truffles within the Netherlands.

Relationships with Third Parties

As of the date of this MD&A, the Company is dependent on a number of third-party relationships to conduct its business operations within the Netherlands, including its relationships with Super Smart. In addition, the Company has established relationships with an additional 2 participants within the truffles industry within the Netherlands (SR-Wholesale B.V. which was subsequently acquired in March 2021, as well as the operator of a Smart Shop under the name "House of Smart"), and relies on such parties to distribute the Company's iMicrodose brand of truffles within the Netherlands through Smart Shops operated by such parties (all such parties, collectively, the "**Current Industry Partners**").

In light of the uncertainty as to the immediate and eventual impacts of the novel corona virus pandemic ("**COVID-19**") (and in particular, on the operations of the Company and its industry partners within the Netherlands), the early stage and development of the Company's business, and the Company's intention to over time reduce its reliance on third parties in order to engage in the cultivation, production, and sale of truffles within the Netherlands, the Company has not entered into formal agreements with the Current Industry Partners. Instead, the Company's present business relationships with the Current Industry Partners are based on informal arrangements of a nature customarily entered into by participants within the truffles industry in the Netherlands.

In light of the informal nature of the Company's arrangements with the Current Industry Partners, the Company employs a risk-management framework designed to minimize foreseeable risks and losses resulting therefrom to the Company, by seeking to identify, measure, monitor, and control the Company's risk exposure to the types of risks inherent in the Company's current relationships with the Current Industry Partners. Such risks, include, among others things, the risk that a Current Industry Partner might become bankrupt, undertake economic or business interests or goals that are inconsistent with the Company's business interests or goals, or take actions that are directly contrary to the Company's instructions or to applicable laws, or damage the Company's brand. The Company's risk management framework is undertaken by management of the Company, which together with legal counsel and other professional advisors to the Company, screen industry partners with which the Company proposes to establish relationships, in order to select those operators which, among other things, adhere to strict business practice standards satisfactory to the Company, and have established adequate internal compliance mechanisms to monitor compliance with applicable laws.

Use of Proceeds and Milestones

During the period beginning from the beginning of the Company's current fiscal year and ending on the date of this MD&A, the Company raised an aggregate amount of approximately $28,000,000 in net cash proceeds through bought deal financings, and private placements completed by the Company and Subco 1 (together, the "**Private Placements**"). The Company also received proceeds of approximately $8,000,000 from the exercise of warrants and options.

As described in the Company's public disclosure documents, the Company intends to use the aggregate gross proceeds of the Private Placements for operational expansion, business development, and working capital and general corporate purposes, as follows:

	Use of Proceeds		
	Per Prospectuses	Revised	Spent to June 30, 2021
The Facility	$ 1,197,769	$ 100,000	$ 34,100
E-Commerce Platform	-		13,950
Scarlette Lille Science Innovation (see also Mera Life below)	500,000	-	-
Virtual Reality Model	345,000	70,000	48,118
Augmented Reality Application and Digital Care Program	-	200,000	157,473
Super Smart Distribution Arrangement	-	5,000	-
SR Wholesale Acquisition	1,843,308	1,843,308	1,406,690
Halo Labs Joint Venture	150,000	150,000	-
Halo Labs Equipment	1,000,000	1,000,000	-
Marketing	1,800,000	1,800,000	77,731
Psychedelic Insights BV	300,000	-	-
Disruptive Pharma Joint Venture	-	500,000	-
Mera Life Acquisition	2,500,000	1,500,000	-
Wisdom Truffle	255,000	350,000	153,943
Storefront	300,000	300,000	-
Working Capital	17,479,526	19,852,295	25,778,598
	$ 27,670,603	$ 27,670,603	$ 27,670,603

As of the date of this MD&A, there have not been, and the Company does not anticipate, any changes to its previously made disclosure about the Company's intended use of proceeds from the Private Placements.

In light of the current uncertainty as to the duration, and the immediate and eventual impact, of COVID-19 on the Company's business and operations, as well as general market and competitive conditions, the Company continues to maintain its fiscally responsible approach to its growth and expansion initiatives. In particular, the Company continues to evaluate market conditions on an ongoing basis, with the goal of, among other things, (i) identifying the appropriate time to initiate certain of the Company's business objectives, as expressed as at the date of this MD&A, and (ii) exploring potential alternative, viable opportunities to further develop and expand the Company's business. As such, the Company notes that there may be circumstances where, for sound business reasons, the Company may be required to reallocate funds, including due to demands for shifting focus or investment in marketing and business development activities, requirements for accelerating, increasing, reducing, or eliminating initiatives in response to changes in market, regulations and/or developments in research and design, unexpected setbacks, and strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other opportunities.

Significant Projects

As of the date of this MD&A, the Company has thirteen significant projects which have not generated revenue, or that have generated revenue but are expected to generate additional revenue in the future, in each case related to the operations of the Company within the truffles industry in the Netherlands. The following is a description of each such project, including a description of the Company's plan for such project, the status of the project relative to the Company's plan for such project, the expenditures made by the Company in respect of such project to date and how such expenditures relate to anticipated timing and costs to advance the project to the next stage of the Company's plan for the specific project.

1. *The Facility*

The Company currently leases an approximately 3,000 square feet, custom built, indoor growing, production and distribution facility, in Horst, the Netherlands (the "**Facility**").

In June 2020, the Company engaged an independent consultant and commenced planning for the build-out and construction of the Facility, to determine the steps necessary to advance the Facility to an operational stage necessary to cultivate and produce non-European Union Good Manufacturing Practices ("**EU-GMP**") certified truffles (the "**Phase 1 Planning Stage**"). The Phase 1 Planning Stage involved a general assessment of the Facility, during which, management of the Company and the consultant worked closely to plan the steps required to commence the growth of non-EU-GMP certified truffles at the Facility (including, among other things, identifying appropriate ceiling, wall, and floor coating suitable for the proposed truffles growth operations).

In July 2020, the Company engaged another independent consultant (the "**Special Advisor**") with specialized knowledge of EU-GMP matters to advise the Company and assist with planning the phase 2 build-out of the Facility, including, among other things, advising the Company with respect to the costs, timelines, and procedures associated with building-out the Facility with the view to obtaining EU-GMP certification for the Facility (the "**Phase 2 EU-GMP Planning Stage**"). During the Phase 2 EU-GMP Planning Stage, management of the Company and the Special Advisor worked closely to undertake a review of the various steps involved in obtaining EU-GMP certification for the Facility, with a focus on assessing the costs involved, the various options available to the Company to obtain EU-GMP certification for the Facility, and the associated costs and benefits (and efficiency) of each such option, and the timelines associated with each such option.

In the course of consulting with the Special Advisor, the Company learned that fitting the Facility for the cultivation and production of non-EU-GMP certified truffles would allow the Company to create a revenue stream as the Company further considered and evaluated the costs and procedures associated with building-out the Facility to obtain EU-GMP certification for the Facility. In August 2020, following careful consideration, and in light of the current market and economic conditions and other factors considered by the Company, the Company determined that it was in the best interests of the Company to proceed in the said manner. Accordingly, the Company commenced growing its first crop of non-EU-GMP certified truffles in August 2020.

To date, the Company incurred approximately $24,000 in costs and expenses in connection with the Phase 1 Planning Stage (attributable primarily to consulting fees and renovations and upgrades relating to heating, ventilation, and air conditioning systems and the application of floor, ceiling and wall coatings completed at such phase), and approximately $9,000 in costs and expenses in connection with the Phase 2 EU-GMP Planning Stage (attributable primarily to consulting fees of the Special Advisor). For greater clarity, as of the date of this MD&A, the Facility is complete to accommodate non-EU-GMP growth operations, and the Company does not expect to incur additional costs related to the non-EU-GMP growth operations, with the exception of normal course enhancements or operational improvements. In the course of consulting with the Special Advisor, the Company determined that the Company will be required to incur an additional estimated amount of up to $1,197,769 in order to build-out the Facility in accordance with the standards necessary to obtain EU-GMP certification for the Facility, which will require, among other things, updates to the Facility's design and construction to comply with environmental and safety controls. In order to complete the EU-GMP certification for the Facility, the Company must undertake phase 3 ("**Phase 3**"), as part of which the Company will be required to engage a further consultancy firm, which will, among other things, review and assess the information provided by the Special Advisor in order to identify and advise the Company with respect to a suitable, and cost-effective build-out plan to obtain EU-GMP certification for the Facility. The build-out plan is expected to be tailored to suit the Company's business objectives at the time of such consultation process, as the same may exist in light of the impact of COVID-19 on, among other things, the Company's specific business objectives in respect of, and the reasons for, the EU-GMP certification for the Facility, as well as the then prevailing market and competitive conditions in respect of such objectives. As part of this consultation process, the consultancy firm is expected to draft a final construction plan covering each stage of the construction necessary to obtain EU-GMP certification for the Facility, in light of the then prevailing EU-GMP standards and certification requirements applicable to qualify the Company's cultivation and production process at the Facility, as well as the then present business objectives of the Company.

As of the date of this MD&A, the Company has considered and evaluated the economic viability and benefits of proceeding with building-out the Facility to obtain EU-GMP certification for the Facility. The Company's careful and updated assessment at this time is that the market for medical grade truffles is not sufficiently developed to warrant the cost of the build-out.

As noted above in this MD&A, under the section entitled "*Regulatory Framework and Licensing Regime*", truffles industry participants within the Netherlands do not require any special license, permit or other approval in order to engage in the cultivation, production, distribution, and sale of truffles within the Netherlands. Accordingly, in order to comply with the Opium Act, the Company simply began growing and cultivating its truffles in sealed, airtight bags, in a manner currently employed by existing participants in the truffles industry, in order to create a precise, and controlled environment that is designed to preclude truffles from transitioning to become magic mushrooms.

Should the medical truffle market mature to a point where EU-GMP certification would be viable, the Company could address the opportunity either through the investment in the current facility, in Horst, The Netherlands or through an investment in a potential facility which could be built via the Mera Life Sciences LLC acquisition (see item 12 below).

On February 4, 2020, Subco 1, the Company's then wholly-owned subsidiary, entered into a supply and collaboration agreement (the "**Supply and Collaboration Agreement**"**)** with Revive Therapeutics Ltd. ("**Revive**"). Pursuant to the Supply and Collaboration Agreement, the parties completed a mutual investment into one another whereby Revive subscribed for 2,500,000 subscription receipts, which were subsequently converted into shares of the Company. The Company subscribed for 3,000,000 common shares in the capital of Revive for aggregate consideration of $150,000. The Supply and Collaboration Agreement was entered into by the parties at a point in time when the Company was in the early stages of delineating its exact business plans, and in particular, with the expectation that the Company would pursue the construction of the Facility within the Netherlands, and seek to certify the constructed Facility as the EU-GMP certified facility in the truffle space. As of the date hereof, there remains uncertainty as to the immediate and eventual impacts of the COVID-19 pandemic on the operations of the Company and in particular, the anticipated timelines to progress with the next step in the Company's plans to obtain EU-GMP certification for the Facility. The Company has disposed of its investment in Revive, and the parties do not intend to pursue any further contractual arrangements at this time.

2. E-Commerce Platform

In late September 2020, the Company launched its e-commerce platform under the domain name "iMicrodose.nl" (the "**E-Commerce Platform**"), in order to market and promote its premium brand of truffles for sale through Smart Shops within the Netherlands. While the Company's disclosure in the Listing Statement projected that the E-Commerce Platform was expected to be launched in calendar Q2, 2020, the launch was delayed by approximately three (3) months as a result of general economic and business interruptions and slowdowns in the pace of the progress of the development of the E-Commerce Platform, resulting primarily from COVID-19.

To date, the Company has incurred approximately $14,000 in costs and expenses in connection with the development and launch of the E-Commerce Platform (of which approximately $8,000 is attributable to consulting fees, and approximately $6,000 is attributable to costs and expenses associated with website design (including setting up online payment processors and a subscription-based ordering system, and ensuring compliance with the *General Data Protection Regulation* of the European Union).

As of the date of this MD&A, the Company's "iMicrodose" brand of truffles is offered for sale on the E-Commerce Platform, in 15 gram microdosing kits) on both a single order basis and a subscription basis, with product orders delivered to end consumers within the Netherlands through an arrangement with McSmart. Access to the E-Commerce Platform is limited to individuals over the age of 18, who may purchase the iMicrodose microdosing kits for delivery within the Netherlands by registering and processing their order through the E-Commerce Platform. To date, the Company has not launched any material marketing, promotional, or educational campaigns on the E-Commerce Platform, and the E-Commerce Platform is used solely as an online marketplace to facilitate the purchase and sale of the iMicrodose microdosing kits. Please see the section entitled "*Regulatory Framework and Licensing Regime – E-Commerce*", for a summary discussion of the steps taken by the Company to ensure compliance with applicable laws prior to the launch of the E-Commerce platform.

As of the date of this MD&A, the E-Commerce Platform has generated limited revenue, but is expected to generate additional revenue in the future, subject to, among other things, market demand and competition, as well as the efficacy of any promotional efforts from time to time undertaken by the Company.

Except for updates and maintenance from time to time required in the ordinary course of business, the E-Commerce Platform is complete, and the Company does not anticipate any further work required with respect thereto.

3. Scarlette Lillie Science Innovation

In June 2020, the Company established a scientific and innovation division of the Company, "Scarlette Lillie Science and Innovation" ("**SLSI**"), which marked an early move by the Company to position itself to expand its business into the medical psychedelics market in the future, at such time as market and regulatory conditions present a viable business opportunity. SLSI is expected to be funded by a portion of the Company's available funds from time to time, and once operational, is expected to allow the Company to initiate and expedite various science, innovation and research activities focused on, among other things, exploring the potential medical and health benefits of psilocybin and whole fungi-medicine.

As of the date of this MD&A, SLSI has not yet commenced any material operations, and its activities have been limited to the activities of the Company's Chief Technology and Innovation Officer, Sarah Haskes, in working with RadixMotion Inc. ("**RadixMotion**"), a virtual reality company based in the State of Delaware to design and develop for the Company a virtual reality shopping experience module (the "**VR Module**"). To date, the Company has incurred approximately $26,000 in costs and expenses in connection with the establishment and development of SLSI (attributable primarily to the engagement of RadixMotion to develop the VR Module with input from SLSI, and to consulting fees paid to Sarah Haskes).

As of the date of this MD&A, the Company has not determined the exact nature of SLSI's future operations. If the Mera Life Sciences transaction is completed, the company expects activities of Mera (which will be renamed to SLSI), to include, but not be limited to: the importation of truffles to St. Vincent and the Grenadines from the Netherlands, prescription or clinical administering of truffles to patients / participants, extraction and testing of truffles, export of truffles, among others. Instead, the Company continues to evaluate market conditions on an ongoing basis, with the goal of identifying viable business opportunities in one or more segments of the medical psychedelics market within which SLSI may potentially become engaged in the future. The Company anticipates that SLSI's initial operations will be limited to activities which are not subject to material regulatory or licensing requirements, or to the extent subject to such requirements, undertaken through collaborations with one or more industry partners duly authorized to undertake such activities. In order to commence operations and enter into the medical psychedelics market, SLSI will need to carefully evaluate market-entry conditions and the costs and benefits of entering into one or more segments of the medical psychedelics market, and in particular in light of the current uncertainty as to the duration, and the immediate and eventual impact, of COVID-19 on the Company's business and operations, as well as general market and competitive conditions.

As of the date of this MD&A, the Company has not determined the costs and expenses which SLSI might be expected to incur in order to commence material operations. However, with the Company's acquisition of Mera, it expects to be required to invest ~$930,000 in building out SLSI in St. Vincent and the Grenadines over the next two years. There can be no assurance as to the timing or completion of SLSI's entry into one or more segments of the medical psychedelics market.

Virtual Reality Model

In July 2020, the Company engaged RadixMotion to design and develop the VR Module for the Company. The VR Module is intended to explain the effects of microdosing of truffles on the human brain, as well as a virtual reality avatar (the "**VR Avatar**") centered around the Company's brand. RadixMotion is a virtual reality company that utilizes the latest neuroscience research with immersive technology to strengthen the connection between the human body and human brain.

The VR Module is expected to allow potential consumers of the Company's products to experience effects intended to approximate the effects of microdosing truffles, in order to enable them to identify their personal comfort level and understand the potential effects of truffles before purchasing the Company's products. Users can also opt in to provide the Company with key data which the Company can then use to, among other things, conduct studies, and support valuable research and study. The VR Module represents a step by the Company to promote responsible use (by educating and enabling individuals to make reasoned, informed decisions with respect to truffles), and contribute to the scientific community by gathering valuable data on user experience (including of synesthesia, loss of autonomy and suggestibility) from users who opt-in, to inform further study and research in the psychedelic space.

The VR Avatar was completed in Q3 2020. The VR Avatar is currently in the process of being integrated into RadixMotion's "Meu" platform (the "**Meu Platform**"), the first social platform based on three-dimensional human movement data, which uses RadixMotion's movement data channels to bridge virtual reality and mobile augmented reality. The VR Avatar is expected to assist in the Company's larger efforts towards reducing the stigma associated with, among other things, truffles and other psychedelic substances. The VR Module was completed in calendar Q4 2020. It was initially expected to be launched in one or more Smart Shops in calendar Q4 2020. However, effective December 15, 2020, the Government of the Netherlands imposed a lockdown within the Netherlands to address the ongoing COVID-19 pandemic, ordering the closure of all non-essential businesses within the Netherlands, including Smart Shops. As a result, the VR module was launched instead on the Steam store receiving positive media attention from the VR community as well as 96 paid downloads.

The VR Module has been approved by the Oculus Quest Lab Sote mid-August and a marketing campaign is being evaluated. The budget for these updates as well as app maintenance are part of the acquisition of Radix Motion deal.

The VR app is also currently present in 2 smart shops, 1 VR set at Supersmart in Tiel and one in 'Smartshop Utrecht'. The Company expects to deliver VR Headsets to more Smartshops in the next calendar year.

To date, the Company has incurred approximately $26,000 in costs and expenses in connection with the development and launch of the VR Module and the VR Avatar, which includes costs and expenses associated with the purchase of the hardware required to launch the VR Module.

In order to launch the VR Module, the Company will need to identify potential launch sites, enter into arrangements with the responsible persons at such sites, purchase the hardware required to support and launch the VR Module, and undertake or supervise site-specific installation, testing, and staff training, and incur an estimated amount of up to $2,000 in costs and expenses associated with the foregoing, per each such site. In addition, following the launch the VR Module, the Company may consider one or more additional, alternative options, in order to launch and make accessible the VR Module to a larger audience within the Netherlands.

4. Augmented Reality Application and Digital Care Program

In November 2020, the Company further engaged RadixMotion to (i) assist in setting up an in-store media center with an augmented reality application which would provide consumers with data about microdosing, and (ii) designing and developing a digital care program to assist people in making informed choices with respect to their microdosing usage of truffles.

While the technology for the AR Application is complete, due to Covid restriction creating content for it which includes interviews and video from the truffle farm have been halted until covid rates are reduced and stores are fully open and able to cooperate. The Company expects costs with the foregoing to be approximately $3,000 for hardware and education of stores. The Company launched the augmented reality application in an in-store media center in July, 2021.

The Company has recently completed the digital care program, which is in the form a web application allowing individual users to use anonymous sign-in mechanisms to track their microdosing journey.

The digital care program has launched with an app on www.iMicroapp.com. The app allows people to journal their microdosing session, takes physiological measurements of their body to assess their energy level and includes tele counseling with a therapist, group messaging and event notifications.

There are total of 227 registered users, and 129 of them consent to share their data. There have been a total of 119 entries 94 of which are shared.

The Company will be adding features to the app that connect the Wisdom hardware device to the app allowing people to keep track of biometric heart rate date and their meditation practice, sell phone use and their local electric grid carbon emissions.

These new features are aimed to launch Q1 of 2022. The budget for these updates as well as app maintenance are part of the acquisition of Radix Motion deal.

To date the Company has spent $125,000.

5. SR Wholesale Acquisition

In March 2021, the Company acquired a 100% equity interest in SR Wholesale B.V. ("**SR Wholesale**"), a distributor of truffles in the Netherlands with a distribution network of over 300 companies. The Company paid cash of 950,000€ (which is approximately $1,400,000 CAD) on closing of the purchase transaction, and an additional €300,000 (approximately $440,000 CAD) through the issuance of a convertible promissory note with a maturity date of two (2) years and interest rate of 5% per annum. The note can be converted into shares of the Company at a conversion price of $0.38 per share. SR Wholesale has established relationships with multiple operators of smartshops including but not limited to "House of Smart and McSmart, and all such parties, collectively, the "Current Industry Partners".

6. Joint Venture with Halo Labs Inc.

In April 2021, the Company formed the Oregon Joint Venture with Halo Labs Inc., to establish to engage in the manufacturing and supply psilocybin products to licensed facilities in the State of Oregon, U.S. The proceeds allocated include estimated costs of $150,000 - currently 50,000 USD - associated with the build out a facility in Oregon, and estimated costs of $1,000,000 allocated for the purchase of equipment required for the licensed facility, retaining the required staff to carry out the proposed business activities, and funding future research endeavours at the facility. Significant events that must occur to move forward with this objective include (i) the establishment, by the Oregon Health Authority, of a regulatory framework to govern such proposed activities in the State of Oregon, U.S., (ii) satisfactory completion of due diligence in respect of the viability of the Oregon Joint Venture in light of the regulatory framework established by the Oregon Health Authority, and (iii) the negotiation and entering into of a definitive agreement and satisfaction of customary closing conditions. The anticipated timeline for completing this objective is late calendar Q4 2023, which is based on, among others, the following material assumptions: (i) the Company's plan to proceed with the build-out of the facility as currently contemplated being materially feasible in light of a reasonable regulatory framework being implemented by the Oregon Health Authority within the timelines anticipated by the Company and not materially affected by changes in such regulatory environment, and (ii) the contractors and/or personnel necessary to undertake the build-out of the facility and the proposed business activities within the facility continue to be readily available, and willing to enter into favourable contractual arrangements with the Company in respect thereof. The Company notes the following in respect of the foregoing material assumptions:

- The Company's assumption as to its plan to proceed with the build-out of the facility being feasible in light of the regulatory framework to be implemented by the Oregon Health Authority is based on current, public information as to the anticipated timeline for the Oregon Health Authority to develop the said regulatory framework, which is currently expected to be developed over a two-year period, and the Company's expectation that such regulatory framework will be reasonable and achieve the goal and intent of the Measure 109.
- As at the date hereof, due to the Oregon Health Authority not having developed the said regulatory framework, the Company is unable to determine the approvals, permits, and/or licenses which may be required in order to undertake the Oregon Joint Venture as proposed. Following such time as the Oregon Health Authority introduces the said regulatory framework, the Company intends to work with local legal counsel to review, and pursue all approvals, permits, and/or licenses which may be required to undertake the Oregon Joint Venture as proposed.
- As of the date hereof, the Company has not entered into any agreements with contractors and/or personnel to undertake the build-out of the facility. In the Company's view, in light of the Oregon Health Authority not having developed the above-mentioned regulatory framework, entering into such agreements may be premature at the present time. However, based on the Company's informal assessment, the Company does not anticipate the build-out of the facility to be unusual or to require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into agreements with contractors and/or personnel to complete the build-out of the facility in the future. Based on the information currently available, the Company does not anticipate requiring more than two contractors and/or personnel to undertake the build-out of the facility. Based on the Company's informal assessment of the labour force and employment conditions and demand within the State of Oregon, U.S., the Company does not anticipate material difficulties in retaining such contractors, employees, and/or personnel on terms acceptable to the Company.

As of the date of this MD&A, the Company is waiting for the OHA to create a program and the regulations which will govern the sale of psilocybin products in the State of Oregon. Subject to applicable laws and regulations, the Company anticipates entering to a definitive agreement within the next 9 months and building out a facility in Oregon.

The Halo Labs LOI was entered into following the passage of Ballot Measure 109 in the State of Oregon ("Measure 109"), whereby voters voted for the State of Oregon to progress towards becoming the first U.S. state to allow the use of psilocybin for therapeutic use. Although psilocybin remains illegal under federal U.S. laws as of the date of this MD&A, Measure 109 authorizes the Oregon Health Authority ("OHA") to establish (over the course of a 2 year period) a regulatory framework to permit the manufacture, delivery, and administration of psilocybin at supervised, licensed facilities within the State of Oregon.

As of the date of this MD&A, the OHA has neither established a program nor regulations to govern the sale and distribution of psilocybin products within the State of Oregon. The Oregon Joint Venture is not expected to be established until such time as the OHA has established such regulatory framework, and the market and regulatory conditions within the State of Oregon present a viable business opportunity for Red Light Holland and Halo Labs.

The company has contracted Dynata, a market research company, to conduct a 500-person survey to determine on which product offerings to focus. The price for this service and the raw data is $4,085; another approximate $1,500 will be needed for data analysis. This item is budgeted from the joint committed budget by Halo and Red Light Holland.

7. Marketing Plans

The Company originally disclosed in the Listing Statement that the Company may engage marketing and brand development firms to roll out the Company's brand of truffles across the Netherlands over the course of twelve (12) to twenty four (24) months, with a target of launching its marketing campaign in calendar Q2, 2020. However, as a result of general economic and business interruptions and slowdowns resulting primarily from COVID-19, the Company did not achieve its target of launching its marketing campaign in calendar Q2, 2020, as originally disclosed in the Listing Statement. In light of current uncertainty as to the duration, and the immediate and eventual impact, of COVID-19 on the Company's business and operations, as well as general market and competitive conditions, the Company continues to evaluate market conditions on an ongoing basis, with the goal of determining the appropriate timing to launch the Company's marketing campaign, and where deemed advisable, engage marketing and brand development firms to roll out the Company's brand of truffles across the Netherlands.

To date, the Company has incurred approximately $66,000 in costs and expenses in connection with the Company's marketing efforts (attributable primarily to costs and expenses associated with the hosting and promotion of the Company's product launch event). Amid current uncertainty as to the duration, and the immediate and eventual impact, of COVID-19 on the Company's business and operations, as well as general market and competitive conditions, the Company continues to carefully evaluate market conditions on an ongoing basis, in order to devise an effective marketing campaign which is appropriately tailored to market demand within the Netherlands. In order to undertake such marketing efforts, the Company anticipates that it will be required to work closely with its Chief Creative Officer to devise a marketing campaign and determine the timing of the launch thereof, and consider and, if deemed advisable, engage one or more social media influencers to amplify and extend the reach of the Company's marketing efforts within the Netherlands. The Company expects to incur an estimated amount of up to approximately $150,000 in monthly costs and expenses in connection with advertising campaigns, social media (including celebrity influencers promoting truffles and merchandise), digital banner ads, and pop-up shops.

The company has contracted Digital Inside, a social media marketing company in the Netherlands to assist with social media marketing. The contract calls for a one time setup fee of Euro 1,615 and a monthly fee of Euro 1,105 with a short term cancellation option.

8. Psychedelic Insights Letter of Intent

In December 2020, Red Light Holland entered into a non-binding letter of intent (the "Psychedelic Insights LOI") with Psychedelic Insights B.V. ("Psychedelics Insights") to acquire a 51% interest in Psychedelic Insights, with the parties intending to enter into a formal definitive agreement in respect of the proposed acquisition (the "Psychedelics Insights Definitive Agreement"). Psychedelic Insights is a Netherlands based company engaged in providing psychedelic assisted therapy using truffles to individuals from across the globe.

As of the date of this MD&A, the parties have terminated the Psychedelics Insights LOI.

9. Disruptive Pharma Joint Venture

In December 2020, Red Light Holland entered into a non-binding letter of intent (the "Disruptive Pharma LOI") with Disruptive Pharma LLC ("Disruptive Pharma"), a Latin America-focused pharmaceutical investment company focused on developing innovative solutions for the health and wellness industry, in order to establish a future joint venture (the "Disruptive Pharma Joint Venture") to cultivate, manufacture, and commercialize truffles for the Brazilian market, and to explore other potential business opportunities. The Disruptive Pharma Joint Venture is subject to the parties entering into a formal definitive agreement in respect thereof (the "Disruptive Pharma Joint Venture Agreement").

Pursuant to the Disruptive Pharma LOI, Red Light Holland and Disruptive Pharma are expected to each hold a 50% interest in a new entity to be formed to undertake the Disruptive Pharma Joint Venture. The parties are expected to share equally the costs and expenses associated with the Disruptive Pharma Joint Venture, with Red Light Holland expected to be entitled to 51% of the profits generated through the Disruptive Pharma Joint Venture. As of the date of this MD&A, the parties have not entered into the Disruptive Pharma Joint Venture Agreement but continue to negotiate its terms.

While continuing to finalizing the proposed joint venture structure and agreement, and in consideration for Disruptive Pharma having met certain initial milestones, the Company has agreed to issue to Disruptive Pharma, 3,000,000 common share purchase warrants, each warrant is exercisable into one common share of the Company at a price of $0.50 per share for a period of 2 years. 750,000 of these warrants have vested immediately based on Disruptive Pharma having fulfilled certain milestones, the balance vest upon future milestones being met. The milestones related to the recent authorization by Anvisa, Brazil's National Health Regulatory Agency, for the Company's iMicrodose packs, to be legally imported to Brazil via the 'named patient import process' for prescribed medical patient use.

10. Mera Life Acquisition

In August 2021, Red Light Holland acquired a 100% interest in Mera Life Sciences LLC ("**Mera Life**"), a company focused on developing a modern medicinal industry in St. Vincent and the Grenadines, . The consideration for the acquisition was comprised of up to 7,000,000 common shares or RLH, priced at $0.35, for an ascribed price of $2,450,000 , with shares vesting over a one-year period. The Company anticipates cash spending of $1,500,000 for lab equipment and general facilities.

The costs of the setting up the research facility would include (i) leasehold improvement (ii) various laboratory equipment and supplies (iii) licensing costs for Artificial Intelligence technology. The acquisition of Mera and its licenses will allow Red Light Holland to perform high quality psychedelic product research and development with, and cultivate, extract and process Psilocybin and other plant-based substances. The timeline for this objective is calendar H2 2021 /calendar H1 2022, which is based on the following material assumptions: (i) the Company's preliminary estimates in respect of the costs and timelines for setting up the research facility being materially accurate, (ii) the contractors, employees, and/or personnel necessary to undertake and complete all required leasehold improvements continue to be readily available and willing to enter into favourable contractual arrangements with the Company in respect thereof, (vi) the Company's plan to set up and operate the research facility being materially accurate and feasible in light of the regulatory environment within St. Vincent and the Grenadines (which the Company expects to assess in its due diligence phase). See "Summary Description of the Business - Mera Life Acquisition".

The Company notes the following in respect of the foregoing material assumptions:

- The Company determined the costs and timelines for setting up the research facility based on its discussions with the Company's Scientific Advisor, who possesses the requisite experience and knowledge with respect to the construction of similar facilities.
- As of the date hereof, the Company has not entered into any agreements with contractors, employees and/or personnel to complete the leasehold improvements in respect of the research facility. However, the Company does not anticipate such leasehold improvements to be unusual or to require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into agreements with contractors, employees and/or personnel to complete such leasehold improvements in the future. The Company anticipates that it will require up to 2 contractors to undertake and complete the said leasehold improvements. Based on the Company's informal assessment of the labour force and employment conditions and demand within St. Vincent and the Grenadines, the Company does not anticipate material difficulties in retaining such contractors, employees, and/or personnel on terms acceptable to the Company.
- As at the date hereof, the Company has engaged local legal counsel to review and advise the Company with respect to the approvals, permits, and/or licenses which may be required in order to set up the research facility. The Company's assumption as to its plan to set up and operate the research facility being materially accurate and feasible in light of the regulatory environment within St. Vincent and the Grenadines based on the Company's preliminary discussions with the Government of St. Vincent and the Grenadines and the Company's local legal counsel in respect of the process for setting up the research facility. The Company intends to continue to work with local legal counsel and the Government of St. Vincent and the Grenadines to identify all approvals, permits, and/or licenses which may be required to set up the research facility, and following such determination, apply for the required approvals, permits, and/or licenses prior to commencing operations at the research facility. The Company clarifies that as of the date hereof, it has not applied for any approvals, permits, and/or licenses which may be required to set up the research facility.

Following the completion of the acquisition, the Company renamed Mera Life to Scarlette Lillie Science and Innovation (see item 3) and plans to use it as a key platform for growth in this business segment.

11. Wisdom Truffle

The Wisdom Truffle is currently being designed by Karim Rashid and Radix Motion is building the technology that powers it. The Wisdom Truffle will be a smart figurine that helps people build healthy patterns using meditation, monitoring their phone usage and helping them take positive action to reduce their carbon footprint. Wisdom is expected to be produced in three different models with different sizes and capabilities and which can potentially be sold across the world in approximately beginning 2022. The company is expecting test units to be shipped by end Q4 2021 and mass production in Q1 2022. The Wisdom Truffle's intention is to highlight an iMicrodose lifestyle which promotes positivity, and connects people to an enlightened community.

The proceeds allocated include estimated costs associated with the production and distribution of the Wisdom Truffle across the world in one or more jurisdictions to be determined by the Company at a later date, and is comprised of the following: (i) balance of fees payable to Karim Rashid for the design and development of the Wisdom Truffle (estimated to be approximately $15,000), (ii) manufacturing costs relating to the production of the Wisdom Truffle (estimated to be approximately $200,000, assuming an initial production target of approximately 2,000 units), (iii) R&D of the technology powering wisdom approximately $150,000 and (iv) ancillary costs associated with the storage, shipping, handling, and distribution of the Wisdom Truffles (estimated to be approximately $40,000).

A high-fidelity prototype of Moon has been completed. Based on usability testing we have moved the heart rate sensor to be connected via wire to Moon so people can sit comfortably further away while using it. A negotiation with a factory in China is underway for manufacturing all 3 wisdom truffles as well as designing the speaker and phone charger components of Star. If negotiations proceed as planned, we can expect first test units to be shipped in December and completion of tests and mass production of 500 units of each version (star and moon) by mid-January. We are aiming for a small run of 100 exclusive units of the large Super Nova version. Once negotiation is completed and we can have a clear estimate on pricing we will open up pre orders.

150 people have registered to the waiting list interested in pre-orders.

Significant events that must occur to move forward with the proposed business objective include, finalizing the design and production specifications of the Wisdom Truffle, and completing market research into one or more economically viable jurisdictions within which to launch the Wisdom Truffle.

The anticipated timeline for completing this objective is based on, among others, the following material assumptions: (i) the demand for, and benefits of, the introduction of the Wisdom Truffle being materially accurate in light of the Company's assessment of market and competitive conditions, and (ii) the persons necessary to manufacture and distribute the Wisdom Truffle continue to be readily available in the jurisdictions chosen by the Company, and willing to enter into favourable contractual arrangements with the Company in respect thereof. The Company notes the following in respect of the foregoing material assumptions: (1) As of the date hereof, the Company has not entered into any agreements with any persons to manufacture and distribute the Wisdom Truffle. To the knowledge of the Company, based on its informal assessment and its discussions with Karim Rashid, the manufacturing requirements for the Wisdom Truffle are not unusual and do not require specialized labour or materials or personnel. Accordingly, the Company does not anticipate material difficulties in entering into such manufacturing and distribution agreements in respect of the Wisdom Truffle. At the early stages, the Company intends to utilize its working relationship with Karim Rashid, and leverage his professional network (which includes distributors and manufacturers) to undertake the manufacture and distribution of the Wisdom Truffle. (2) The Company's assumption in respect of the demand for the Wisdom Truffle are based on the Company's informal assessment of the market and competitive conditions, and in particular in respect of the recent, growing popularity of the "KAWS" figurines globally. (3) Following such time as the Company determines economically viable jurisdictions within which to launch the Wisdom Truffle (and prior to entering into arrangements for the manufacturing and/or distribution of the Wisdom Truffle) the Company intends to work with local legal counsel to review, and to the extent required ensure that its requisite partners possess, all approvals, permits, and/or licenses which may be required in the relevant jurisdiction in order to undertake such activities. The Company clarifies that as of the date hereof, it has not applied for any approvals, permits, and/or licenses which may be required to manufacture and/or distribute the Wisdom Truffle.

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

Overall Performance and Outlook

Selected Annual Financial Information

	March 31, 2021	March 31, 2020	March 31, 2019
Current assets	$ 33,874,948	$ 3,967,499	$ -
Current liabilities	1,124,538	4,586,025	2,142,888
Shareholders’ equity (deficiency)	34,055,051	(1,144,295)	(2,668,657)
Revenue	110,956	-	-
Net income (loss)	(1,644,828)	(325,173)	-
Net income (loss) per share	(0.01)	(0.38)	-

Quarterly Financial Information

For the quarters ended	Revenue ($’s)	Net Income (Loss) ($’s)	Loss per share ($’s)	Weighted Average Shares
June 30, 2021	595,137	(3,447,758)	(0.01)	334,059,100
March 31, 2021	95,868	(537,738)	(0.00)	302,174,765
December 31, 2020	15,088	173,488	0.00	232,939,828
September 30, 2020	-	(426,433)	(0.00)	226,747,374
June 30, 2020	-	(854,145)	(0.01)	80,925,926
March 31, 2020	-	(306,218)	(0.36)	851,335
December 31, 2019	-	(8,955)	(0.01)	851,335
September 30, 2019	-	(5,000)	(0.01)	851,335

Results of Operations for the quarter ended June 30, 2021 compared to the quarter ended June 30, 2020

As at June 30, 2021, the Company is well positioned with $30,138,612 in cash and cash equivalents and $31,740,236 in working capital.

The Company reported a consolidated net loss of $3,447,758 ($0.01 per share) for the quarter ended June 30, 2021, compared to a net loss of $854,145, ($0.01 per share) in the quarter ended June 30, 2020. During the quarter ended June 30, 2020, the Company was not operating, as it was seeking a corporate transaction. Therefore, all expense categories have increased in the current period with the closing of the Transaction and commencement of business activity.

Revenue – 12 months	June 30, 2021	June 30, 2020	Change
Product	$ 587,959	$ -	$ 587,959
Merchandise	7,178	-	7,178
Total	$ 595,137	$ -	$ 595,137

Revenue commenced in the second half of the March 31, 2021 year.

Revenue in the June 2021 quarter is in line with the Company’s expectations for this stage of its development. The Company anticipates that product and merchandise sales in the March 31, 2022 year will continue to accelerate as more product is available for sale and marketing efforts drive customers to the Company. The Company will benefit from the March 2021 acquisition of SR Wholesale, which will report a full 12 months of operations for the full 2022 fiscal year compared to 12 days in the 2021 fiscal year.

Cost of sales – 12 months	June 30, 2021	June 30, 2020	Change
Product	$ 488,050	$ -	$ 488,050
Merchandise	11,357	-	11,357
Total	$ 499,407	$ -	$ 499,407

The Company anticipates that product and merchandise costs in the March 31, 2022 year will continue to accelerate as more product is available for sale and marketing efforts drive customers to the Company. Per unit costs are expected to decrease through volume-based efficiencies.

Expenses – 12 months	June 30, 2021	June 30, 2020	Change
General and administrative	$ 1,022,023	$ 610,363	$ (411,660)
Share-based payments	2,555,818	883,718	(1,672,100)
Interest expense	21,760	-	(21,760)
Total	$ 3,599,601	$ 1,494,081	$ (2,105,520)

The increase in expenses reflects a change in business from not operational in the June 2020 quarter to operational and scaling up in the quarter ended June 30, 2021.

General and administrative expenses mostly increased in the quarter ended June 30, 2021 with the transition to operations. Significant cost items in the quarter ended June 30, 2021 included consulting ($175,007), professional fees ($197,980), management fees ($182,466), business development ($135,767), office and general ($227,581), regulatory ($3,017), and amortization and depreciation ($100,205). General and administrative expenses in the quarter ended June 30, 2020 mostly represented professional costs and consulting and management fees incurred while the Company was not operational.

Share based payments in the quarter ended June 30, 2021 includes the value of options that vested during the period, and the value of shares and warrants issued to various consultants as compensation for services rendered.

Interest expense in the quarter ended June 30, 2021 was incurred on the lease.

Other items – 3 months ended	June 30, 2021	June 30, 2020	Change
Gain on sale of marketable securities	$ 93,823	$ 110,124	$ (16,301)
Unrealized change in fair value of marketable securities	(48,808)	528,000	(576,808)
Foreign exchange gain	74	-	74
Change in fair value of convertible securities	(13,914)	-	(13,914)
Interest income	16,938	1,812	15,126
Total	$ 48,113	$ 639,936	$ (591,823)

During the three months ended June 30, 2021, the Company sold 1,595,000 shares of PharmaDrug for proceeds of $161,610, which resulting in a realized gain on sale of marketable securities of $93,823.

During the three months ended June 30, 2021 the Company recognized a loss of $48,808 on its marketable securities. These unrealized gains reflect mark-to-market changes in the securities during the period.

Interest income in the quarter ended June 30, 2021 reflects interest on surplus funds.

Liquidity, Capital Resources and Cash Flows

As at June 30, 2021, the Company had a working capital position of $31,740,236, which will fund operations and growth strategy in the short term.

As at June 30, 2021, the Company had cash of $30,138,612 (March 31, 2021 - $31,185,487) and $nil (March 31, 2021 - $Nil) of funds held in escrow.

The Company used cash in operations of $1,160,219 for the three-month period ended June 30, 2021 compared to $847,738 in the three-month period ended June 30, 2020 (as in the 2020 period the Company had not yet commenced operations). Cash used in operations represented most of the change of cash balances in the quarter.

Cash used in investing activities for the quarter ended June 30, 2021 amounts to $201,548 and consisted of $1,715,635 of proceeds from the sale of shares, offset by the purchase of marketable securities in the amount of $350,000, the acquisition of SR Wholesale B.V for $1,299,284, $86,958 for equipment purchases, and $180,941 for the acquisition of intangible assets. Cash used in investing activities for the year ended March 31, 2020 of $1,804,290 represented funds held in escrow.

Cash from investing activities for the June 30, 2021 quarter contributed cash of $29,563 as the proceeds from sale of securities offset cash used in acquisitions and intangible assets.

Cash from financing activities for the June 30, 2021 quarter contributed cash of $83,781 as cash from the exercise of warrants and stock options more than offset lease payments.

The primary need for liquidity is to fund the construction of the Facility, M&A's, execute the business plan to drive sales and to fund working capital requirements. The primary source of liquidity has been primarily from private and/or public financing. The ability to fund operations, to make planned capital expenditures and execute the growth/acquisition strategy depends on the future operating performance and cash flows, which are subject to prevailing economic conditions, regulatory and financial, business and other factors, some of which are beyond the Company's control.

The Company manages liquidity risk by reviewing, on an ongoing basis, its sources of liquidity and capital requirements. In evaluating the Company's capital requirements, including the impact of COVID-19 on the Company's business, and its ability to fund the execution of its business strategy, the Company believes that it has adequate available liquidity to enable it to meet its working capital and other operating requirements, fund current growth initiatives (please see the section entitled "*Significant Projects*" in this MD&A) and other capital expenditures and settle its liabilities for at least the next twelve (12) months. The Company's objective is to maintain sufficient cash to fund the Company's operating requirements and expansion plans identified from time to time. While the Company expects to incur losses for at minimum the next twelve (12) months, management of the Company continues to work towards the success and eventual profitability of the business.

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 stock options and warrants of the Company. There can be no assurance that additional funds can be raised upon terms acceptable to the Company, or at all, as funding for early-stage companies remains challenging generally. Given the nature of the Company's business as of the date of this MD&A, and in particular, the fact that its operations are undertaken exclusively within a foreign jurisdiction, the Company may face difficulty in accessing traditional sources of financing, notwithstanding that its business operations are conducted in a regulatory environment within which the Company's activities are neither illegal nor subject to conflicting laws.

The Company's current expenditure obligations include commitments for those projects described in the section entitled "*Significant Projects*" in this MD&A. The Company expects to continue funding these projects with available cash and cash equivalents.

The following capital commitments (as described in the section entitled "*Significant Projects*" in this MD&A) are expected to be paid from existing working capital:

- *The Facility* – As detailed earlier, the Company has entered into a lease agreement in respect of the Facility, with a lease commitment of 5 years, commencing August 1, 2020, with an annual commitment of $30,000. As at December 31, 2020, the additional costs incurred to set up the Facility was approximately $24,000 and included the cost of coating the floors and ceiling, setting up the heating, ventilation, and air conditioning systems, and other leasehold improvements. The costs were incurred during Q2 of the current fiscal year.
- *E-Commerce Platform* – In September 2020, the Company entered into an agreement for the design and development of the E-Commerce Platform, for a fee of $5,200 to be paid in two instalments. The first instalment was paid on commencement of the project (paid in September 2020), the second on completion (paid in November 2020). Additional consulting fees related to the development were approximately $8,000 (of which $2,600 was paid during the Q2 2020).

Scarlette Lillie Science Innovation –As at March 31, 2021 and the date of this MD&A, the Company has no capital commitments for funding this division. As previously noted, the Company is still assessing the nature of it future operations and investments of this division. Should the Mera acquisition be completed, it will be rebranded and integrated with SLCI.

- *Super Smart Distribution Arrangement* – In connection with the Super Smart Distribution Arrangement, the Company is committed to provide Super Smart with a VR Headset, an iPad and train the employees on iMIC Centre and incur approximately $5,000 in hard costs and expenses. To date, no expenses have been incurred.
- *Joint Venture with Halo Labs* - In connection with the Company's proposed Joint Venture with Halo Labs, the Company is currently not committed to spending any funds. However, if the Company enters into a binding agreement, the Company anticipates committing to incurring approximately $150,000 in the build out of a facility, and estimated costs of $1,000,000 allocated for the purchase of equipment required for the facility.
- *Disruptive Pharma Joint Venture* - In connection with the Company's LOI with Disruptive Pharma, the Company is currently not committed to spending any funds. However, if the Company enters into a binding agreement, the Company anticipates future costs.
- *Mera Life Acquisition* - – In connection with the Company's acquisition of Mera Life, the Company anticipates committing to spending cash of approximately $1,500,000 for lab equipment and facilities.
- *Wisdom Truffle* – In connection with the Wisdom Truffle campaign, the Company has committed to a fee of US$50,000 (approximately $65,000) over two phases of product development, as well as a 5% Royalty Fee of net sales to be paid to the designer. To date, the Company has spent $ 153,943.

Management of Capital

The capital managed by the Company includes the components of shareholders' equity as described in the financial statements for the three-month period ended June 30, 2021. 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.

Dividends

The Company did not pay dividends in the period ended June 30, 2021 or the year ended March 31, 2021.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of June 30, 2021 and the date of this MDA.

Critical Accounting Estimates

Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(a) Income and other taxes
Income, value added, withholding and other taxes The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are

many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

(b) Provisions and contingencies
Provisions are recorded by the Company when it has determined that it has a present obligation, whether legal or constructive, and that it is probable that an outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are recorded based on management's best estimates of timing, and quantum of future outflows.

(c) Share based payments
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(d) Determination of functional currency
Management uses its judgment to determine the functional currency that most appropriately represents the economic effects of the underlying transactions, events and conditions. The functional currency of a company is the currency of the primary economic environment in which the company operates in consideration with other indicators. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

(e) Assessment of Cash Generating Units
For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units ("CGU"). The Company applies judgement in assessing the smallest group of assets that comprise a single CGU. The Company has three CGU's being the RLN Netherlands BV (sale of iMicrodose kits), Red Light Holland (Subco 1) (sale of merchandise), and SR wholesale (wholesale of psychedelics and cannabis related products).

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

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

(h) Assessment of indicators of Goodwill
Goodwill impairment testing requires management to estimate the recoverable amount of the CGU to which goodwill has been allocated. On an annual basis, the Company tests whether goodwill is impaired, based on an estimate of its recoverable amount.

(i) Fair value of convertible debenture
The Company makes estimates and assumptions relating to the fair value measurement and disclosure of its convertible debentures. The fair values are determined using a variety of valuation techniques. The inputs to

these models are derived from observable market data where possible, but where observable market data are not available, management's judgment is required to establish fair values.

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.

Interest rate risk

The Company has cash balances and no interest-bearing debt. 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. As at March 31, 2021, the Company had no interest-bearing loans.

Foreign exchange risk

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

The Company's functional and reporting currency is the Canadian dollar. Foreign exchange risk arises from transactions denominated in currencies other than the Canadian dollar. The Company's primary foreign exchange exposures is the Euro, being the local currency in the Netherlands where the Company's subsidiary RLH NL operates.

The Company is exposed to currency risk through the assets and liabilities denominated in currencies other than Canadian dollar. As at June 30, 2021, the Company does not have a material risk as 81% of its assets and liabilities are denominated in the Canadian dollar.

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, on a daily basis, to ensure that it can meet its current obligations.

The Company has accounts payable outstanding of $1,740,800 as at June 30, 2021 (March 31, 2021 - $1,072,392). The Company has a current lease liability outstanding of $52,146 as at June 30, 2021 (March 31, 2021 - $52,146).

The Company has a long term lease liability of $95,294 (March 31, 2021 - $100,465). A long term convertible debenture of $727,800 (March 31, 2021 - $713,886) and a deferred tax liability of $301,156 (March 31, 2021 - $301,156).

Credit risk
The Company's credit risk is primarily attributable to cash and cash held in escrow. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions and cash held with a law firm, from which management believes the risk of loss to be remote.

Share Capital Information

Outlined below is selected current share capital information related to the Company as June 30, 2021, March 31, 2020, and at the date of this MDA:

Description	Aug. 29, 2021	June 30, 2021	March 31, 2021
Common shares issued and outstanding	360,019,496	348,397,496	332,888,764
Stock options outstanding	10,100,000	11,350,000	12,266,668
Broker warrants and common share purchase warrants issued and outstanding	77,639,961	77,639,961	78,239,961
Restricted share units	10,197,000	-	-
Fully diluted shares outstanding	457,956,457	437,387,457	423,395,393

Related Party Transactions

The Company had related party transactions with directors or officers of the Company, or companies with which they were associated, as follows:

Compensation to key management personnel
Compensation paid or payable during the quarters ended June 30, 2021 and 2020 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the three months ended June 30, 2021, the Company was charged $75,000 (2020 - $53,000) in fees by 8797668 Canada Ltd, a Company owned by Todd Shapiro, the CEO, for CEO management fees. As at June 30, 2021, $28,250 (March 31, 2021 $61,687) was due to the CEO.

b) During the three months ended June 30, 2021, the Company was charged $12,000 (2020 - $9,000) in fees by CFO Advantage Inc., a Company owned by the CFO, for management fees. As at June 30, 2021, $4,520 (March 31, 2021 $4,520) was due to the CFO.

c) During the three months ended June 30, 2021, the Company was charged $36,000 (2020 - $21,000) in fees by Hans Derix, the President of RLH NL, for management fees. As at June 30, 2021, $12,000 (March 31, 2021 $15,095) was due.

d) On May 27, 2020, the Company issued 3,700,000 stock options to directors and officers of the Company, with an estimated value of $182,012.

Equity Transactions
Shares issued during the three months ended June 30, 2021 and 2020 to persons and corporations in charge of the planning, direction and control of the Company, including executive and non-executive directors, is as follows:

a) During the three months ended June 30, 2021, the Company issued 7,296,000 RSU’s to officer and directors of the Company.

b) During the three months ended June 30, 2020, the Company settled debt of $464,115 to related parties through the issuance of 32,408,850 shares.

c) During the three months ended June 30, 2020, the Company issued $46,667 worth of shares to related parties through the issuance of 2,333,333 common shares in the DebtCo financing in January 2020.

c) During the three months ended June 30, 2020, the Company issued $200,000 worth of subscription receipts to related parties through the issuance of 3,333,333 subscription receipts through the FinCo financing.

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.

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $244,000 which are due within one year.

Future Accounting Policies

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after April 1, 2020.

Amendments to IFRS 3: Definition of a Business The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

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

COVID-19 Pandemic

General

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19". The COVID-19 outbreak resulted in governments worldwide enacting emergency measures to combat the spread of COVID-19 (including the implementation of travel bans, self-imposed quarantine periods, and social distancing). COVID-19 has had a profound and unprecedented impact on the global economy and has caused material disruption to individual businesses and the global economy. As of the date of this MD&A, the duration and the immediate and eventual impact of COVID-19 remains unknown, and in particular, it is not possible to reliably estimate the immediate and eventual impact of COVID-19 on the financial results and condition of the Company and its industry partners.

Impact on the Company

The Company commenced its operations within the Netherlands in fiscal Q2 2020, and during the interim period ended December 31, 2020, COVID-19 did not have a direct, material impact on the operations, financial condition, cash flows and financial performance of the Company. However, the Company believes that the direct and indirect impact of COVID-19 on the Company's industry partners indirectly delayed the Company's ability to establish and commence its operations within the Netherlands in accordance with the timelines originally anticipated by the Company.

The Company continues to monitor the latest developments on COVID-19 on an ongoing basis, and continues to assess the more immediate impact of COVID-19 on the operations of the Company and its industry partners within the Netherlands, with a focus on maintaining business continuity. The Company's approach to maintaining business continuity during COVID-19 is focused on, among other things:

- prudent cash management, which is reflected by among other things, the Company's decision to carefully assessing further expansion efforts and temporarily delaying both the build-out of the Facility to obtain EU-GMP certification for the Facility, and the launch of its marketing campaign, until such time as the Company can fully appraise itself of market and economic conditions;

- implementing appropriate measures tailored to mitigate unanticipated impacts of COVID-19, which is reflected in part by, among other things:
    - the build-out of the Company's Facility for the cultivation and production of non-EU-GMP certified truffles in order to both (i) create a revenue stream, and (ii) offset unanticipated interruptions in the supply of truffles sourced from its industry partners due to COVID-19; and
    - the Company's experimental launch of a subscription-based model for the sales of its brand of truffles through the E-Commerce Platform.

Amid COVID-19, the Company's success will depend on its ability to ensure that consumers in the Netherlands continue to have safe and uninterrupted access to the Company's truffles, as well as maintaining high quality cultivation, production, and distribution capabilities. The Company intends to continue to assess its business and operational needs, and implement cost reductions in salaries and consulting fees, marketing and other administrative functions, where necessary. Although COVID-19 has not significantly impacted the Company's operations to date, there can be no assurance that there will not be disruptions to its operations in the future. COVID-19 presents several unpredictable variables on the economy and the truffles market within the Netherlands, making it difficult to accurately forecast upcoming results.

In spite of this, the Company's core focus will be on closely monitoring the development of COVID-19 to focus its resources on navigating and adapting to emerging situations as they unfold. See also the section below entitled "*Risk Factors*" for further discussion on the potential impacts of COVID-19.

Risk Factors

Due to the nature of the Company's business, its limited operating history, and its stage of development, an investment in the securities of the Company is highly speculative and involves significant risks and uncertainties. As the Company continues to develop its business, the Company will face numerous challenges, and additional risks and uncertainties not presently known to the Company, or which the Company believes to be immaterial. In the event that such risks and uncertainties materialize, the Company's business, financial condition, and results of operations could be materially adversely affected, and shareholders of the Company could lose all or part of their investment in the Company. Such risks and uncertainties could also cause actual events to differ materially from those described in forward looking statements relating to the Company described in this MD&A and in certain documents incorporated by reference into this MD&A.

The following section summarizes certain of the risks and uncertainties relating to the business of the Company as of the date of this MD&A. The summary of such risks and uncertainties is not intended to be exhaustive, and such risks are in addition to the usual risks associated with investment in a business. Investors should carefully consider the following risks and uncertainties as well as the risk factors set out in the Listing Statement.

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, as well as other laws, regulations, and guidelines in effect from time to time enacted by applicable governmental authorities. 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 brand of truffles and its future products 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 brand of truffles and other product offerings within the Netherlands, (ii) the Company's ability to supply a sufficient amount of its brand of truffles to meet market demand, and (iii) the number of competitors from time to time competing with the Company within the Netherlands. As the Company continues to grow and expand its operations within the Netherlands, there is a risk that the Netherlands truffles industry may become increasingly competitive in all its phases, and in particular as a result of the possibility that new entrants (including from jurisdictions outside of the Netherlands) could attempt to mirror the Company's business model and establish operations in the Netherlands. 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 brand of truffles and future products. Further, there can be no assurance that consumer demand for the Company's truffles and other 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 and operating results of the Company.

Reliance on Key Personnel

The Company 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.

Reliance on a Single Facility

The Company's cultivation and production activities are conducted exclusively within the Facility, which is located in Horst, the Netherlands, and the Company anticipates that such activities will continue to be conducted within the Facility for the foreseeable future. The Company's operation and the condition of the Facility is, and will be, subject to hazards inherent in the truffles industry, including structural or equipment defects, malfunctions, natural disasters, fire, explosions, or other accidents that may cause damage to the Facility. Any adverse changes or developments (whether in the Netherlands generally or within the Facility) affecting the Facility could have a material and adverse effect on the Company's ability to continue to cultivate and produce its brand of truffles, and could have a material adverse effect on the business, financial condition and operating results of the Company.

Difficulty in Obtaining, or Unviability in Pursuing, EU-GMP Certification of Facility

The Company's business objectives include obtaining EU-GMP certification for the Facility, in order to enable the Company to grow and sell EU-GMP certified truffles within the Netherlands. However, as of the date of this MD&A, in light of among other things the existing uncertainty brought about by COVID-19, the Company is further considering and evaluating the economic viability and benefits of proceeding with building-out the Facility in order to obtain EU-GMP certification for the Facility.

As discussed elsewhere in this MD&A, in order to complete the EU-GMP certification for the Facility, the Company must undertake Phase 3, as part of which the Company must engage a consultancy firm to, among other things, obtain a build-out plan that is tailored to suit the Company's business objectives at the time of such consultation process, as the same may exist in light of the impact of COVID-19 on, among other things, the Company's specific business objectives in respect of, and the reasons for, the EU-GMP certification for the Facility, as well as the then prevailing market and competitive conditions in respect of such objectives. Although obtaining EU-GMP certification for the Facility could potentially provide the Company with a competitive edge, by enabling it to cultivate and sell EU-GMP certified truffles, there can be no guarantee that the Company will commence Phase 3, or that, if Phase 3 is commenced, that the Company will be successful in obtaining EU-GMP certification for the Facility. In particular, as of the date of this MD&A, there is a heightened risk that the Company may ultimately determine that it is not in the best interest of the Company to pursue EU-GMP certification for the Facility. In the event that the Company determines not to obtain, or pursues but fails to obtain, EU-GMP certification for the Facility (including as a result of factors beyond the control of the Company), any such decision or failure could have a material adverse effect on the business, financial condition and operating results of the Company. Further, in the event that the Company is successful in obtaining EU-GMP certification for the Facility, any failure to comply with the requirements of the EU-GMP certification or any failure to maintain the conditions and requirements associated with such EU-GMP certification could have a material adverse effect on the business, financial condition and operating results of the Company.

The Company believes that the following events and circumstances may reasonably be likely to cause actual results with respect to the timing and commencement of Phase 3 to differ materially from those anticipated by the Company and expressed in this MD&A:

- the impact of COVID-19 on general market conditions, and particularly, on (A) the market demand for EU-GMP certified truffles, and (B) the business operations of entities and institutions (and in particular, those engaged in the health and sciences industries) which might otherwise have presented the Company with business-to-business sales channels for the sale of the Company's for EU-GMP certified truffles;
- the impact of measures from time to time implemented by the Company to mitigate unanticipated impacts of COVID-19 on the Company's business operations, including, but not limited to, a potential reallocation of funds to (A) establish and implement new business initiatives, (B) accelerate, increase, reduce, or eliminate existing initiatives, (C) address unexpected setbacks, and (D) pursue strategic opportunities, such as partnerships, strategic partners, joint ventures, mergers, acquisitions, and other opportunities; and
- unanticipated setbacks which may materialize following the date of this MD&A, including, among other things, changes in the rules and regulations established by the European Union in respect of the minimum requirements that a producer must meet to obtain EU-GMP certification, and the Company's inability to identify a cost-effective build-out plan to obtain EU-GMP certification for the Facility.
-

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 operations are conducted exclusively within the Netherlands. As such, the Company's 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, 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

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 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 amount of sales 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 Smart Shop 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 Smart Shop 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) Smart Shop 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

The Company is in its early stage of development, and has not yet generated meaningful revenue 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. 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

As a company in its early stage of development, 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 has established working relationships with 4 industry partners in the truffles industry within the Netherlands, and to date, the Company's relationships with McSmart, Super Smart, SR-Wholesale B.V. and the operator of a Smart Shop under the name "House of Smart" 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 exclusively 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 Smart Shops and cultivation and production facilities. In the event that one or more of the Company's industry partners were to cease providing the Company with an adequate supply of truffles or cease distributing the Company's brand of truffles through their own dedicated Smart Shops, any such occurrence could have a material 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.

Reliance on Informal Arrangements

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 the 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 a material adverse effect on the business, financial condition and operating results of the Company.

Additional Information

Additional information on the Company has been filed electronically through the System for Document Analysis and retrieval ("SEDAR") and is available online at www.sedar.com.